

## COLOMBIA - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	Retirement age is 60 for men and 55 for women, increasing to 62 for men and 57 for women in 2014. Employees are provided with benefits either from a private health and pension provider or from the Social Security Institute (ISS). Employees can switch between the public and private system every five years up to the 10 years before retirement. The full social security retirement pension is 65% of final average basic pay in the last 10 years, plus increments up to 80% of final average basic pay after 1,050 weeks' contributions (increasing to 1,400 weeks by 2015). The benefits also include survivors' and disability pensions. The private system provides defined contribution benefits. Employees may choose to have medical care provided either by the state or by private health institutions (IPSS).
Typical New Pension Plan	Private pension funds can be used to increase retirement benefits. A lump sum death benefit may be provided, typically 24 months' earnings. Private health funds can provide some additional medical benefits. Private medical insurance is also available and is typically provided by large employers.
Typical Costs	Employer contributions for state and mandatory benefits are 11.625% of covered earnings. Employee contributions are 3.875% plus 1% of income above four times the minimum wage. The maximum covered earnings are 25 times the minimum wage of COP 532,500 a month (2011). Contributions for medical care are 12.5% of earnings by employers and 4.0% by employees. Employers must also contribute 9% of monthly payroll to an industry-wide Severance Pay Fund to provide family benefits for employees. Employees earning more than 16 times the minimum wage contribute an additional 0.2% to 1.0% to a Solidarity Fund to provide benefits for lower-paid employees. Employees covered by the private system also pay 1.5% of covered earnings for disability and survivors' benefits and up to 1.5% for administration. Employees typically pay 50% of the contributions for lump sum death benefits and private medical care.
Tax Implications	Employer contributions for state, mandatory and private benefits are tax-deductible. Employee contributions to state and mandatory benefits are tax deductible, up to 25% of earnings. Benefits in excess of COP 10,780,000 a month are taxable.
Labour Law Issues	On termination of service without just cause, employees are entitled to a severance payment of one month's pay for each year of service. Employers are required to make annual payments to a Severance Pay Fund to meet the liability.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	The use of International Financial Reporting Standards is not permitted in listed or unlisted companies.
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