



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 the Social Security Institute (ISS). Employees can switch between the public and private system every three years. The benefits provided include retirement pensions, survivor and disability benefits. The social security retirement pension is 65% of final average basic pay in the last 10 years, plus increments up to 85% of final average basic pay after 1,400 weeks' contributions. The maximum insured pay is 25 times the legal minimum wage of COP 433,700 a month (2007)
Typical New Private 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
Typical Costs	Contributions to Pension Fund Administrators (AFPs) are 12% by employers and 4.0% by employees, up to a contribution ceiling of 25 times the legal minimum wage. Contributions for medical care are 8.5% by employers and 4.0% by employees. Employers must also contribute 9% of monthly payroll to an industry-wide Severance Pay Fund to provide a family benefits for employees. Employees earning more than four times the minimum wage contribute an additional 1% to 2% to the Solidarity Fund to provide benefits for lower-paid employees. Employees typically pay 50% of the contributions for lump sum death benefits and private medical care.
Tax Implications	Employer contributions to 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 10,200,000 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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