

LATVIA - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	Retirement age is 62 and is due to increase to age 65 between 2016 and 2021. Early retirement is available from age 60 with a reduced pension, but only up to 31 December 2011. The state pension operates on a notional defined contribution basis. The pension is based on contributions paid, adjusted to take account of changes in the earnings index and average life expectancy. The minimum pension ranges from LVL 49.50 to LVL 79.50 a month depending on the period of contributions. Employees born after 1 July 1971 must participate in a funded state pension plan that provides a pension on retirement. The pension can be secured by buying an annuity from an insurance company or from the state scheme. The first benefits will be paid in 2014. The state also provides disability and survivors' pensions. Medical care is provided for residents, subject to payments of LVL 1 for outpatient visits and LVL 5 a day for in patient care.
Typical New Pension Plan	Employees under 50 on 1 July 2001 can participate in the funded state pension plan on a voluntary basis. All employees can make voluntary contributions to a private pension plan with an insurance company or a private pension fund. Employers may also provide life and accident insurance benefits.
Typical Costs	For state benefits, employers pay 24.09% of earnings and employees pay 9%. There is no earnings ceiling. From the total contributions, 2% is paid to the mandatory state funded pension plan. Contributions were originally intended to increase to 10% by 2010, but were reduced in 2008. They are due to increase to 6% in 2013. Increases in the mandatory contributions are offset by reductions in the contributions for state benefits.
Tax Implications	Employer and employee contributions to pension funds are deductible up to 10% of annual earnings. Investment income is taxable. Pensions are subject to income tax.
Labour Law Issues	Private pension funds are regulated by the Financial and Capital Market Commission (FKTK). They are required to operate as non-profit making companies and must appoint management companies and custodians.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	EU/EEA rules apply. For listed companies, International Financial Reporting Standards apply in both consolidated and separate company statements. For unlisted companies, IFRSs are required for financial institutions but are not permitted for other companies.
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