

## LITHUANIA - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	Retirement age is 62 years and 6 months for men and age 60 for women. Retirement age is due to increase progressively to age 65 for men and women by 2026. Early retirement is available up to five years before the normal retirement age with a reduced pension. The state pension is made up of a basic pension plus an earnings related supplement. The full basic retirement pension after 30 years of contributions is 120% of the basic pension of LTL 360 a month. The earnings-related supplement is $0.005 \times \text{the years of contributions (S)} \times \text{the coefficient (K)} \times \text{the income level (D)}$ in the month of retirement. The coefficient is the ratio of actual earnings to average earnings in five best consecutive years from 1 January 1984 and 31 December 1993 and each year from 1 January 1994. There is a further pension supplement of 3% of the basic pension for each year of contributions over 30 years. There are no requirements for mandatory contributions to private pension plans. The state also provides disability and survivors' pensions and medical benefits.
Typical New Pension Plan	Part of the contribution for state pension benefits can be diverted to a voluntary individual account with a corresponding reduction in the state earnings-related pension. The decision cannot be reversed. The contribution was 5.5% up to January 2009 and reduced to 2% from 1 July 2009. It is planned to increase to 3.5% in 2020. On retirement, the account must be used to buy a pension at least equal to the state pension, and the balance can be taken as a lump sum. Apart from the voluntary accounts, private pension funds are not common. Life assurance cover may be provided together with accident insurance benefits.
Typical Costs	For pension benefits, employers contribute 23.3% of earnings and employees 3%. Employers also pay 3.4% for cash sickness benefits and 3% for medical benefits. Employees pay 6% for medical benefits.
Tax Implications	Employer contributions are tax deductible and not taxable to employees. Employee contributions are tax deductible up to 25% of earnings, with any excess taxed at a reduced rate. Pensions are subject to income tax.
Labour Law Issues	Pension funds must be set up as companies, with a supervisory board, a management board and shareholders.
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 some financial institutions and are permitted for other companies.
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