

MEXICO - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	Normal retirement age is 65. Early retirement is available from age 60, depending on the contribution record. From 1997, new employees are required to select one of the Administradoras de Fondos de Retiro (AFORES), privately administered funds which provide defined contribution benefits at retirement. Employees prior to 1 st July 1997 receive the higher of the pension under the old or the new system. The state also provides survivors' pensions, disability pensions and medical care
Typical New Pension Plan	Most employers provide a lump sum retirement benefit at least equal to the statutory termination benefit, and often combined with lump sum death and accident benefits. Higher paid employees may be provided with additional retirement benefits. Private medical insurance is often provided for salaried employees. Some employers operate savings plans and flexible compensation plans to provide tax efficient loans and welfare benefits for employees.
Typical Costs	For state and mandatory benefits, employers pay around 27% of earnings up to three times the minimum wage (MXP 59.82 a day from 1 January 2011) plus around 8% on the balance up to 25 times the minimum wage; employees pay around 2%. This includes the contributions to AFORES accounts, which total 6.5% of earnings up to 25 times the minimum wage. Employers' contributions to private plans are typically 2% to 6% of earnings.
Tax Implications	Employer contributions for state benefits are tax deductible. Contributions to complementary pension plans are deductible up to 5% of earnings. Benefits are not subject to income tax. Pensions are not subject to income tax if less than nine times the minimum wage
Labour Law Issues	Employees are entitled to severance payments on termination without just cause. After 30 years' service the payment is around two times annual earnings. Payments can be provided through a pension plan. Employees are also entitled to a seniority benefit after 15 years' service, profit sharing and a Christmas bonus.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	All companies listed on the Mexican Stock Exchange will be required to use International Financial Reporting Standards starting in 2012 and have the option to use IFRSs earlier. Unlisted companies are not permitted to use IFRSs.
Local IBN Contact	Rosa Laura Martinez, rlmartinez@lmsmexico.com.mx Consultores Asociados de México, S.A. Presidente Masaryk 191 Piso 4 Chapultepec Morales 11570 México, D.F. Tel: +(52) 55 5280-3874 and (52) 55 3093-6729/672930 Web site: www.lmscamsa.com.mx