

## Liechtenstein

Exchange rate: US\$1.00 equals 1.31 francs.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First and current laws:** 1952 (old-age and survivors), implemented in 1954; 1960 (disability), implemented in 1960; and 1988 (mandatory occupational pensions), with 2005 amendment.

**Type of program:** Social insurance and mandatory occupational pension system.

#### Coverage

**Social insurance:** All persons residing in Liechtenstein and employed and self-employed nonresidents.

**Mandatory occupational pension:** All employees covered by social insurance with annual earnings greater than 19,350 francs. Coverage is mandatory from age 23 for old-age benefits if the employment contract exceeds 3 months and from age 17 for disability and survivor benefits regardless of the duration of the employment contract.

Voluntary coverage is possible for excluded employees and self-employed persons.

#### Source of Funds

##### Social insurance

**Insured person:** 3.8% of earnings for old-age and survivors and 0.75% of earnings for disability.

A nonemployed person pays variable annual contributions according to income, between 228 francs and 7,600 francs for old-age and survivors and between 45 francs and 1,500 francs for disability, plus an additional 4% of the total contribution amount for administrative costs.

There are no maximum earnings for contribution purposes.

**Self-employed person:** A lump sum of 228 francs for old-age and survivors if annual income is between 3,000 francs and 6,000 francs; 3.8% to 7.5% of annual income for old-age and survivors if annual income is between 6,000 francs and 26,000 francs; 7.6% of annual income for old-age and survivors and 1.5% of annual income for disability if annual income is greater than 26,000 francs.

There is no maximum income for contribution purposes.

Self-employed persons pay an additional 4% of their total contribution amount for administrative costs.

**Employer:** 3.8% of payroll for old-age and survivors and 0.75% of payroll for disability, plus an additional 4% of the total contribution amount for administrative costs.

There are no maximum earnings for contribution purposes.

**Government:** 20% of annual expenditure, plus 2/3 of income from the Heavy Vehicle Fee equal to at least 4.2 million francs a year for old-age and survivors; any deficit up to 50% of annual expenditure for disability.

#### Mandatory occupational pension

**Insured person:** At least 6% of covered earnings. Normally, covered earnings include income between 19,350 francs and 77,400 francs, minus a tax allowance of 12,900 francs. In addition, the insured pays up to 50% of the cost of administrative fees.

Nonemployed persons may contribute voluntarily.

**Self-employed person:** Voluntary contributions, plus the cost of administrative fees.

**Employer:** At least 6% of covered earnings. The employer's contribution must be at least equal to the value of the insured's contribution. Normally, covered earnings include income between 19,350 francs and 77,400 francs, minus a tax allowance of 12,900 francs. In addition, the employer pays at least 50% of the cost of administrative fees.

**Government:** None.

#### Qualifying Conditions

##### Old-age pension

**Social insurance old-age pension:** Age 64 (men) or age 63 (women) with at least 1 year of contributions. The pensionable age for women will increase gradually to age 64 by 2009.

Early pension: Payable from age 60 (men and women).

Deferred pension: The pension may be deferred up to age 70.

Child's supplement: Payable for each child younger than age 18 (age 25 if a student or in vocational training).

Wife's supplement: Husbands born before 1945 may receive a supplement for a wife born before 1955. The wife must not be entitled to a pension in her own right.

**Mandatory occupational old-age pension:** Age 64 (men and women).

Early pension: Age 60 (men and women) if eligible for a social insurance early pension.

Deferred pension: The pension may be deferred.

##### Disability pension

**Social insurance disability pension:** The full pension is paid with at least 1 year of contributions and a permanent loss of at least 66.6% in working capacity.

Partial pension: A half pension is paid with at least 1 year of contributions and a permanent loss of 50% to 66.6% in working capacity. A quarter pension is paid with at least 1 year of contributions and a permanent loss of 40% to 49% in working capacity.

Disability supplement: Payable for insured persons younger than age 45 at the onset of disability.

Child's supplement: Payable for each dependent child younger than age 18 (age 25 if a student or in vocational training).

*Mandatory occupational disability pension:* The onset of disability must be before the pensionable age for the old-age pension. The degree of disability is assessed according to the loss in earning capacity. The pension ceases when the insured reaches retirement age.

### Survivor pension

*Social insurance survivor pension:* The insured had at least 1 year of contributions.

Eligible survivors are the spouse, a divorced spouse entitled to alimony, and orphans younger than age 18 (age 25 if a student or in vocational training).

*Mandatory occupational survivor pension:* Eligible survivors are the spouse and orphans younger than age 18 (age 25 if a student or in vocational training).

### Old-Age Benefits

#### Old-age pension

*Social insurance old-age pension:* For a full pension based on a complete insurance period for the insured's age cohort (defined by the year of birth), the pension is between 1,075 francs and 2,150 francs a month depending on the yearly average earnings during the total insurance period.

Yearly average earnings are calculated on the basis of employment income, contributions made while nonemployed, and recognized care-giving periods for children or persons in need of care. If married, the yearly average earnings are split equally between both partners for the marriage period.

Child's supplement: 40% of the old-age pension is paid for each child younger than age 18 (age 25 if a student or in vocational training); 50% is paid if the disability pension is replaced by the old-age pension.

Wife's supplement: Between 10% and 35% of the old-age pension (transitional provision), according to the insured's age cohort.

Partial pension: A reduced pension is paid for an incomplete contribution period, according to the insured's age cohort.

Early pension: The value of the reduced pension depends on when the pension is first received. If the pension is first received up to 1 year before the normal retirement age, the

pension is reduced by 3%; if 2 years earlier, by 7%; if 3 years earlier, by 11.5%; or if 4 years earlier, by 16.5%. For women born before 1952 who retire at age 62 or older, the pension is reduced by 1.5%.

Deferred pension: The pension is increased by 5.22% for 1 year of deferral up to 40.71% for the maximum deferral of 6 years.

Christmas bonus: 100% of the monthly pension is paid in December.

Benefit adjustment: Benefits are adjusted every 2 years for changes in the consumer price index and wage index. If the annual consumer price index increases by more than 4%, the adjustment may be brought forward. If the consumer price index increases by less than 5% in a 2-year period, the adjustment may be postponed.

*Mandatory occupational old-age pension:* Benefits may be paid as an annuity or as a lump sum, depending on the plan's regulations.

The minimum pension is based on the insured's accumulated capital and the annuity rate of the pension institution. Annuity rates are defined by plan regulations.

Benefit adjustment: Benefits are adjusted according to the financial situation of each institution.

### Permanent Disability Benefits

#### Disability pension

*Social insurance disability pension:* The full pension is based on a complete insurance period for the insured's age cohort (defined by the year of birth). If the level of disability is at least 66.6% (total disability), the pension is between 1,075 francs and 2,150 francs a month depending on yearly average earnings during the total insurance period.

Yearly average earnings are calculated on the basis of employment income, contributions made while nonemployed, and recognized care-giving periods for children or persons in need of care. If married, the yearly average earnings are split equally between both partners for the marriage period.

If the onset of disability was before age 25 and the insured has at least the minimum required contribution period, the disability pension amounts to at least 133.3% of the minimum rate of the full pension payable for the insured's age cohort.

Partial disability: If the assessed degree of disability is between 50% and 66.6%, the pension is equal to 50% of the full pension; if the assessed degree of disability is between 40% and 49%, the pension is equal to 25% of the full pension.

Partial pension: A reduced pension is paid for an incomplete contribution period.

**Disability supplement:** The supplement is proportional to the value of average annual income. The supplement is set by the government.

**Child's supplement:** 50% of the disability pension is paid for each child younger than age 18 (age 25 if a student or in vocational training).

**Christmas bonus:** 100% of the monthly pension is paid in December.

**Benefit adjustment:** Benefits are adjusted every 2 years for changes in the consumer price index and wage index. If the annual consumer price index increases by more than 4%, the adjustment may be brought forward. If the consumer price index increases by less than 5% in a 2-year period, the adjustment may be postponed.

**Mandatory occupational disability pension:** Benefits may be paid as an annuity or as a lump sum, depending on the plan's regulations. The full pension must be at least equal to 30% of covered earnings.

**Partial disability:** If the insured has an assessed degree of disability of at least 25%, a reduced pension is paid for a partial disability.

**Child's supplement:** Up to 6% of covered earnings is paid for each child younger than age 15 (age 25 if a student).

**Benefit adjustment:** Benefits are adjusted according to the financial situation of each institution.

### Survivor Benefits

#### Survivor pension

**Social insurance survivor pension:** The full pension is based on a complete insurance period for the insured's age cohort (defined by the year of birth) and is equal to 80% of the pension paid or payable to the deceased.

The full pension is payable to a widow(er) with children or a widow(er) without children aged 45 or older at the time of the insured's death who was married to the insured for at least 5 years.

The widow(er) pension ceases on remarriage.

**Temporary survivor pension:** A pension is paid for a limited 2-year period to a widow(er) who was married to the deceased for less than a year; for 3 years if married for less than a year and younger than age 40 at the time of the insured's death; for 4 years if married for between 1 and 5 years and older than age 40 at the time of the insured's death; or for 5 years if married for between 1 and 5 years and between ages 40 and 45 at the time of the insured's death.

For a surviving separated or divorced spouse, the total pension payable is equal to the value of any alimony owing to him or her.

**Partial survivor pension:** A reduced pension is paid for an incomplete contribution period.

**Social insurance orphan's pension:** Each orphan younger than age 18 (age 25 if a student or in vocational training) receives 40% of the pension paid or payable to the deceased; full orphans receive a pension for each insured parent.

**Partial orphan's pension:** A reduced pension is paid for an incomplete contribution period.

**Benefit adjustment:** Benefits are adjusted every 2 years for changes in the consumer price index and wage index. If the annual consumer price index increases by more than 4%, the adjustment may be brought forward. If the consumer price index increases by less than 5% in a 2-year period, the adjustment may be postponed.

**Mandatory occupational survivor pension:** Benefits may be paid as an annuity or as a lump sum, depending on the plan's regulations. The survivor pension must be at least equal to 18% of covered earnings for the spouse and 6% of covered earnings for each orphan.

The survivor pension ceases if the surviving spouse remarries or on the date the deceased would have attained retirement age, with the surviving spouse receiving a lump sum equal to the value of the insured's vested old-age pension rights.

**Benefit adjustment:** Benefits are adjusted according to the financial situation of each institution.

### Administrative Organization

**Social insurance:** Old Age, Survivor, and Disability Insurance Institute (<http://www.ahv.li>) administers the program. The institute is responsible for registering affiliates, regulating and collecting contributions, and providing benefits.

**Mandatory occupational pension:** Mandatory occupational pension plans are administered by private pension institutions under government supervision.

Financial Market Authority, Office for the Economy (<http://www.fma-li.li>) supervises and regulates pension institutions and ensures compliance.

### Sickness and Maternity

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#### Regulatory Framework

**First law:** 1910.

**Current laws:** 1971 (sickness), implemented in 1972, with amendments; and 1981 (maternity), implemented in 1982.

**Type of program:** Social insurance (cash benefits) and universal (medical benefits) system.

#### Coverage

**Cash sickness and maternity benefits:** Employed persons aged 15 or older.

Voluntary coverage for self-employed persons.

**Medical benefits:** All persons residing or employed in Liechtenstein.

### **Source of Funds**

**Insured person:** A variable percentage of earnings (the average is between 1.5% and 2%) or a fixed sum (on average, 204 francs for adults or 102 francs for young persons between ages 17 and 20 in 2004); children up to age 16 are exempt. The contributions of an insured person between ages 17 and 20 must not be more than half the value of the contributions of an adult.

The maximum annual earnings for contribution purposes are 106,800 francs.

**Self-employed person:** Voluntary contributions.

**Employer:** The contribution must be equal to 50% of the insured employee's contribution (on average, 102 francs for adults and 52 francs for young persons between ages 17 and 20 in 2004).

The maximum annual earnings for contribution purposes are 106,800 francs.

**Government:** Varying contributions are made toward the cost of medical benefits and are payable to health insurance funds according to the age and gender balance of each fund. The government covers 90% of the cost of medical benefits for children younger than age 17, subsidizes contributions for low-income insured persons, and pays the full cost of the maternity allowance.

### **Qualifying Conditions**

**Cash sickness benefits:** Membership in a health insurance fund.

**Cash maternity benefits:** Must have 270 days of membership in a health insurance fund without an interruption of membership longer than 3 months.

### **Sickness and Maternity Benefits**

**Sickness benefit:** The benefit is equal to at least 80% of covered earnings. The benefit is paid after a 2-day waiting period for a total of 720 days in a period of 900 consecutive days.

**Partial sickness benefit:** A reduced sickness benefit is paid for partial (at least 50%) incapacity.

**Maternity benefit:** The benefit is equal to at least 80% of covered earnings. The benefit is payable for 20 weeks, of which at least 16 weeks must be after the expected date of childbirth.

**Maternity allowance:** A variable tax-exempt lump sum (between 500 francs and 4,500 francs) based on the taxable income of both spouses (or the taxable income of the

woman if unmarried) is payable to a woman who is not eligible for the maternity benefit. If eligible for maternity benefits under the 1971 law and if the maternity benefit is lower than the maternity allowance, only the difference between the allowance and the maternity benefit is paid.

### **Workers' Medical Benefits**

Medical services are provided by approved doctors, public hospitals, private hospitals, clinics under contract with health insurance funds, and recognized sanatoriums.

Medical benefits include primary and specialist treatment, hospitalization, ambulance services, pharmaceuticals, maternity care, and convalescence.

There is no limit to duration.

**Cost sharing:** Cost sharing by patients includes a set fee of up to 800 francs per calendar year and a 10% copayment for all costs exceeding the set fee. Cost-sharing rates are halved for pensioners and adolescents older than age 15 but younger than age 20; there is no cost sharing for children younger than age 16, for chronic diseases, or for preventive or maternity care.

### **Dependents' Medical Benefits**

Individuals are insured in their own right under separate insurance coverage. Medical services are provided by approved doctors, public hospitals, private hospitals, clinics under contract with health insurance funds, and recognized sanatoriums.

Medical benefits include primary and specialist treatment, hospitalization, ambulance services, pharmaceuticals, maternity care, and convalescence.

There is no limit to duration.

**Cost sharing:** Cost sharing by patients includes a set fee of up to 800 francs per calendar year and a 10% copayment for all costs exceeding the set fee. Cost-sharing rates are halved for pensioners and adolescents older than age 15 but younger than age 20; there is no cost sharing for children younger than age 16, for chronic diseases, or for preventive or maternity care.

### **Administrative Organization**

Registered Compulsory Health Insurance Funds administer contributions and benefits.

Financial Market Authority, Office for the Economy (<http://www.avw.llv.li>) supervises and regulates Health Insurance Funds and ensures compliance.

## Work Injury

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### Regulatory Framework

**First law:** 1910.

**Current law:** 1990 (accident insurance), implemented in 1991.

**Type of program:** Social insurance system.

### Coverage

Employed persons.

Voluntary coverage for self-employed persons.

### Source of Funds

**Insured person:** None.

**Self-employed person:** A contribution is made according to the extent of coverage required and the assessed degree of risk.

The maximum annual earnings for contribution and benefit purposes are 106,800 francs.

**Employer:** Premiums vary according to the assessed degree of risk.

The maximum annual earnings for contribution and benefit purposes are 106,800 francs.

**Government:** None.

### Qualifying Conditions

**Work injury benefits:** There is no minimum qualifying period.

### Temporary Disability Benefits

If the insured has a loss in working capacity of at least 25%, the benefit is equal to 80% of earnings. The benefit is payable after a 2-day waiting period.

The maximum annual earnings for benefit calculation purposes are 106,800 francs.

### Permanent Disability Benefits

**Permanent disability benefits:** The full pension is equal to 80% of earnings and is paid for a reduction in working capacity of more than 50%.

The maximum annual earnings for benefit calculation purposes are 106,800 francs.

Partial disability: 50% of the pension is paid for a reduction in working capacity of 25% to 50%.

**Constant-care allowance:** Payable if the insured requires constant care or assistance to complete daily tasks. Between 586 francs and 1,758 francs a month is paid, depending on the level of dependency and care required.

**Integrity damage grant:** The grant is payable for a permanent and major physical or mental disability that was the result of an accident. The value of the lump sum depends on the assessed degree of disability, up to a maximum of 106,800 francs.

### Workers' Medical Benefits

All necessary expenses and care are covered in full.

There is no limit to duration.

### Survivor Benefits

**Survivor pension:** The pension is equal to 40% of the deceased's earnings.

The maximum annual earnings for benefit calculation purposes are 106,800 francs.

The pension is payable to a surviving widow(er) or to a separated or divorced spouse (if the deceased was required to pay alimony) if he or she has dependent children, is at least 66.6% disabled, or is aged 45 or older.

**Survivor pension for a divorced spouse:** The pension is equal to 20% of earnings. The pension is payable up to the value of the alimony owed to the separated or divorced spouse.

**Orphan's pension:** Each orphan younger than age 18 (age 25 if a student or in vocational training) receives 15% of the deceased's earnings; 25% for a full orphan.

The maximum annual earnings for benefit calculation purposes are 106,800 francs.

The maximum survivor pension is equal to 70% of the deceased's covered earnings (90% if a divorced spouse is also receiving a survivor pension). If survivors also receive pensions under Old Age, Disability, and Survivors, only the difference between the amounts is payable. (Survivors also receive cost-of-living allowances that are incorporated into the pension.)

**Benefit adjustment:** Benefits are adjusted every 2 years for changes in the consumer price index and wage index. If the annual consumer price index increases by more than 8%, the adjustment may be brought forward. If the consumer price index increases by less than 5% in a 2-year period, the adjustment may be postponed.

**Survivor allowance:** A lump sum is paid to a surviving spouse or to a divorced or separated spouse who is not eligible for a pension. The lump sum varies from one to five times the annual pension, depending on the duration of marriage. The maximum lump sum for a marriage that lasted

1 year is equal to 1 year's pension; 5 years' pension is paid for 5 years of marriage.

### **Administrative Organization**

Registered Compulsory Accident Insurance Funds administer contributions and benefits.

Office for the Economy (<http://www.avw.llv.li>) supervises and regulates Accident Insurance Funds and ensures compliance.

### **Unemployment**

#### **Regulatory Framework**

**First and current law:** 1969 (unemployment), implemented in 1970.

**Type of program:** Social insurance system.

#### **Coverage**

Employed persons and apprentices.

#### **Source of Funds**

**Insured person:** 0.25% of earnings.

The maximum annual earnings for contribution purposes are 97,200 francs.

**Self-employed person:** Not applicable.

**Employer:** 0.25% of payroll.

The maximum annual earnings for contribution purposes are 97,200 francs.

**Government:** Under certain conditions, the government finances up to 20% of the cost of benefits. The government also finances up to 20% of the cost of any deficit.

#### **Qualifying Conditions**

**Unemployment benefit:** Must have at least 6 months of insurance coverage in the last 2 years before claiming unemployment benefits. The insured must be available for work and must satisfy any other necessary requirements.

**Short-time work compensation:** The insured has worked for a maximum of 18 months in the last 2 years. The compensation is payable for a temporary work stoppage, a reduction in working hours of at least 2 days a month, or a reduction in working hours due to bad weather for certain professional groups in the construction industry between December 1 and March 15 (with the exception of the period between December 24 and January 6).

### **Unemployment Benefits**

**Unemployment benefit:** The benefit is equal to 80% of daily covered earning and is payable for up to 250 days for insured persons up to age 49 (400 days if aged 50 to 59; 500 days if aged 60 to 64) in a 2-year period. The benefit is equal to 70% of daily covered earnings if the insured has no dependents, is not disabled, and has daily earnings of more than 130 francs.

Benefits are calculated according to the last salary; in certain cases may be calculated according to the average salary in the last 6 months.

**Dependent's supplement:** Ten francs a day is paid for one dependent; 5 francs a day for each additional dependent.

The maximum benefit is equal to 85% of daily covered earnings (including supplements for dependents).

**Short-time work compensation:** The worker receives compensation for the period of reduced working time. The benefit is equal to 80% of covered earnings for the period of lost working time and is payable for up to 3 months. The national unemployment insurance fund pays 80%, and the employer pays 20%, of the total benefit.

### **Administrative Organization**

National Unemployment Insurance Fund administers contributions and benefits.

Office for the Economy (<http://www.avw.llv.li>) supervises and regulates the National Unemployment Insurance Funds and ensures compliance.

### **Family Allowances**

#### **Regulatory Framework**

**First law:** 1958.

**Current law:** 1985 (family allowance), implemented in 1986.

**Type of program:** Social insurance system.

#### **Coverage**

All persons residing in Liechtenstein and employed and self-employed nonresidents.

#### **Source of Funds**

**Insured person:** Employees make no contributions; nonemployed persons make variable contributions of between 63 francs and 2,100 francs, depending on their assets and income.

Nonemployed persons pay an additional 4% of their individual contribution amount for administrative costs.

**Self-employed person:** 2.1% of gross earnings.

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Self-employed persons pay an additional 4% of their individual contribution amount for administrative costs.

There are no maximum earnings for contribution purposes.

**Employer:** 2.1% of payroll and an additional 4% of payroll for administrative costs.

There are no maximum earnings for contribution purposes.

**Government:** Any deficit.

### **Qualifying Conditions**

**Family allowances:** Payable for children younger than age 18.

### **Family Allowance Benefits**

**Family allowance:** 260 francs a month per child is paid for the first two children younger than age 11; 310 francs a month per child is paid for the first two children older than

age 10; 310 francs a month per child for the third and each subsequent child or for twins. The same rules apply to full orphans.

**Single-parent allowance:** 100 francs a month is paid per child (in addition to family allowances).

**Birth grant:** 2,100 francs is paid per child; 2,600 francs per child for multiple births.

Birth grants are also paid for the adoption of a child younger than age 5.

If eligible parents receive family allowances from another country that are paid at a rate lower than those paid in Liechtenstein, only the difference between the amounts is payable.

### **Administrative Organization**

National Family Allowances Fund (<http://www.ahv.li>) administers contributions and benefits.