



# Colloquium of the International Actuarial Association - PBSS

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## Social Security System for the Indigenous Peasants

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# Introduction

- Social Security System is under the Collective Scheme « IESS »,
- Almost 2 millions concerned people included
- Contrasted country, full of ethnic inequality
- Social Security for the Indigenous Peasants or « Seguro Social Campesino SSC » begins in 1968



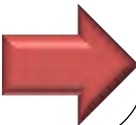
# Socio-Economic Context in Ecuador

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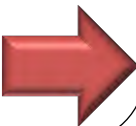
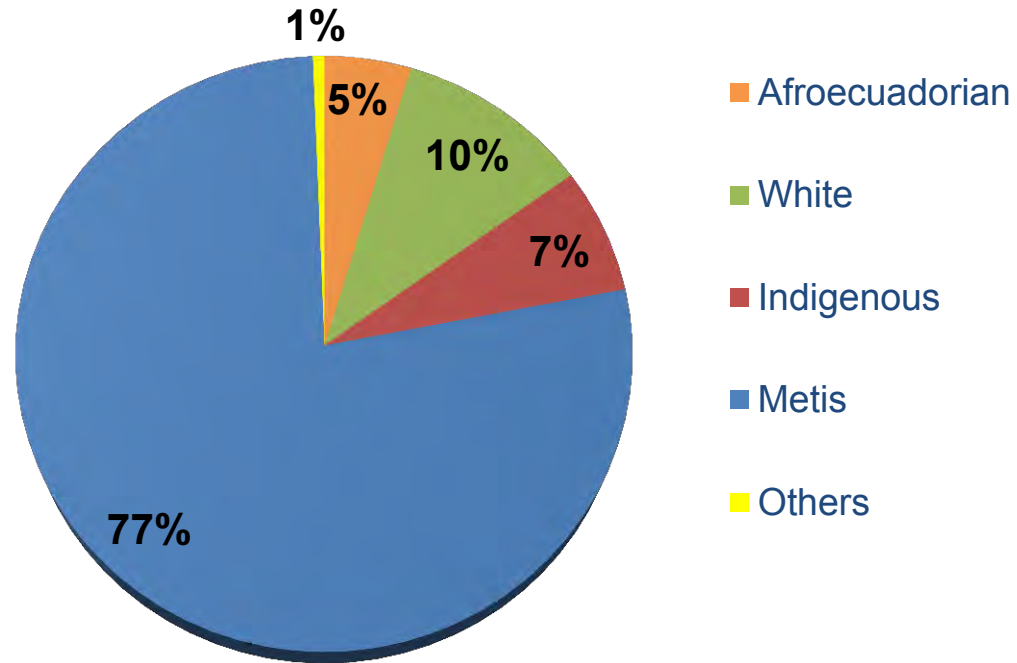
# General Context

- Exportations: US\$ 28.8 billion
- Importations: US\$ 24.0 billion
- Population: 15.7 million inhabitants
- Dollarized economy since 1999
- US\$ 61.1 billion GDP
- Oil Sector
  - 64% of exportation's income comes from oil sales
  - 20% of importations are oil derivatives

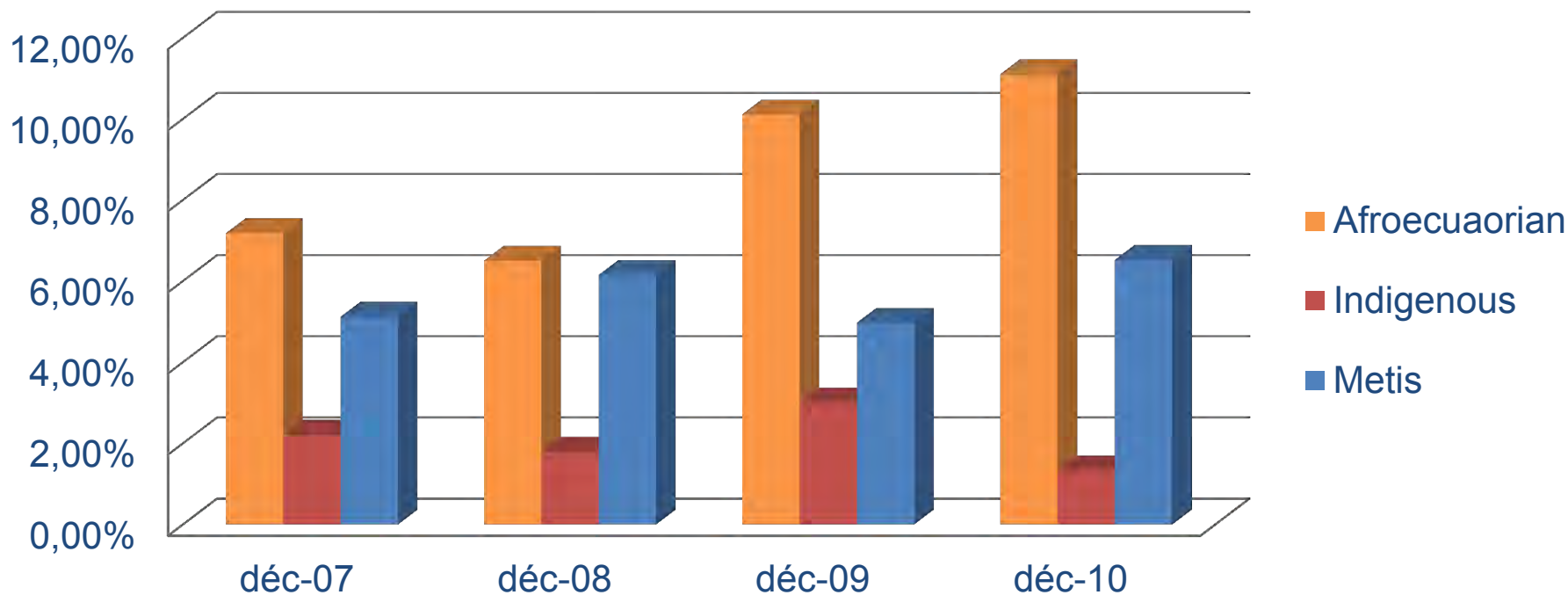


# Ethnic Situation

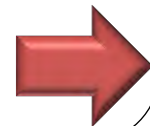
- Poverty rate 43,2%
- Extreme poverty rate: 13,7%
- Neglected population in the rural sector
- Mainly survival agriculture
- Remarkable ethnic segregation



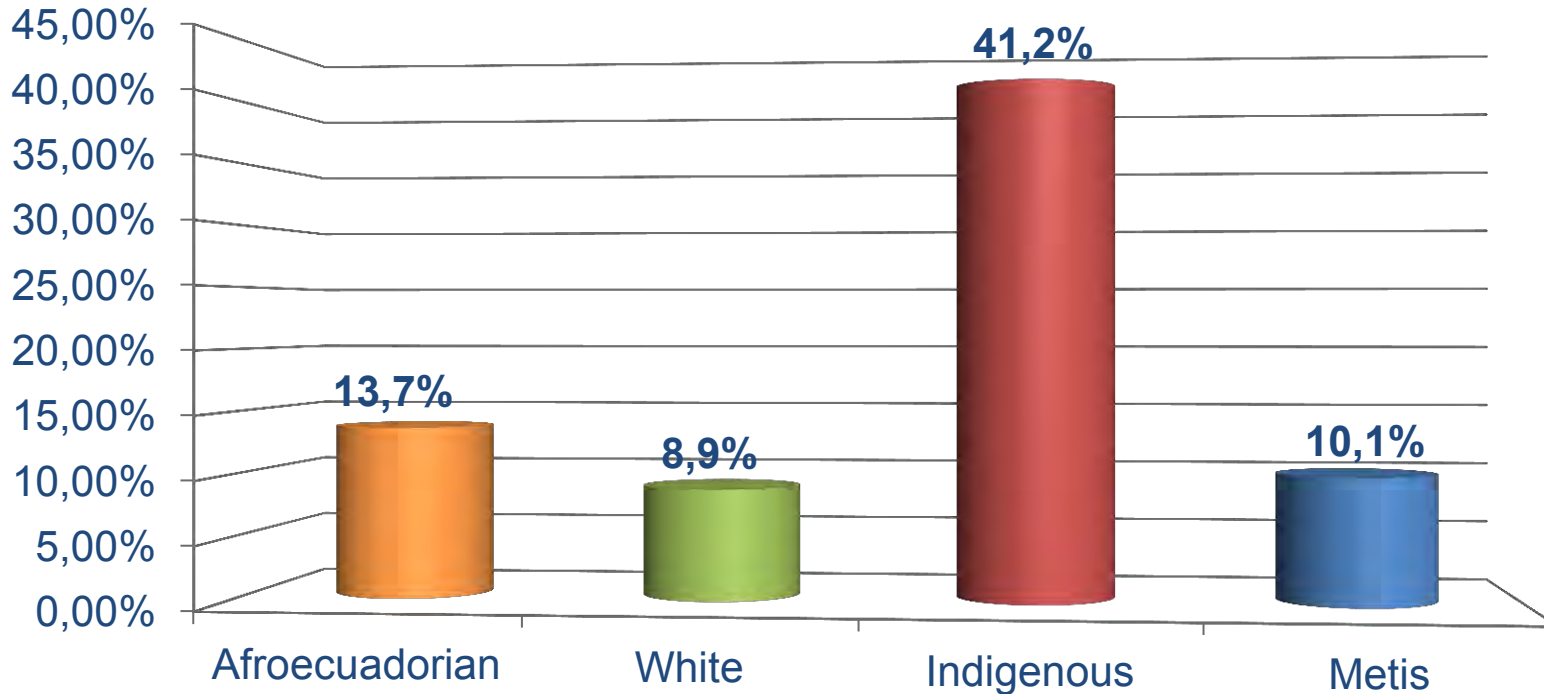
# Unemployment by ethnic origin



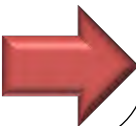
- Unemployment does not follow a lineal trend.
- Unemployment is low among the indigenous because they practice survival agriculture,. The poverty rates are very high nonetheless.



# Extreme Poverty in Ecuador

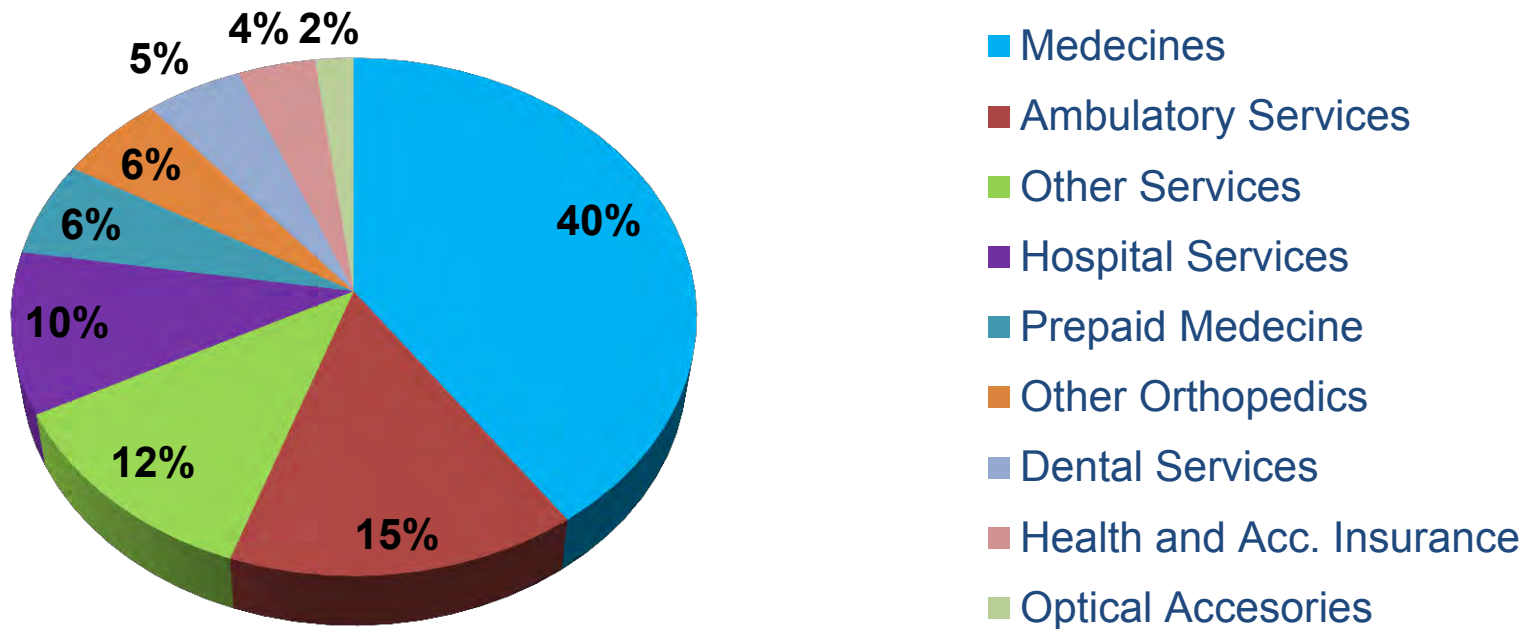


- 41,2% of indigenous live in extreme poverty conditions.
- This Social Security System for the Rural Sector concerns specially Indigenous people..
- Extreme Poverty in Afroecuadorians is the second highest.

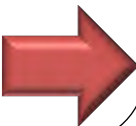




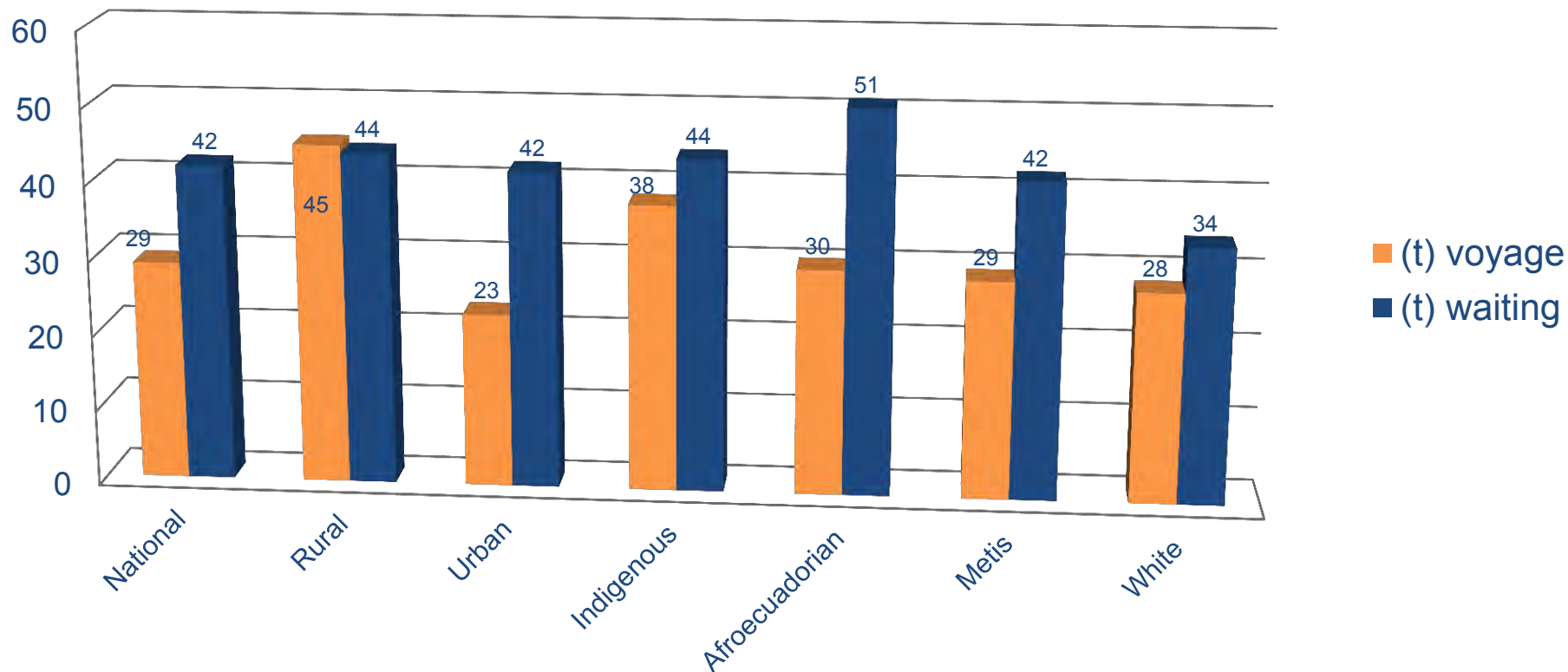
# Composition of Health Expenses of the Average Household -2005



- Medication expenditures are the highest among health overall expenditures
- An ethnic segregation is observed regarding the health services' attention



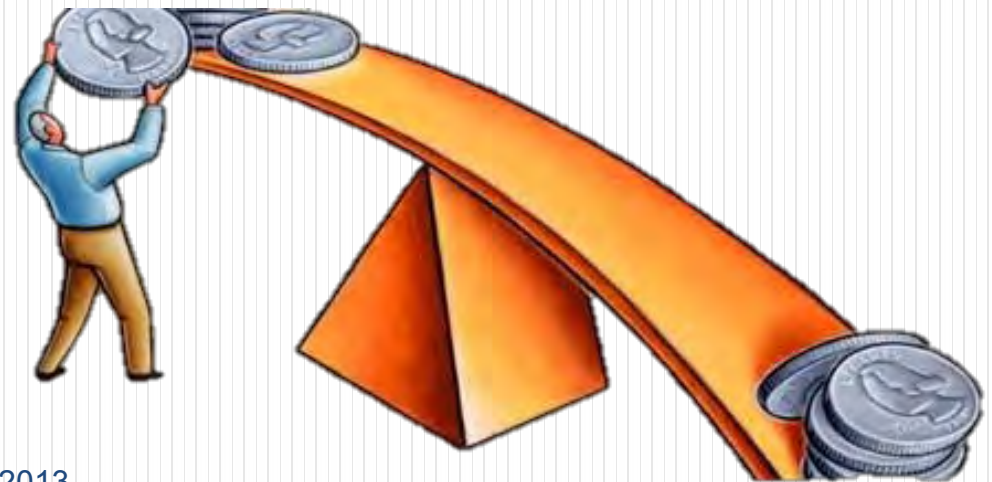
# Time for Attention in Health Medical Centers



- The waiting time for Afroecuadorians is the highest
- The travelling time doubles for the rural sector compared to the urban sector
- White people are the one waiting the less and travelling the less time.

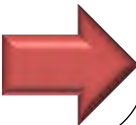


# Social Security in Ecuador



# Social Security Bases

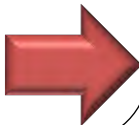
- Contribution to Social Security is mandatory for workers on a dependent relationship and voluntary for independent workers.
- Most of the farmers and fishermen do not have a dependent working relationship.
- Social Security is based on contributive contributions
- Of the 3 pillars of the pension funds, Social Security and Employer Retirement are the most developed ones, whereas complementary pension plans are rare due to a lack of long term saving culture.



# IESS



- Ecuadorian Institute for the Social Security:
  - The Social Security System begins in 1928 as a pension fund
  - IESS is created in 1970
- Beneficiaries:
  - Employees plus their dependents
  - They sum almost 2 millions people
  - There are 122 thousand pensioners
- Financing:
  - Contributions from Scheme members (from 9% to 17% of the monthly salary)
  - Employees contributions (from 9,15% to 18,65% of the monthly salary)
  - The Government covers 40% of the Social Security's obligations
- Benefits granted:
  - Health (illness, medicines, accidents)
  - Retirement (aging, incapacity, death, widowhood,...)



# Other Social Security Systems

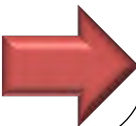
## ➤ ISSFA:

- Army's Social Security System
- Insured population 247 thousand people
- Benefits granted: health and retirement



## ➤ ISSPOL:

- Police's Social Security System
- Insured population 169 thousand people
- Benefits granted: health and retirement



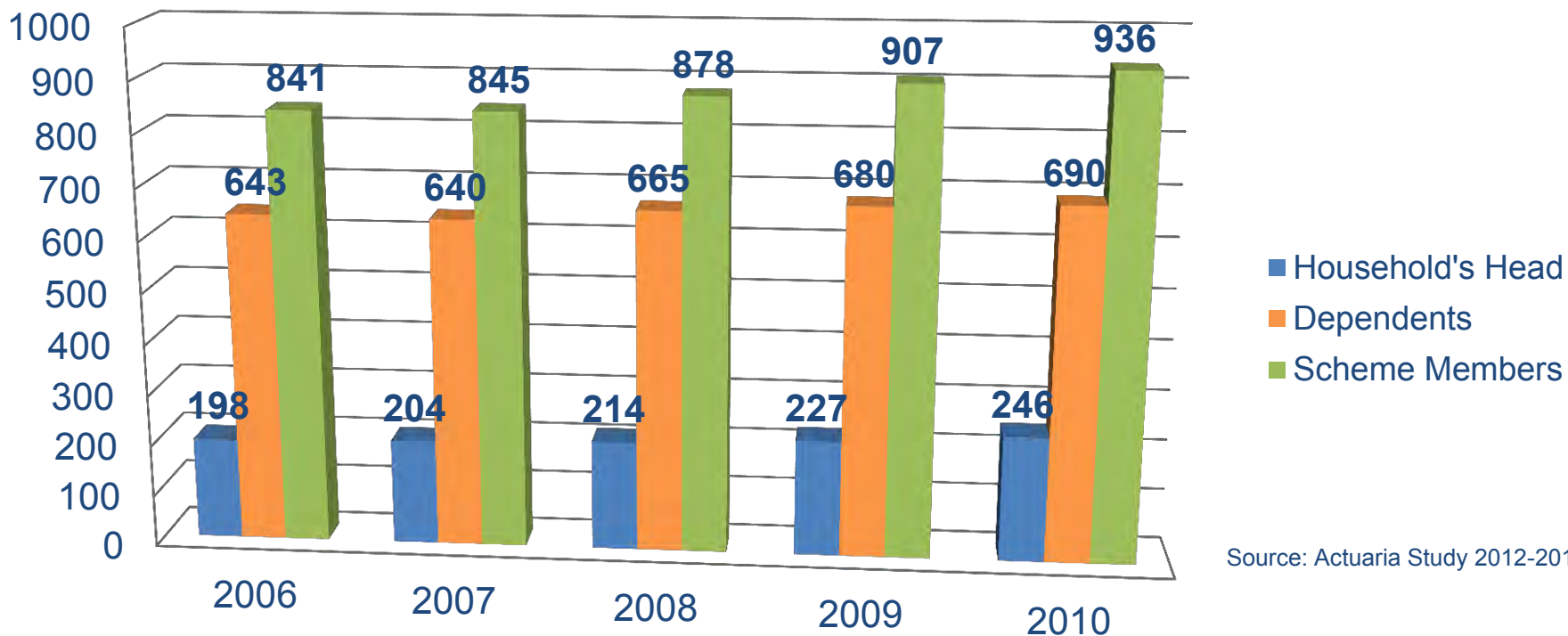
# Social Security for the Indigenous Peasants



# Demographic Composition

➤ In 2010, there are almost one million beneficiaries in the SSC

## Scheme Members' Evolution

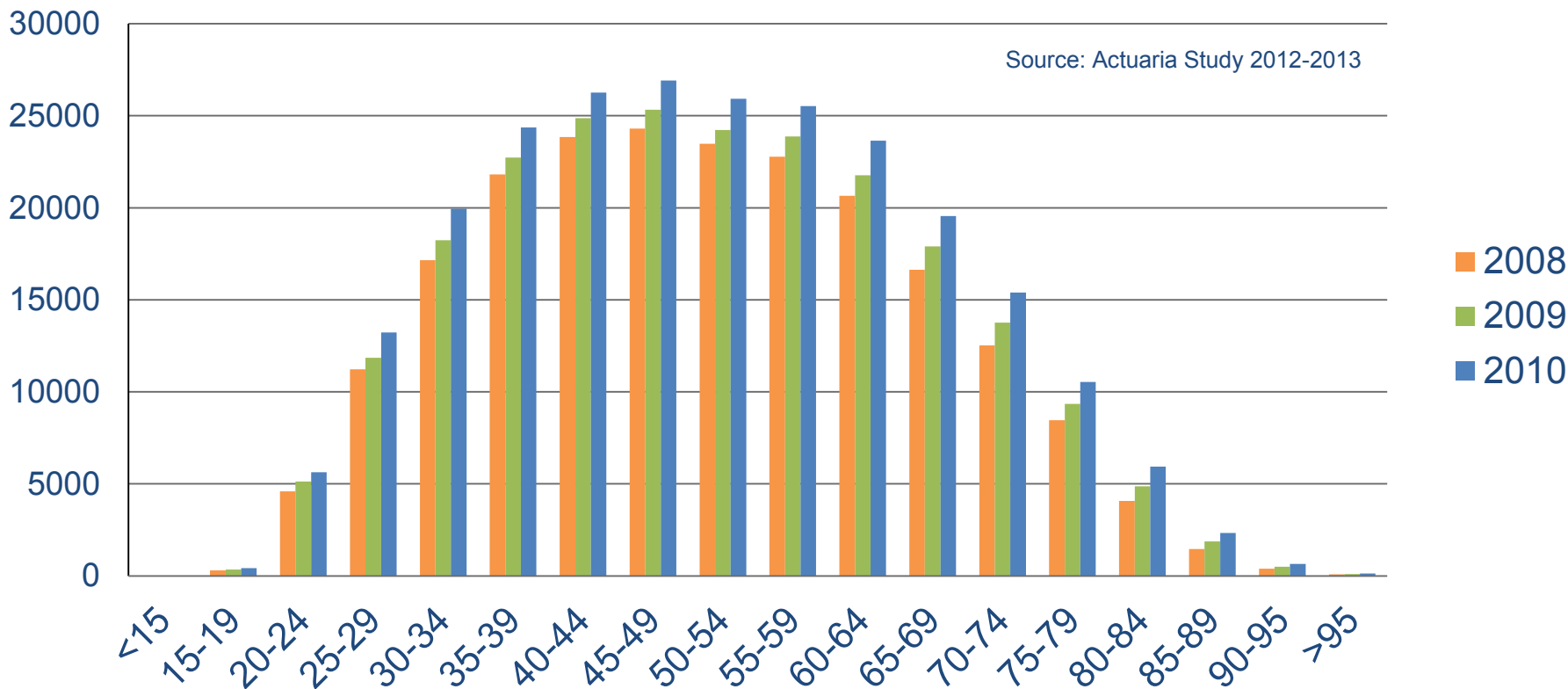


Source: Actuarial Study 2012-2013





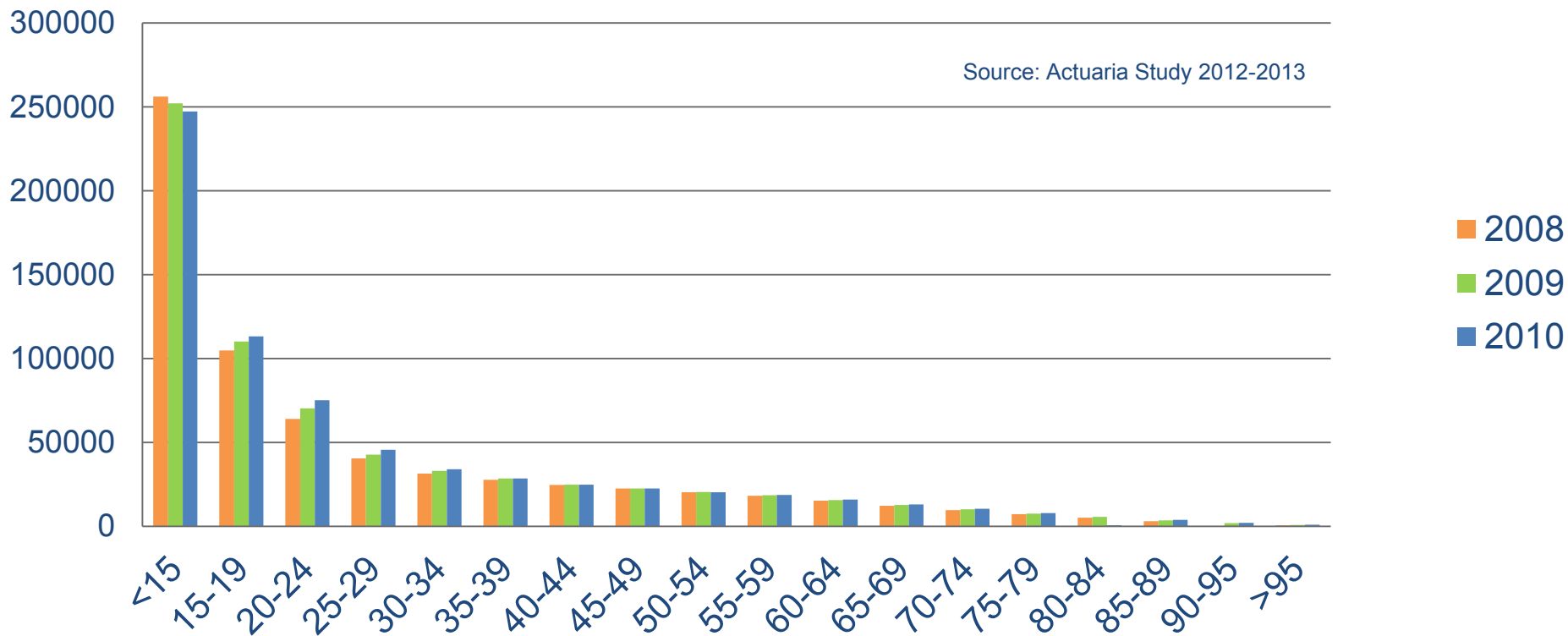
# Age Distribution of the Household's Heads



- The distribution's shape maintains from 2008 to 2010 with an increasing population
- The age distribution is shaped into a quasi-normal curve.
- Most of the heads of household's ages are between 40 and 55.



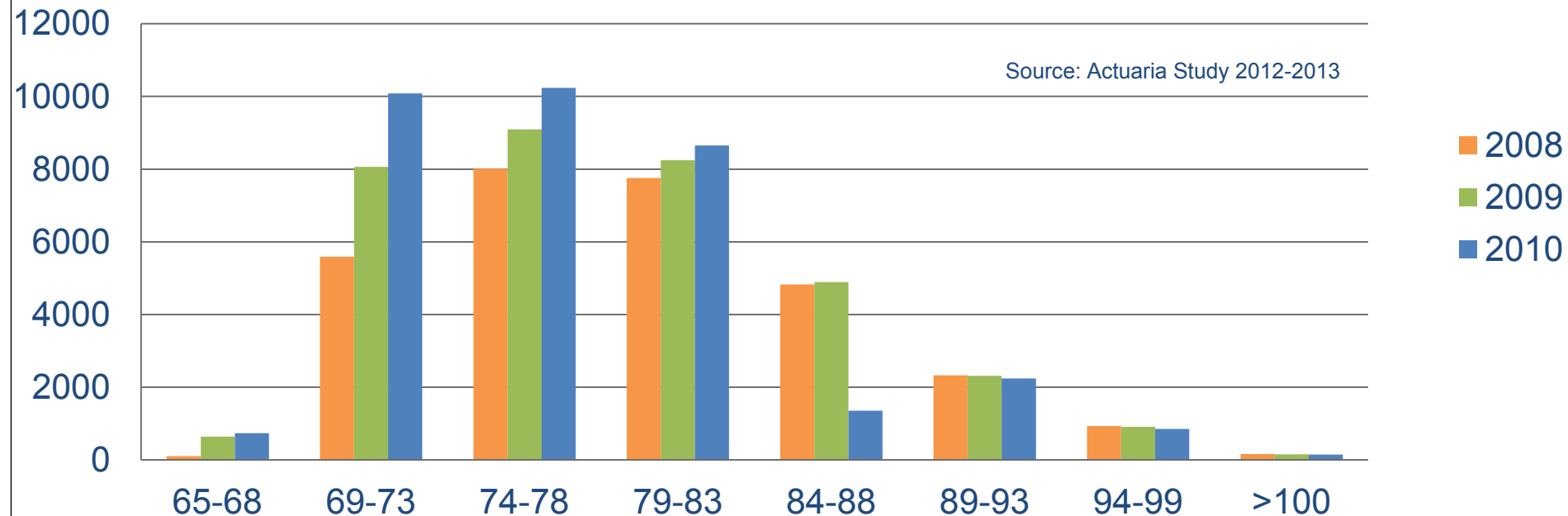
# Age Distribution of Dependents



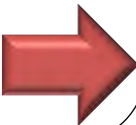
- Most of dependents are children.
- The rural sector is characterized for having a high young people density.
- Most of dependents are younger than 15 years old.



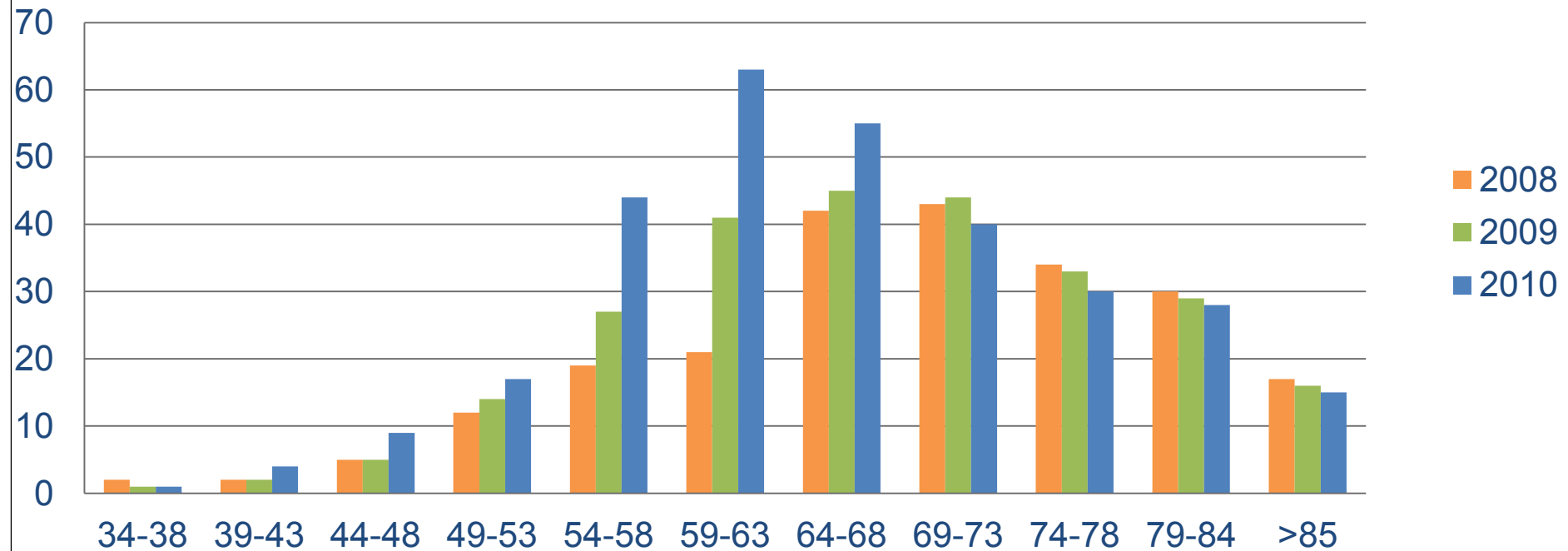
# Distribution of Old-Age Pensioners



- 91% of old-age pensioners are between 69 et 83 years old.
- There is a minority of 65-68 year old pensioners. Even if the retirement age is 65, the requirement of having 120 contributions unable the retirement at 65 years old for many of scheme members.

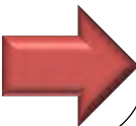


# Distribution of Disability Pensioners



➤ 306 pensioners in 2010

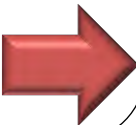
➤ In the 54 to 68 year old group, there has been an important increase of disability pensioners in 46%, from 2009 to 2010.



# Benefits Granted

Social Security for the Indigenous Peasants is a branch administered by the General Social Security and grants practically the same benefits

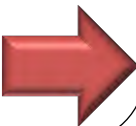
- Old-age retirement: monthly pension for the head of the household older than 65 and having more than 120 monthly contributions (the contributions required vary with the age of the pensioner)
- Disability retirement: monthly pension for the head of the household if suffering a permanent disability
- Health & maternity insurance: coverage extended to dependents
- Funeral assistance for 25% of the minimum wage (US\$318)
- There are pensions for widowhood and orphanage



# Financing Sources

The Social Security for the Indigenous Peasants finances its obligations from the following sources:

- 0.35% of the salary contributed by scheme members of the General Social Security
- 0.35% of the scheme members' salary contributed by the employers of the General Social Security.
- The Government finance 40% of pensions of the Social Security for the Indigenous Peasants as a debt payment that owes to the General Social Security.
- US\$288.000 annual from the Ecuadorian Central Bank as an additional Government contribution
- 2.5% contribution of a Referential Basis from the Head of the Household.
- 0.5% of the net premiums from private insurance companies and prepaid medical companies.

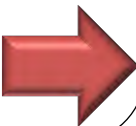


# Actuarial Valuation as of Dec. 2010



# Economic Results

- From 2012 ending to beginning of 2013, Actuarial Consultants in Ecuador prepared an Integral Actuarial Study of the IESS Social Security System. One phase was the study of the Social Security for the Indigenous Peasants. The base year was 2010.
- Social Security for the Indigenous Peasants has an economic surplus.
- The General Social Security contributions are the most significant among the total income of the entity.





# Economic expenses and surplus

## SSC,2006-2010 en thousands of US dollars

Year	General Social Security Contributions	Other Contributions	Total Income	Financial Expenses	Surplus	
					Dollars	% Income
2006	35 914	-	35 914	25 425	10 490	29.20%
2007	43 542	30 078	73 620	26 882	46 738	63.50%
2008	58 207	20 359	78 566	42 514	36 052	45.90%
2009	73 224	30 174	103 398	53 109	50 289	48.60%
2010	87 463	60 254	147 717	95 493	52 224	35.40%



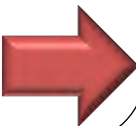
**ACTUARIAL BALANCE SHEET OF THE SSC****DECEMBER 31, 2010****( IN THOUSANDS USD)**

<b>ASSETS</b>	<b>2.788.660</b>
Government's debt (payment of 40% of the pension obligations )	359.483
Capital	436.349
Present value of employee and employer's contributions of the General Social Security	1.251.522
Present value of Government's debt	538.673
Present value of head of household's contributions	69.106
Present value of insurance and prepaid medical companies' contributions	133.527
<b>LIABILITIES</b>	<b>2.788.660</b>
Debt to the health insurance	91.802
Present value of old-age pensions expenses	576.414
Present value of disability pension expenses	2.703
Present value of widowhood pension expenses	2.515
Present value of orphanage expenses	1.873
Present value of funeral assistance expenses	31
Present value of medical attention	1.427.189
Present value of administrative expenses (% of income)	53.430
<b>Surplus (deficit)</b>	<b>632.705</b>



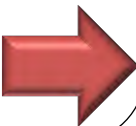
# Conclusions

- The Social Security System for the Indigenous Peasants provides help to a marginalized sector, who does not have a proper health access or the capacity for long term savings.
- Poverty is a strong factor in Ecuador and ethnical discrimination is evident.
- The SSC beneficiaries contribute with only 2% of the income.
- The local Government provides a lot of support to the SSC with a message of new socialism.
- Government and contributions from the members of the General Social Security are the main investors in the SSC.
- The General Social Security seeks also to provide services to the lowest socio economic classes.



# Conclusions

- Which means that IESS' resources are already looking for the less privileged people among the economically active population and IESS' contribution towards the SSC decreases potential benefits that could be given by the General Social Security.
- The Actuarial Balance of the Social Security System for the Indigenous Peasants has a US\$632 million surplus.
- 45% of assets come from employees and employers of the General Social Security.
- General Social Security has a US\$5.1 billion deficit.
- Which means that the General Social Security is not in a position to support another Social Security entity.



# End of Presentation

QUESTIONS ?

