

South Korea

Exchange rate: US\$1.00 = 1149.59 won.

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1973 (national welfare pension).

Current laws: 1986 (national pension) and 2007 (basic old-age pension).

Type of program: Social insurance and social assistance system.

Coverage

Social insurance: Employed and self-employed persons, including farmers and fisherman.

Special systems for civil servants, private-school employees, military personnel, and employees of the special post office.

Basic old-age pension: Low-income citizens of Korea.

Source of Funds

Insured person

Social insurance: 4.5% of gross monthly earnings. Voluntarily insured persons contribute 9% of the previous year's median monthly income of all individually insured persons.

The minimum monthly earnings used to calculate contributions are 280,000 won.

The maximum monthly earnings used to calculate contributions are 4,340,000 won.

Social assistance: None.

Self-employed person

Social insurance: 9% of gross monthly earnings.

The minimum monthly earnings used to calculate contributions are 280,000 won.

The maximum monthly earnings used to calculate contributions are 4,340,000 won.

Social assistance: None.

Employer

Social insurance: 4.5% of gross monthly payroll.

The minimum monthly earnings used to calculate contributions are 280,000 won.

The maximum monthly earnings used to calculate contributions are 4,340,000 won.

Social assistance: None.

Government

Social insurance: Part of the cost of administration; contributions for some farmers and fishermen, some low-income employees, parents with more than two children, and insured persons with military service.

Social assistance: The total cost.

Qualifying Conditions

Old-age pension (social insurance): Age 61 (gradually rising to age 65 by 2034) with at least 20 years of coverage.

Income and earnings test: If younger than age 66, taxable monthly income or earnings from gainful activity must not exceed 2,105,482 won.

Reduced old-age pension: Age 61 (gradually rising to age 65 by 2034) with 10 to 19 years of coverage.

Active old-age pension: Aged 61 to 65 with at least 10 years of coverage and in gainful activity with monthly taxable income exceeding 2,105,482 won.

Early pension: Aged 56 to 60 with at least 10 years of coverage.

Income and earnings test: If younger than age 66, taxable monthly income or earnings from gainful activity must not exceed 2,105,482 won.

Dependent's supplement: Paid for eligible dependents, including a spouse, children younger than age 18 or assessed with a first-degree (total loss of work capacity and requiring constant attendance) or second-degree (severe loss of work capacity) disability, and parents (including the spouse's parents) aged 61 or older or assessed with a first-, second-, or third-degree disability.

Old-age lump-sum refund (social insurance): Age 61 with less than 10 years of coverage; at any age if the insured emigrates permanently, loses Korean citizenship, or if there is a bilateral agreement for insured foreigners who leave Korea.

Split pension (social insurance): Age 61 and divorced. Must have been married to an insured spouse for at least five years during his or her period of coverage.

Basic old-age pension (social assistance): Age 65.

Income test: Income must not exceed 1,000,000 won a month for a single person or 1,600,000 won for a couple.

Disability pension (social insurance): Must be assessed with a first-degree (total loss of work capacity and requiring constant attendance), second-degree (severe loss of work capacity), or third-degree (less severe loss of work capacity) disability as the result of a disease or injury that began while insured. The insured must have paid at least 66.7% of scheduled contributions on time (except when the unpaid coverage period is less than six months).

The National Pension Service assesses the degree of disability.

At the request of the beneficiary, the National Pension Service may reassess the degree of disability and adjust the benefit amount.

Dependent's supplement: Paid for a spouse, children younger than age 18 or assessed with a first-degree (total loss of work capacity and requiring constant attendance) or second-degree (severe loss of work capacity) disability, or parents (including the spouse's parents) aged 61 or older or assessed with a first-degree or second-degree disability.

Lump-sum disability benefit (social insurance):

Assessed with a fourth-degree disability (partial loss of work capacity) and has paid at least 66.7% of scheduled contributions on time (except when the unpaid coverage period is less than six months).

Survivor pension (social insurance): Paid when an old-age pensioner, a disability pensioner with a first- or second-degree disability, or a formerly insured person with at least 10 years of coverage dies. The deceased must have paid at least 66.7% of scheduled contributions on time (except when the unpaid coverage period is less than six months).

Eligible survivors include (in order of priority) a spouse, children younger than age 19 (any age if assessed with a first- or second-degree disability), parent, grandchildren younger than age 19 (any age if assessed with a first- or second-degree disability), and grandparents (including the spouse's parents or grandparents) aged 61 or older or assessed with a first- or second-degree disability.

Dependent's supplement: Paid for a spouse, children younger than age 18 or assessed with a first-degree (total loss of work capacity and requiring constant attendance) or second-degree (severe loss of work capacity) disability, or parents (including the spouse's parents) aged 61 or older or assessed with a first-degree or second-degree disability.

Survivor lump-sum refund (social insurance): Paid when an insured or formerly insured person who did not qualify for the survivor pension dies.

Lump-sum death benefit (social insurance): Paid to dependent survivors (direct blood-relatives including cousins) if there are no eligible survivors for the survivor pension or survivor lump-sum refund.

Old-Age Benefits

Old-age pension (social insurance): The pension is the insured's monthly basic pension amount (BPA).

The BPA is 1.38 (decreasing by 0.015 a year until reaching 1.2 in 2028) times the sum of the national average indexed monthly wage in the three years immediately before the year in which the pension is first paid and the insured's average monthly wage over the insured's total contribution period. An increment is paid for years of coverage exceeding 20 years.

Reduced old-age pension: 50% to 95% of the insured's monthly BPA is paid.

Active old-age pension: The pension is the old-age pension the insured would have been entitled to receive (based on the insured's monthly BPA, the total number of years of coverage, and the insured's age when the pension is first paid) minus an amount that varies according to the insured's monthly taxable income from gainful activity.

Early pension: The pension is based on the insured's monthly BPA, the total number of years of coverage, and the insured's age when the pension is first paid.

Dependent's supplement: 249,600 won a year is paid for a spouse and 166,360 won a year for each eligible child or parent. The supplement is not paid if the insured is receiving the active old-age pension.

Benefit adjustment: Benefits are adjusted annually according to changes in the consumer price index for the previous year.

Old-age lump-sum refund (social insurance): A lump sum of total employee and employer contributions plus accrued interest calculated at the basic bank rate on the date of the refund is paid.

Split pension (social insurance): Up to 50% of the insured ex-spouse's pension is paid, according to the length of marriage.

Basic old-age pension (social assistance): Up to 204,010 won a month is paid, according to income.

Permanent Disability Benefits

Disability pension (social insurance): The pension is calculated according to the insured's monthly basic pension amount (BPA) and assessed degree of disability. For a first-degree disability (total loss of work capacity and requiring constant attendance), 100% of the insured's BPA is paid; 80% for a second-degree disability (severe loss of work capacity); and 60% for a third-degree disability (less severe loss of work capacity).

The BPA is 1.38 (decreasing by 0.015 a year until reaching 1.2 in 2028) times the sum of the average indexed national monthly wage in the three years immediately before the year in which the pension is first paid and the insured's average monthly wage over the insured's total contribution period. An increment is paid for years of coverage exceeding 20 years.

Dependent's supplement: 249,600 won a year is paid for a spouse and 166,360 won a year for each eligible child or parent.

Benefit adjustment: Benefits are adjusted annually according to changes in the consumer price index for the previous year.

Lump-sum disability benefit (social insurance): A lump sum of 225% of the insured's BPA is paid.

The BPA is 1.38 (decreasing by 0.015 a year until reaching 1.2 in 2028) times the sum of the average indexed national

monthly wage in the three years immediately before the year in which the pension is first paid and the insured's average monthly wage over the insured's total contribution period. An increment is paid for years of coverage exceeding 20 years.

Survivor Benefits

Survivor pension (social insurance): 60% of the deceased's monthly basic pension amount (BPA) is paid with at least 20 years of contributions; 50% with 10 to 19 years; 40% with less than 10 years.

The BPA is 1.38 (decreasing by 0.015 a year until reaching 1.2 in 2028) times the sum of the average indexed national monthly wage in the three years immediately before the year in which the pension is first paid and the insured's average monthly wage over the insured's total contribution period. An increment is paid for years of coverage exceeding 20 years.

Dependent's supplement: 166,360 won a year is paid for each eligible child or parent.

Benefit adjustment: Benefits are adjusted annually according to changes in the consumer price index for the previous year.

Survivor lump-sum refund (social insurance): A lump sum of total deceased and employer contributions plus accrued interest calculated at the basic bank rate on the date of the refund is paid.

Lump-sum death benefit (social insurance): A lump sum of total deceased and employer contributions plus accrued interest based on the average annual bank interest rate is paid.

The maximum lump-sum death benefit is four times the deceased's last covered monthly wage, or the average covered monthly wage for the entire insured period, whichever is higher.

Administrative Organization

Ministry of Health and Welfare (<http://www.mohw.go.kr/>) provides general supervision.

National Pension Service (<http://www.nps.or.kr/>) administers the program and pays benefits.