Appendices to the Report

Strengthening the Pensions System

A Strategy for
an Adequate and Sustainable
Maltese Pension System

Pensions Strategy Group

17th June 2015

Appendix I

The Ministry for the Family and Social Solidarity (MFSS), in June 2013 set up a Pensions Strategy Group (PSG or Strategy Group) with the following terms of reference:

01. To review the work carried out by the Pensions Working Group, in particular the recommendations outlined in the Post-Consultation Report, submitted to Government in March 2012, by September 2013.

02. To draw up a holistic strategy aimed at addressing the adequacy and sustainability of pensions in Malta, on the basis of the assessment of the recommendations of the Pensions Working Group (December 2010 and March 2012).

    In drawing up the strategy mentioned in point 2, the Group is to have regards to:

    - Malta's obligations under the Fiscal Compact and the renewed Stability and Growth Pact;
    - Malta's competitiveness challenges in the current economic environment;
    - Outstanding issues, and in particular anomalies, relative to the Social Security Act;
    - The interaction between pension policies and policies acting as supporting mechanisms for longer working lives in Malta;
    - Ensuring that pension provision remains fair and equitable across the workforce;
    - The distribution of risk and responsibility for investment decisions between the individual and the State;
    - Ensuring that the new pensions regime is consistent with labour market mobility, at both National and European levels;
    - An administrative regime of pensions that promotes efficiency and minimises the burden on the contributor and the employer;
    - A Government policy to encourage savings and lengthening working lives.

    As part of the strategy, the Group is required to submit short and medium term policy recommendations regarding future pension provisions that are:

    - Affordable and sustainable;
    - Adequate and fair;
    - Supporting of productivity and national competitiveness;
    - Transparent and simple.

    The report shall be submitted to the Minister for the Family and Social Solidarity for its and Government's consideration by the end of September 2014.

03. Review the situation of current pensioners and propose measures as appropriate.

04. Develop a strategy in conjunction with the appropriate competent authorities with regards to the early introduction of a Third Pension framework. In this context, the Group shall work with the competent authorities to design an incentive scheme for the Third Pension by September 2013 as well for the early launch of the Third Pension framework.

05. Develop a communications strategy directed toward raising the level of public awareness on pension's issues in Malta and the need to ensure that future pension incomes are adequate in order to sustain a high standard of living in retirement. The draft Communications Strategy is to be submitted by October 2013.

06. The Group shall also be responsible for the drawing up of a Pensions Strategic Review report in accordance with Article 64B of the Social Security Act (Cap 318) which shall be submitted to the Minister for the Family and Social Solidarity by the end of September 2015 in order for the

Minister to lay it on the Table of the House of Parliament by the end of December 2015 as required by the Social Security Act.

07. The Group is also required, if deemed necessary by Government, to assist in the required public consultation process on the policy recommendations made, as well as in the process of the adoption and eventual implementation of the said recommendations.

Appendix II

The Pensions Strategy Group is constituted as follows:

Chairperson	Mr Mark Musù Permanent Secretary, Ministry for the Family and Social Solidarity
Members	Mr Alfred Camilleri Permanent Secretary, Ministry of Finance
	Mr Joseph Camilleri Permanent Secretary, Social Dialogue, Consumer Affairs and Civil Liberties
	Mr Edward Buttigieg Director, Contributory Benefits, Department for Social Security
	Mr Godwin Mifsud Director, Structural Economic Research, Economic Policy Division
	Mr Etienne Caruana Director, Social Statistics, National Statistics Office
	Dr Maja Miljanic Brinkworth Research Consultant, Ministry for the Family and Social Solidarity
	Dr Aaron Grech Modelling and Research Office, Central Bank of Malta, & Research Fellow, London School of Economics
	Mr Jackie Calamatta
	Mr David Spiteri Gingell Consultant, Ministry for the Family and Social Solidarity

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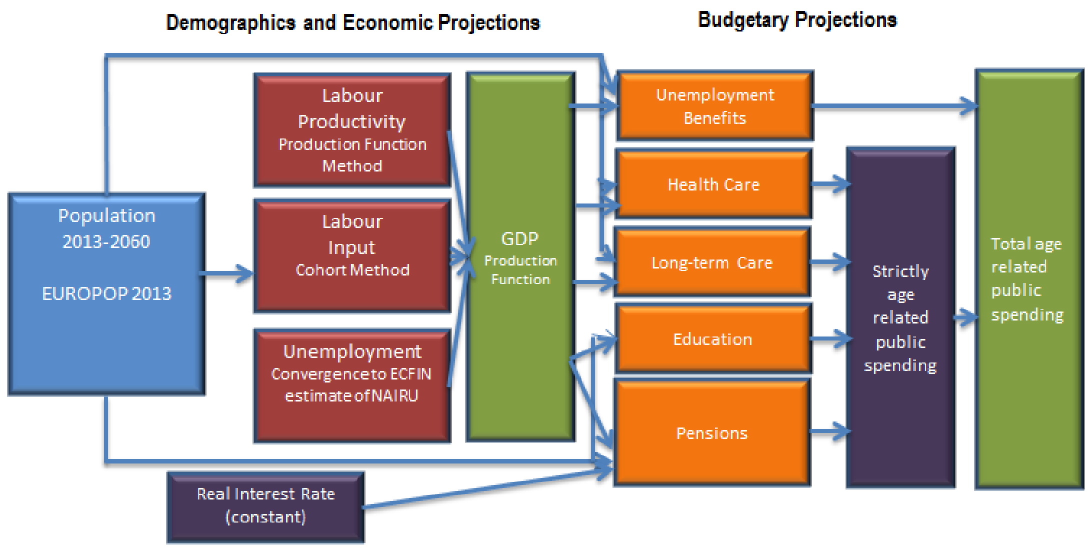
ARIMA	Autoregressive Regressive Integrated Moving Average model
AWG	Aging Working Group
AWG 20XX	Aging Working Group report carried out in 20XX
DG ECFIN	Directorate-General for Economic and Financial Affairs
ECOFIN	Economic and Financial Affairs Council
EFTA	European Free Trade Association
EPC	Economic Policy Committee
EUROPOP	European Population
EUROPOP 20XX	European population survey carried out in the year 20XX
EU	European Union
EUROPOP	
MS	Member States
Strategy Group or PSG	Pension Strategy Group
2010 PWG	2010 Pensions Working Group
2004 PWG	2004 Pensions Working Group
PROST	Pensions Reform Simulation Tools Kit
TFR	Total Fertility Rate

01. Introduction

The safeguarding of the sustainability of public finances is a key policy objective in the European Union (EU). In 2001, the Stockholm European Council emphasised the need for the Council to "regularly review the long term sustainability of public finances, including the expected strains caused by the demographic changes ahead". In 2013, the Economic and Financial Affairs Council ECOFIN, gave a mandate to the Economic Policy Committee (EPC) to update and further deepen its common exercise of age-related expenditure projections by 2015, on the basis of a new European Population projections modelled by Eurostat (EUROPOP2013).

In light of this mandate, the EPC and the European Commission (EC) services (Directorate-General for Economic and Financial Affairs - DG ECFIN) agreed a work programme with broad arrangements to organise the budgetary projections and reach agreement on its assumptions and methodologies. The projections feed into a variety of policy debates at EU level, including the overarching Europe 2020 strategy for smart, sustainable and inclusive growth. In particular, they are used in the annual assessment of the sustainability of public finances carried out as part of the Stability and Growth Pact and in the analysis on the impact of ageing populations on the labour market and potential economic growth.

Figure 01: Overview of the 2015 Projection of Age Related Expenditure



The EPC agreed to a common set of assumptions and methodologies in order to make projections on a set of exogenous macro-economic variables covering the labour force (participation, employment and unemployment rates), labour productivity and the real interest rate. This combined set of economic projections enables the calculation of GDP for all Member States (MS) up to 2060. The EPC projections were made sequentially, whereby the approaches and assumptions used were the following:

- A convergence approach for the demographic projection.
- An assumption of unchanged structural unemployment rates combined with an assumed reduction to the EU15 average for those MS with initially high structural unemployment rates.
- A production function approach for the potential GDP projection.
- An assumption of a constant real interest rate.

The long-term projections that result from this exercise provide an indication of the timing and scale of economic changes that would result from an ageing population in a 'no-policy change' scenario: that is, reflecting only enacted legislation but not possible future policy change.

The projections for pensions are run by the MS using their own national model(s) to ensure that they reflect the country-specific circumstances prevailing in the different MS as a result of different pension legislations. The common macro-economic and demographic assumptions, however, ensures that consistency is secured.

The modelling carried out by the Pension Strategy Group (Strategy Group or PSG) for this Report is, thus, based on the macro-economic and demographic assumptions that underpin the forthcoming 2015 Aging Working Group (AWG) report. This ensures that the recommendations presented to Government with regard to further pension reform, in this Report, are consistent with the convergence related work that Malta carries out with the EC with regards to pensions and demographic future behaviour.

02. Demographic Assumptions for the 2014 Baseline No Reform Model

EUROPOP constitutes the demographic assumptions upon which the modelling is based. EUROPOP is a series population projections released by Eurostat, the Statistical Office of the EC, and mainly used as input for MS. The latest set of projections (EUROPOP2013) comprised data for 31 countries; all EU28 MS as well as data for the European Free Trade Association (EFTA) countries: Iceland, Norway and Switzerland.

EUROPOP demographic projections were carried out as follows:

- EUROPOP 2004 covering the period 2004-2050.
- EUROPOP 2008 covering the period 2008-2060.
- EUROPOP 2010 covering the period 2010-2060.
- EUROPOP 2013 covering the period 2013-2080.

As from EUROPOP 2008, scenarios were developed in a consistent framework of convergence. The year 2150 was chosen as the theoretical year in which the life expectancy, total fertility rate and net migraion across countries, will converge to similar values. For each country, and each demographic component, the target values for 2080, are set by interpolating from the starting value in the reference year to the convergence values in 2150, and take out the resulting (partial convergence) values for 2080. The model of convergence is based on the assumption that socio-economic and cultural differences between the MS of the EU and EFTA countries, will fade out in the very long run and that this will bring a convergence of demographic drivers, and thus of demographic values.

02.1 Total Population

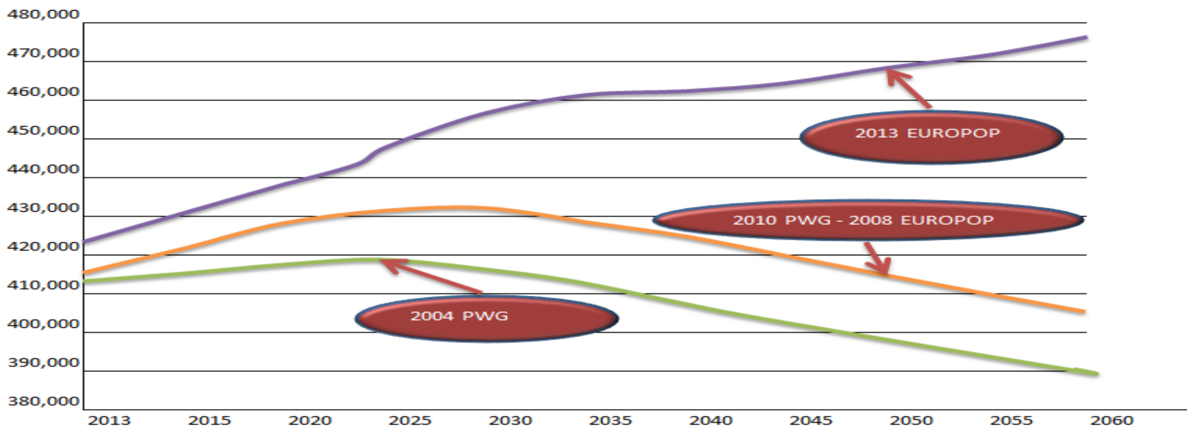
The Figure below compares the assumptions used by the 2004 Pensions Working Group (2004 PWG) 2004, 2010 Pensions Working Group (2010 PWG), and the Strategy Group, with regard to demographic projections. As can been seen, there are significant departures in the projected population growth.

In 2004, the PWG took the conscious decision not to adopt the 2004 EUROPOP demographic assumptions. The projections were, in the opinion of the PWG 2004, showing unrealistic increases with regard to the population size of Malta. The Group adopted the demographic base that was applied by the World Bank in 2003, to model projected pension behaviour on the Pensions Reform Simulation Tools Kit (PROST), for the report it subsequently submitted to the Government in March 2004.

The adoption of this demographic base was also seen to be important as it allowed for a 'like basis' comparison between the approach for reform modelled by the Group, and those presented by the World Bank.

The 2010 PWG's modelling was, however, based on the 2008 EUROPOP projections. Both population projections reflected a Maltese population in decline. The population projections under the 2004 PWG mode projected a smaller population base that was estimated to fall below the 400,000 person threshold.

Figure 02: Projections of Malta's Population[1]

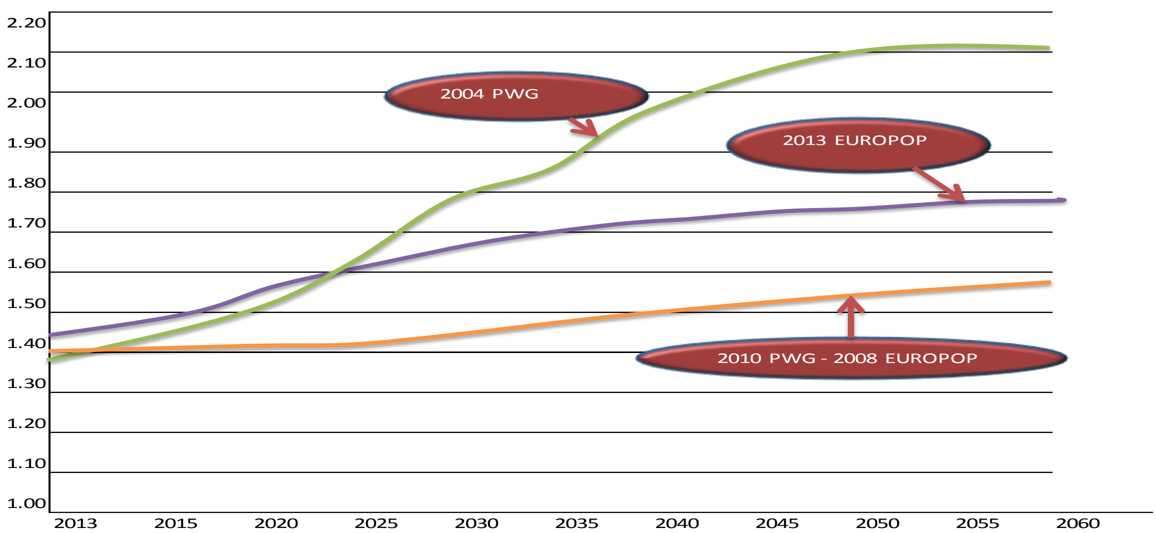


The Aging Working Group (AWG 2015) population projection is based on EURPOP 2013. As can be seen from the Figure above, EUROPOP 2013, unlike EUROPOP 2008, projects a healthy population growth over the next 50 years or so. This projected growth in the Maltese population, is the result of forecasted increases in the fertility rate and in the migrate rate.

02.2 Total Fertility Rate

The Figure below compares the fertility rate projections assumed in the modelling of pensions reform by the 2004 PWG, 2010 PWG and the Strategy Group. The 2004 PWG fertility rate increase, based on World Bank projections, was far more optimistic than that taken by EUROP 2008.

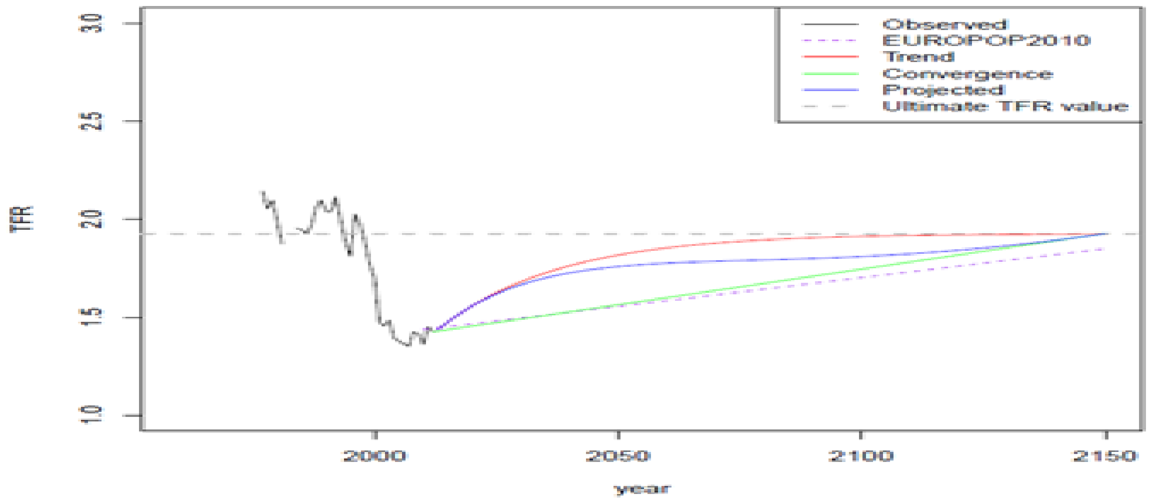
Figure 03: Projections of Total Fertility Rate[2]



[1] AWG Budgetary Projections: Base Line Scenario; DG Economic and Financial Affairs, 16th June 2014
[2] Ibid

The EUROPOP 2013 projections of the fertility rate are more optimistic than that of the 2008 EUROPOP, though considerably lower than that assumed by the 2004 PWG. EUROPOP 2013 assumes a Total Fertility Rate (TFR) for the EU that will converge by 2150 to 1.928. The transition to convergence starts in 2020 and will be completed by 2150.

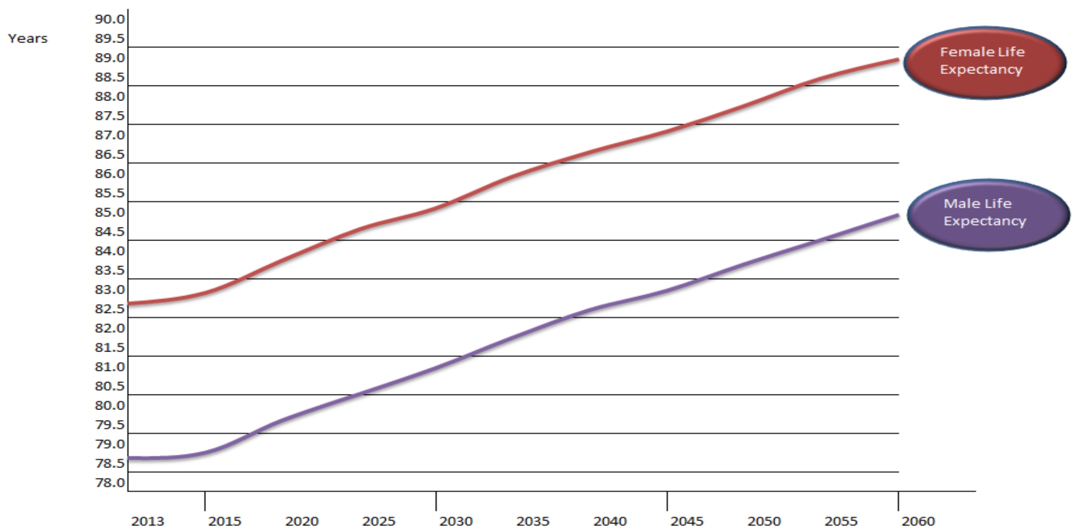
Figure 04: EUROPOP 2013 Total Fertility Rate Assumptions for Malta: 2013-2150[3]



02.3 Life Expectancy

The EUROPOP 2013 projections for males and females, presented in the Table below, show that males are expected to live an additional 6.4 years by 2060 – from 78.7 years in 2013 to 85.1 years in 2060. Females, on the other hand, are expected to live an additional 6.3 years by 2060 – from 82.8 years to 89.1 years.

Figure 05: Life Expectancy Projections for Males and Females as at 2060[4]

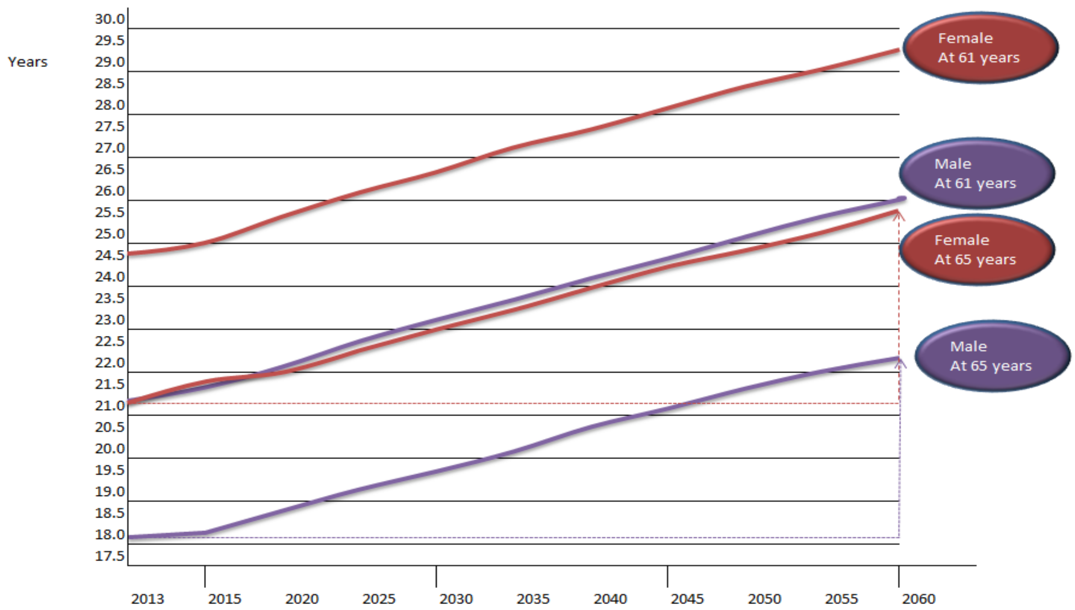


[3] Europop 2013, Social Statistics Directorate, National Statistics Office, April 2014

[4] AWG Budgetary Projections: Base Line Scenario; DG Economic and Financial Affairs, 16th June 2014

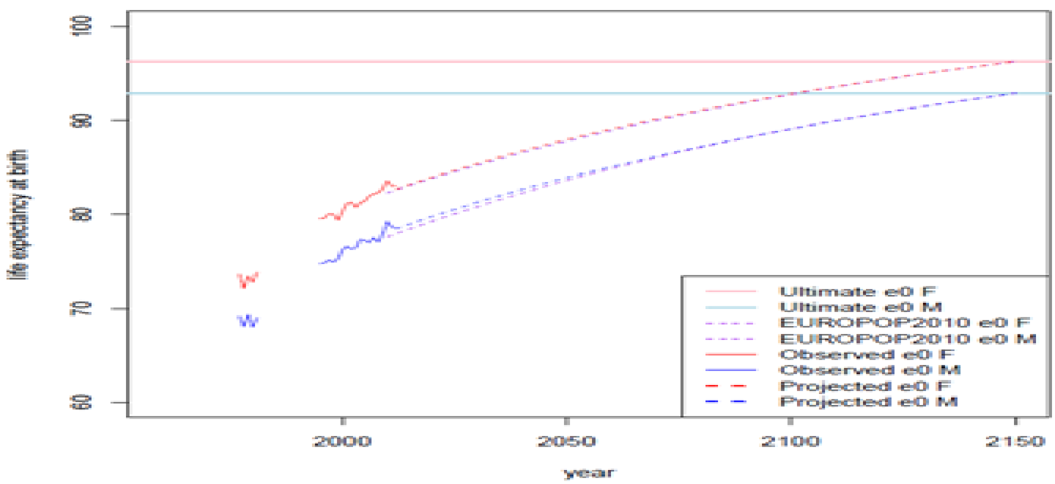
The Figure below presents the EUROPOP 2013 life expectancy projections for male and females at 61 and 65 years of age respectively.

Figure 06: Life Expectancy Projections for Males and Females at 61 Years and 65 Years[5]



The EUROPOP 2013 mortality graph assumptions for Malta are presented in the Figure below.

Figure 07: Mortality Assumptions (e^0)[6]



02.4 Net Migration

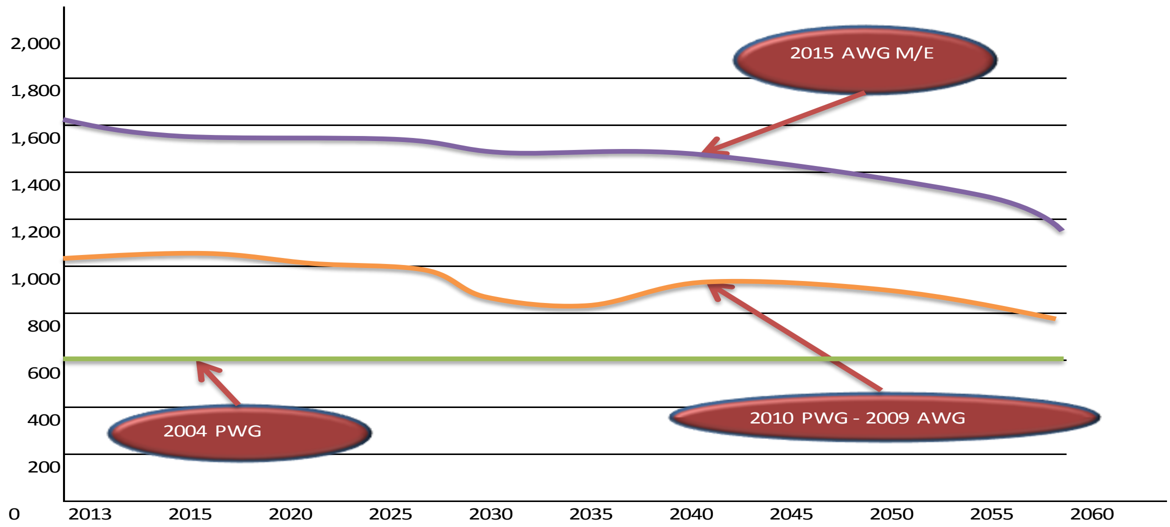
The projected Net Migration, under EUROPOP 2013, is far more aggressive than that under the 2004 PWG and the 2010 PWG respectively. The 2004 PWG assumed a work force that would annually increase by the addition of 500 immigrants of which 70% would be in the age cohort of 18 years to 45

[5] Ibid

[6] Europop 2013, Social Statistics Directorate, National Statistics Office, April 2014

years. It further assumed that the workforce would further increase annually by the net addition of 150 returned migrants.

Figure 08: Projections of Net Migration[7]



In contrast to EUROPOP2008, on which the PWG 2010 assumptions were based, which was basically a long term scenario and did not aim to catch occasional, short term variations of the demographic components, EUROPOP2013 aims to develop models for short / medium-term and long term projections. In order to meet the need of projections users for the short / medium term, a trend component was nested in the usual assumption convergence for migration. This trend component is the only source of assumptions for the short-term (up to 2020) and it fades out into the convergence assumptions over time. The transition to convergence starts in 2020 and is completed by 2050 (or 2035 as noted below). Given that no seasonality and trend component resulted from the past time series data, a random walk as applied through the use of the Autoregressive Integrated Moving Average (ARIMA) model was adopted.

The convergence model is constituted of a double linear interpolation between net migration in the last observed year and zero in the convergence year. An intermediate point for double interpolation was set as the average of the last 10 years. In the event of a negative intermediate point, the convergence, as well as the transition, was anticipated to 2035.

Total net migration is subsequently halved to obtain a breakdown by gender. The emigration level is estimated as the average of the last three available years (2010-2012). The immigration level is computed as emigration, plus net migration. Successively, an adjustment derived from the projected deficit in the working age populations, also referred to 'partial replacement migration', is added to the convergence migration.

The new methodology applied in EUROPOP 2013 for the calculation of net migration projections has a significant positive impact on the projected growth in Malta's population, when compared to the 2008 EUROPOP assumptions.

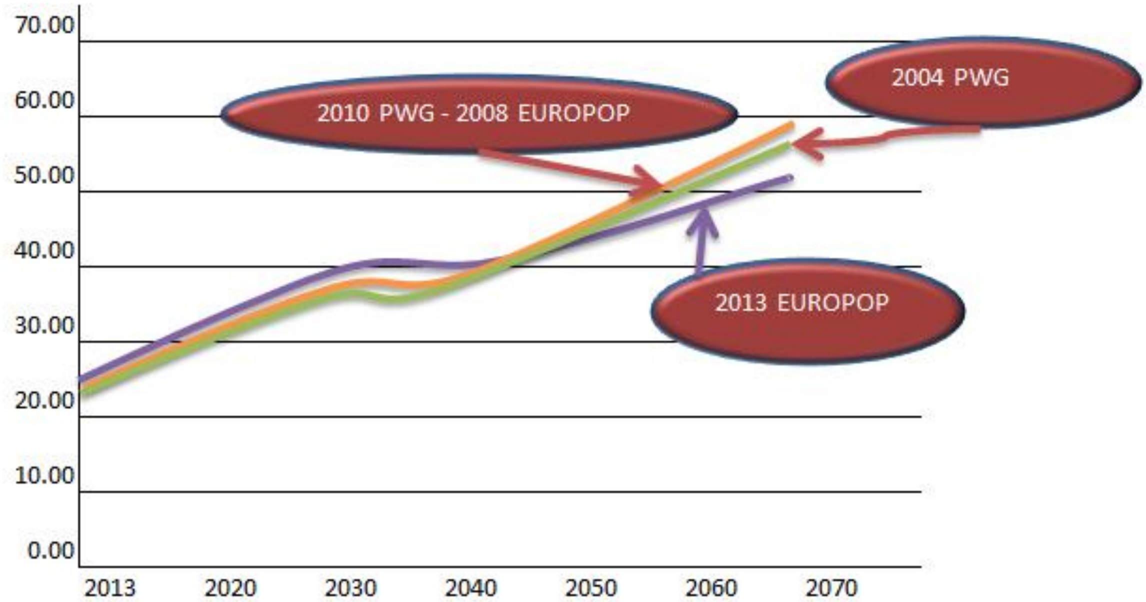
02.5 Old Age Dependency Ratio

The Figure below presents the Old-Age Dependency Ratio under the three reform groups. The dependency ratio is the number of children (0-14 years old), and older persons (65 years or over) to the working-age population (15-64 years old). The Dependency Ratio relates the group of the

[7] Ibid

population; most likely to be economically dependent to the group, most likely to be economically active, and thus, highlights the potential dependency burden on workers, and indicates the shifts in dependency from a situation in which children are dominant to one in which older persons outnumber children as the demographic transition advances (that is, the transition from high mortality and high fertility, to low mortality and low fertility).
The Old Age Dependency Ratio under the EUROPOP 2013 model, although still showing a dependency burden, is relatively improved when compared to the EUROPOP 2008 and the 2004 World Bank projections.

Figure 09: Old Age Dependency[8]



It is to be noted that the projections carried out by the Strategy Group, on the basis of the EUROPOP 2013 result in appreciably improved results with particular regard to the sustainability of Malta's pensions system, when compared to the work carried out by the 2004 and 2010 PWGs' respectively.

03 Macro-Economic Assumptions for the 2014 Baseline No Reform Model

03.1 Participation Rates

The assumption on the Labour Participation Rate adopted by the 2015 AWG is higher than that applied by the 2010 PWG and the 2004 PWG respectively. The Labour Participation Rate under the 2015 AWG macro-economic assumptions, and applied by the Pension Strategy Group is approximately 0.5 percentage points higher than that assumed by both the 2010 PWG and the 2004 PWG.

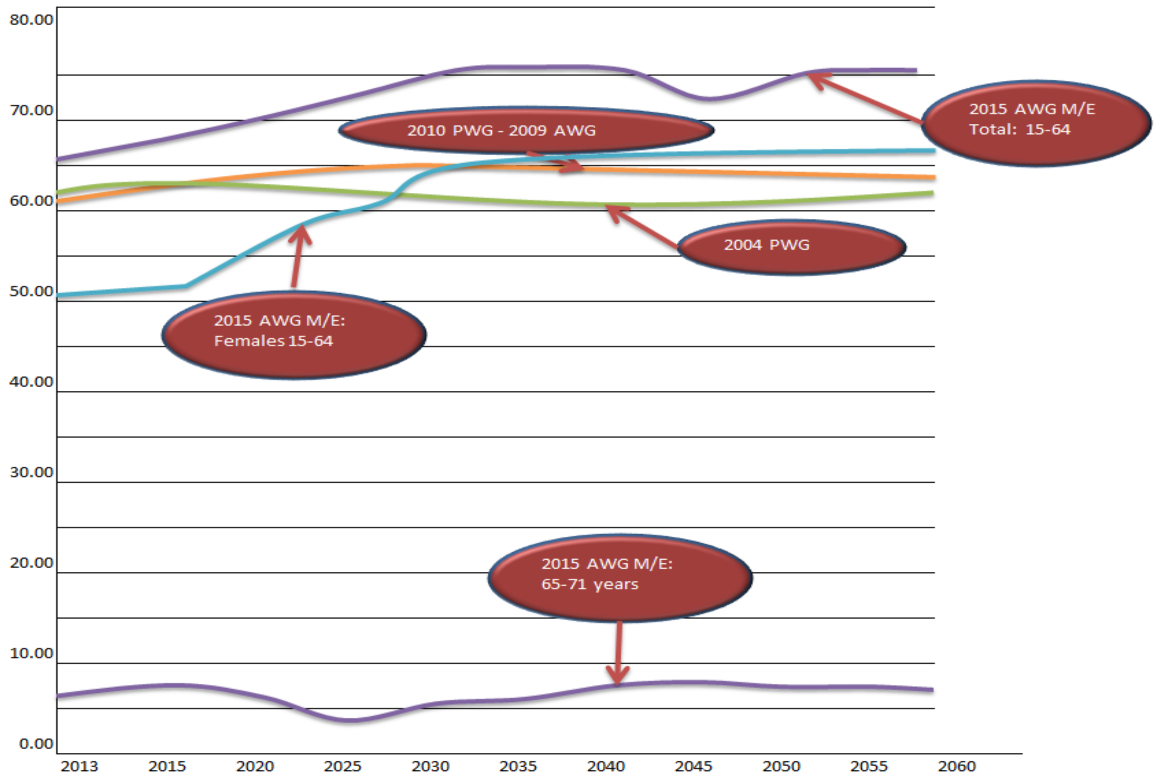
The 2015 AWG Labour Participation Rate assumption stabilises at slightly over 75% for the period 2035 to 2060; whilst during the same period, this stabilised at approximately 64% under the 2010 PWG assumptions, and stabilised at approximately 63% under the PWG 2004 assumptions.

The Figure below also shows assumptions under the 2015 AWG, with regard to female and elderly participation. Female participation is assumed to increase significantly between 2013 and 2030 from approximately 50% to 65%, and thereafter stabilise at the 66% mark. This is marginally higher than the assumption of the PWG 2004 which projected a labour participation rate that would increase to 62% by 2060.

[8] AWG Budgetary Projections: Base Line Scenario; DG Economic and Financial Affairs, 16th June 2014

Elderly participation between the age of 65 and 71 years of age is expected to be stable around 7%, although it is expected to fall to 4.6% in 2025 and thereafter increase.

Figure 10: Labour Participation Rate[9]



03.2 Employment Rates

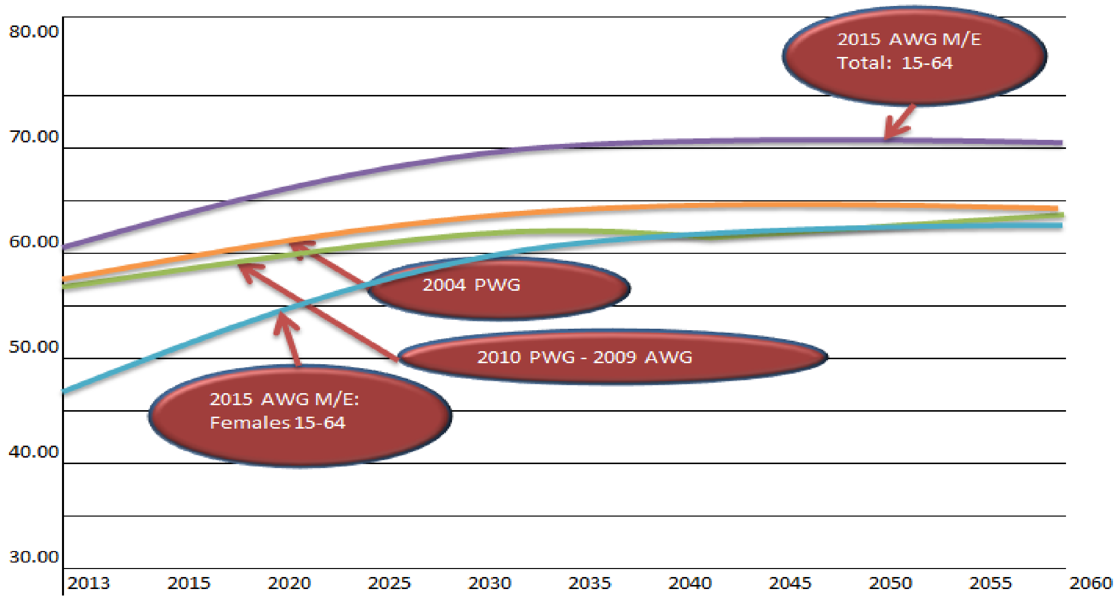
The Strategy Group's assumption for employment rates projects an increase from 60% in 2013 to approximately 70% by 2030, which thereafter hovers accordingly. Once again, the 2015 AWG macro-economic assumptions are more positive than that adopted by the 2010 PWG which were based on the AWG 2009 assumptions and the World Bank in 2004.

The AWG 2009 and World Bank 2004 assumptions on the Employment Rate are relatively consistent: increasing from approximately 56% in 2013 to 64% in 2030 and stabilising around this rate thereafter.

The Figure below also presents the employment rate of females in the labour market. This is projected to increase from 47% in 2013 to 60.7% in 2030, and thereafter increasing to 62.4% by 2060.

[9] Ibid

Figure 11: Employment Rate[10]



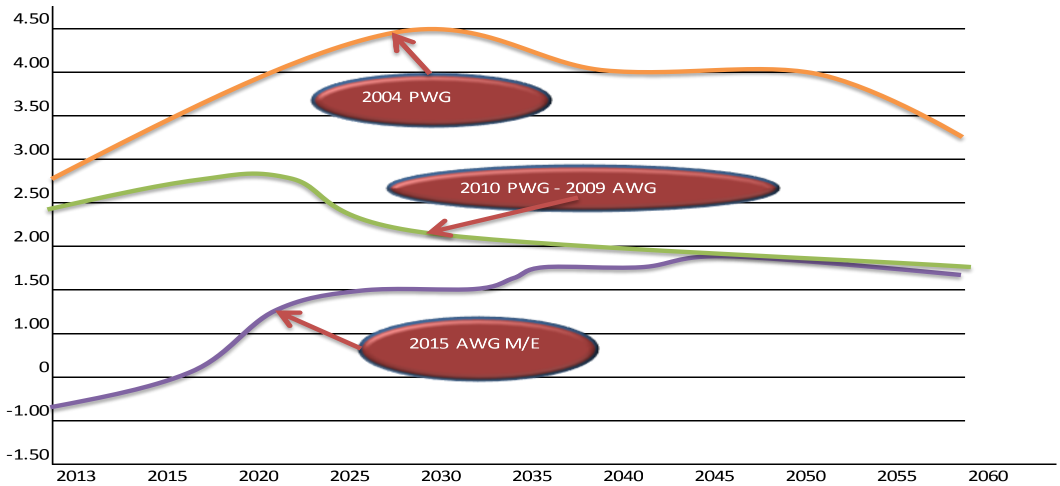
03.3 Labour Productivity Rate

The 2004 PWG assumption on the labour productivity rate replicated the World Bank assumptions with the exception that with regard to the productivity growth of minimum wage workers the relevant input sheet within PROST was calibrated to approximate the wage bill to the nominal GDP ratio, in line with the then latest published figures.

The 2009 AWG assumption applied by the 2010 PWG established a productivity rate that increases from 1.5% in 2007 to approximately 2.75% in 2020, before tailing off to 1.75% in 2030 and decreasing marginally thereafter.

The 2015 AWG, on the other hand, assumes a negative productivity rate of (0.7%) which increases to 1.8% in 2045 before tailing off gradually to 1.5% by 2060. The Figure below compares the labour productivity rates applied by the Strategy Group and previous PWGs.

Figure 12: Labour Productivity Rate[11]

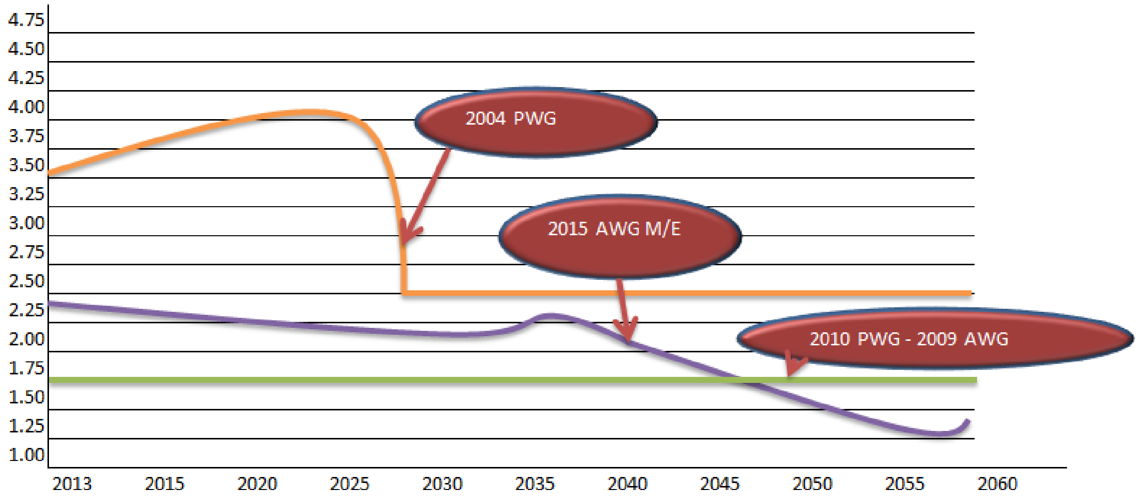


[10] Ibid
[11] Ibid

03.4 Domestic Product

The 2004 PWG assumed a GDP growth model that would peak at 4% in 2025, and thereafter average a 2.5% GDP rate for the period 2026 and 2060. The 2009 AWG assumption adopted by the 2010 PWG projected an annual average GDP growth rate for Malta that declines from 2.6% in the period 2007 - 2011 to 2.5% in the period 2011 - 2030, to 1.2% between 2031 and 2050 and to 0.9% in the period 2051 – 2060 – averaging an annual growth rate of 1.75% (average depicted in the Figure below).

Figure 13: Real Gross Domestic Product[12]



The 2015 AWG assumes a GDP rate that falls from 2.4% in 2013 to 1.9% in 2030, before increasing to 2.1% in 2035, and thereafter falling to 1.4% in 2060. The average annual GDP growth rate over the period is 1.7% - 0.5% lower than that assumed by 2009 AWG.

The AWG assumptions, with regard to real GDP growth, reflect the facts that Malta has a mature economy – which results in a declining trend in the overall rate of real GDP growth - and that it will increasingly be characterised by an aging population.

[12] AWG Budgetary Projections: Base Line Scenario; DG Economic and Financial Affairs, 16th June 2014

Appendix IV

Alliance of Pensioners

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UHM

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<u>DISCUSSION PAPER ON THE MAXIMUM PENSIONABLE INCOME (MPI) PREPARED BY THE ALLIANCE OF PENSIONERS' ORGANISATIONS (APO) FOR THE CONSIDERATION OF THE PENSIONS' REFORM SUB-GROUP (PRSG)</u>

1.00 Introduction

1.01 According to the Social Security Act "pensionable income" means the average annual basic wage/salary, in the case of an employed person, or the net income or earnings, in the case of self – employed/ occupied person, calculated in accordance with the Thirteenth Schedule of the Act

1.02 Over the years, the APO has made countless submissions on the MPI to the Malta Government and to the then Pensions Working Group (PWG). Unfortunately, they have all been totally ignored. Innumerable meetings on this and other subjects also proved to be just as fruitless.

1.03 It is to be noted that many European states have on-going occupational Pension schemes, whilst in Malta we have practically none. Malta's state pension has therefore a greater relevance for older persons than it has for pensioners in other countries.

1.04 The repercussions of the amendments to the original National Insurance (NI) Act of 1956 are still suffered to-day by a substantial number of pensioners. This notwithstanding, the revenue from NI contributions over the years, exceeded contributory benefits paid.

2.00 MPI – Historical Notes

2.01 In order to emphasise the need for an upward revision of the MPI, we have attempted to trace hereunder its history since its inception.

2.02 The two-thirds pension scheme started in January 1979. Legal Notice (LN) No.76 issued on 29th. August 1980 established Lm 6,000 as the MPI from 20 January 1979 and Lm 6,300 as the MPI from 5 January 1980. LN No. 101 revoked LN No 76 and established Lm 6,750 as the MPI from 3rd. January 1981. A Legal Notice to revise the MPI to take into account the Lm 3 per week COLA increase, payable with effect from January 1982 was never issued. The consolidation of the various social benefits acts into a Social Security Act in 1987 only confirmed the MPI as being LM6750.

2.03 The changes to the MPI are shown below in tabular form**:**

€ 13,976 (Lm 6,000) with effect from January 1979
€ 14,675 (Lm 6,300) with effect from January 1980
€ 15,723 (Lm 6,750) with effect from January 1981
€ 15,935 (Lm 6,841) with effect from January 2005
€ 16,208 (Lm 6,958) with effect from January 2006
€ 16,466 (Lm 7,069) with effect from January 2007
€ 16,649 (Lm 7,147) with effect from January 2008
€ 16,860 (Lm 7,238) with effect from January 2009
€ 17,163 (Lm 7,368) with effect from January 2010
€ 17,254 (Lm 7,407) with effect from January 2011
€ 17,416 (Lm 7,477) with effect from January 2012
€ 17,557 (Lm 7,537) with effect from January 2013

2.04 Act XIX of 2006 introduced different rates of the MPI for then existing pensioners and for all those in employment and contributing to Social Security. This regime, which the APO considers discriminatory, and which was implicitly justified by the differences in contribution and pension qualifying conditions, provides for the following different MPIs:

(i) persons born on or before 31st. December 1951 the MPI was to go up to a maximum of **<u>€ 17,470 (Lm 7,500) over time.</u>**

(ii) persons born between 1st. January 1952 and 31stDecember 1961, the MPI was to go up to a maximum of **€ 20,970 (Lm 9,002)** **over a period of time.**

Note: The increase annually in both (i) and (ii) above to be the amount of COLA

(iii) persons born on or after the 1st. January 1962, the MPI will be **€ 20,970 (Lm 9,002) as from January 2013.** Thereafter, the MPI would be increased annually by an amount equal to 70% of the wage growth and 30% of the inflation rate. **There is no cap**

- At this juncture, it would not be amiss to point out that the original intention was to have an MPI equal to the salary of the President of the Republic. Indeed, the original MPI established in 1979 was increased each year until January 1981. Because of the price and wage freeze between 1982 and 1987, no further increases to the MPI took place. Moreover, when the freeze was removed, no one in authority deemed it just and necessary to resume revising the MPI regularly.

- In 2005, the MPI then started to increase by the COLA awarded annually. It continued to be increased since that time.

- If between 1982 and 2013 the COLA had been added to the 1981 MPI figure of Eur 15,723 (Lm 6,750), then the MPI figure in January 2013 would have been **€ 20,847 (Lm 8,950).** More correctly, if the 1981 MPI figure of Eur 15,723 is revised in line with the inflation rate, the MPI figure in January 2013 would have been **circa € 34,000 (Lm 14,596**) – both figures of € 20,847 and € 34,000 are a far cry from the current MPI figure of € 17,557 – and this to the obvious detriment of eligible pensioners.

2.05 The foregoing sub-paragraphs attempt to set out the realities which no review of the pension system in Malta can ignore. It may be argued that the measures taken are positive for the sustainability of the state pension scheme. In the APO's view, such an argument would be ethically wrong, and ignores the implicit contract between the state, and each and every citizen contributing to the State Social Security Scheme.

2.06 What has been done so far flies in the face of the principle of a Pay As You Go System. This is that those economically active pay contributions to support 'inter alia' retired people. It must not be forgotten that current pensioners paid the dues asked of them when economically active. Changing the goal posts now – as Act XIX of 2006 did, is unfair and results in an even greater number of pensioners being pushed ever nearer the poverty line.

3.00 Conclusion and Recommendations

3.01 Over the years, in its numerous submissions to Government, the APO has always expressed the view that the State First Pillar Pension needs to be adequate and strengthened. It should also not be totally divorced from income levels above the minimum. Therefore it follows that the highest pension payable should have a reasonable relationship to say managerial incomes in the public service. This said, the APO acknowledges that changes, urgent as they may be, have to be introduced over a number of years due to the unstable economic and financial scenario, which has not yet gone away. However, the state has to recognise that time is not in favour of the pensioner.

3.02 It is to be noted that there are thousands of pensioners whose pension is only at best 40% of their salary as at date of retirement. As explained in paragraph 2.00, this came about as over the years, the MPI, on which the maximum pension is computed, was not increased 'pari passu' with the increase in salaries, or at the very least to reflect inflation. To further aggravate matters, between 1987 and 2004, the MPI was not even increased by the COLA.

3.03 The APO believes that with the present system, **the MPI is being systematically eroded by being merely increased by COLA indexed to inflation at the minimum wage level,** rather than increased by a sum reflecting inflation on the MPI. The APO urges the PRSG to make an honest assessment of the inherent weaknesses of the current arrangements, effectively limiting the maximum pension allowed by law. Account must be taken of the adverse effects of the price and wage freeze of 1981, as well as the lack of the necessary remedial action by the authorities when the freeze was lifted in 1987.

3.04 It would be also well to mention that if no corrective action is taken, those in receipt of a pension below the maximum, will eventually start receiving the same, or very nearly the same amount, as those in receipt of the maximum pension. The reason being that pensioners not on the maximum pension, will have their pension increased by 2/3 of the relevant increase in salary of the grade they occupied prior to retirement, whilst those pensioners on the maximum pension, will have their pension increased merely by the COLA indexed to inflation at the minimum wage level. Clearly, this can only be rectified by an adequate adjustment of the MPI.

3.05 The APO expects that Government acknowledges that as explained in paragraphs 1.00 and 2.00, a substantial number of pensioners are not only suffering an injustice, but are increasingly being pushed near the poverty line. It would also be reasonable to expect that Government takes remedial action, commencing this legislature, as the serious omissions provoking a relatively low MPI saw their origin as far back as 1981. In this regards, the APO is making its recommendations in paragraphs 3.09, 3.10 and 3.11.

3.06 Finally, guided by the 'raison d'etre' enunciated in detail in the foregoing paragraphs of this paper, and notwithstanding that ideally one expects the MPI to be the same for all, the APO reluctantly accepts the need for some differentiation to compensate for differences in qualifying periods and computation formulae.

3.07 The immediate concern of all those involved has to be how to improve the lot of current pensioners above the low income levels, and how to ensure that those retiring between now and 31st. December 2026 will not end up receiving so-called two thirds pensions equal to 30%, if that, of their emoluments on date of retirement. While it is recognised that improvements cannot be done at one go, it must never be forgotten that many hundreds of human beings we are referring to are already past their mid-seventies.

3.08 The lack of political will, over the years, to tackle the MPI problem, has led to the absurd situation where the **maximum social security pension payable exceeds the Guaranteed National Minimum Pension** (i.e., the minimum to ensure a decent standard of life for a couple), **by just € 50 per week** – in fact slightly less. In Malta some people are under the illusion that the country has a two-thirds pension. The truth is that the current MPI permits the grant of such two-thirds pension only to those on salaries lower than the maximum of scale 11 and of salaries scales below in the public service.

3.09 Given this background, any measure taken would merely alleviate the situation. It will not mete out justice to the persons concerned. In equity, as from January 2013 the **MPI should be € 20,970 (say € 21,000) for ALL,** and not just for those born on or after 1st. January 1962. From January 2014, for those born before 1st. January 1962, this should be increased annually on the basis of a proportion of the 70/30 formula applicable to the cohorts born on or after 1st. January 1962. Those born between 1st. January 1952 and 31st. December 1961 would have their MPI increased by seven-eighths (7/8) of the sum added to the MPI of the 1962 'et al' category, while those born on or before 31st. December 1951 would see their MPI increased by three-fourths (3/4) of the aforesaid sum.

3.10 Given the state of public finances, for all those born before 1st. January 1962, a less fair but more financially viable solution would be the following**:**

(i) in 2014, round-up the MPI to € 17,970**;**

(ii) between 2015 and 2020, increase this sum by € 500 each year, and

(iii) during the same period mentioned in (ii) above, further increase annually by a sum equal to the inflation rate for the preceding calendar year on the notional 2013 MPI of € 20,970, mentioned in paragraph 3.09.

From 2021 onwards, the MPI to start being increased by a sum reflecting the rate of inflation for the preceding calendar year, rounded up or down to the nearest € 10.

3.11 The proposal in the immediately preceding paragraph would alleviate but not mete out a reasonably just solution. This can only be reached if the stakeholders apply the formula used in the creation of the public service salary structure, to pensions. It would therefore be reasonable if, over a period of years, the maximum pension payable would be three times the then current Guaranteed National Minimum Pension. (Note that in the public service the highest salary is 4.2 times the lowest salary or wage).

3.12 The compilation of this paper is the end result of a lot of thought and research. Paragraphs 3.09, 3.10 and 3.11, propose a number of options with varying degrees of equity, but all workable, and more importantly, fully justified. The APO therefore trusts that one of the proposed options will be taken up and adopted.

Alfred St John Joseph M. Azzopardi Rene' H. Formosa Carmel Mallia

for and on behalf of
The Alliance of Pensioners' Organisations

Note by the Pensions Strategy Group

The recommendations presented by the Alliance of Pensioners' were agreed to by all other representatives.

DISCUSSION PAPER ON THE INDEXATION OF PENSIONS PREPARED BY THE ALLIANCE OF PENSIONERS' ORGANIZATIONS (APO) FOR THE CONSIDERATION OF THE PENSIONS REFORM SUB COMMITTEE (PRSG)

1. According to a report prepared by DG EMPLOYMENT, SOCIAL AFFAIRS AND SOCIAL INCLUSION OF THE EUROPEAN COMMISSION and THE SOCIAL PROTECTION COMMITTEE OF THE 23RD MAY 2012, pension adequacy depends a lot on the proper indexation of pensions. It has been pointed out that the standard of living of pensioners will drop over time relative to the rest of the population, as the indexation of pension in payment most often lack behind the evolution of wages/salaries. In the circumstances, member states should reform their rules on valorisation and indexation.

2. INDEXATION OF PENSION AND POVERTY

2.1 It is a fact that many who retire with an adequate income, then slip gradually into poverty as a result of lack of an adequate pension indexation. In the circumstances, it is important to update regularly the GNMP as well as the MPI, on indicators emanating from a proper mechanism of indexation. The equivalised median income of 60% should form the base in order to tackle the risk of poverty problem. The erosion of the purchasing power of all pensioners can be mitigated or prevented if the inflation rate forms part of the formula when the indexation mechanism is put in place. Another measure that can be considered, is the forming of a basket of goods and services, considered as basic needs of pensioners when they grow older.

3. LOCAL BACKGROUND

3.1 When the Two Thirds Pension Scheme was introduced in 1979, the State committed itself to pay retirees so, entitled a pension, equal to two thirds of their salary. It also bound itself to regularly revise such pension to reflect all changes in the salary/wages of the post or its equivalent if the post ceases to exists on which the two thirds pension was computed. In other words, the contract between state and each individual contributor was for a pay-related pension, which would keep its value over the years. The President's salary was the top bench mark for establishing the maximum pensionable income.

3.2 The discussion Paper on the MPI, submitted by the APO, set out the history of how the state, since 1981, consistently failed to honour its obligations towards contributors. This paper will merely expand on some of the proposals made therein, and clarify the APO's position with regards to indexation of pensions.

4. AMPLIFICATIONS ON PROPOSALS

4.1 Paragraphs 3.09 and 3.10 of the MPI Discussion Paper, dealt with options of how to revise the MPI, to ensure a modicum of justice to current pensioners, and to all those who will be retiring up to 31st December 2026.

4.2 Indexation of pension, on the basis of 70/30 formula, for all cohorts mentioned in the preceding paragraph would certainly be seen as ignoring in totol the differing qualifying conditions between those born on or before 31st December 1961, and those born on or after 1st January 1962. Equally, however, revision of pension on the basis of inflation, only would increasingly divorce the level of pension from the level of salaries/wages.

4.3 The Alliance considers that a reasonable formula, would be one reflecting 50% of inflation and 50% of the yearly change in the national median income. Such a 50/50 formula, would limit the impact on public finances, and would go some way towards honouring the commitment of the state towards pensioners born before 1st January 1962.

4.4 The arrangement in 4.3, should enter into force by 1st January 2016, at the latest.

Rene' H. Formosa   Joseph M. Azzopardi   Carmel Mallia

for and on behalf ofThe Alliance of Pensioners' Organisations

P.S. Paragraphs 3.09 and 3.10 referred to at paragraph 4.1 above, are reproduced hereunder for ease of reference.

Given this background, any measure taken, would merely alleviate the situation. It will not mete out justice to the persons concerned. In equity, as from January 2013 the **MPI should be € 20,970 (say € 21,000) for ALL,** and not just for those born on or after 1st. January 1962. From January 2014, for those born before 1st. January 1962, this should be increased annually on the basis of a proportion of the 70/30 formula applicable to the cohorts born on or after 1st. January 1962. Those born between 1st. January 1952 and 31st. December 1961, would have their MPI increased by seven-eighths (7/8) of the sum added to the MPI of the 1962 'et al' category, while those born on or before 31st. December 1951 would see their MPI increased by three-fourths (3/4) of the aforesaid sum.

Given the state of public finances, for all those born before 1st. January 1962, a less fair, but more financially viable solution would be the following**:**

(i) in 2014, round-up the MPI to € 17,970**;**

(ii) between 2015 and 2020, increase this sum by € 500 each year, and

(iii) during the same period mentioned in (ii) above, further increase annually by a sum equal to the inflation rate for the preceding calendar year on the notional 2013 MPI of € 20,970, mentioned in paragraph 3.09.

From 2021 onwards, the MPI to start being increased by a sum reflecting the rate of inflation for the preceding calendar year, rounded up or down to the nearest € 10.

Note by the Pension Strategy Group

In discussions with the Alliance of Pensioners, it was agreed that modelling would be carried on wage inflation and not national median income.

The recommendations presented by the Alliance of Pensioners were agreed by all the other representatives of pension organisations.

Discussion paper on a Guaranteed National Minimum Pension, prepared by the Alliance of Pensioners' Organisations for the consideration of the Pensions' Reform sub-Group

1.00 Preamble

1.01 Having noted and welcomed Government's intended policy to include present pensioners in its Pensions' Reform Programme, and given that the Guaranteed National Minimum Pension (GNMP) is one of the items prioritised for discussion by the Pensions' Reform sub-Group (PRSG), the Alliance of Pensioners' Organisations (APO) is submitting this discussion paper, to provide a basis for the PRSG's review of the GNMP.

2.00 Crux of the Issue

2.01 The United Nations and OECD, considers that persons with less than 60% of the National Median Income are at risk of poverty. More importantly, this norm is accepted and applied within the European Union (EU). When in 2004 the APO made its submissions to the then Pensions Working Group (PWG), it had pressed strongly for the introduction of a GNMP for everyone, based on the afore mentioned EU poverty parameters. Act XIX of 2006 established that those obtaining pension age on or after the 1st January 2027, shall receive the GNMP of 60% of the median income. The PWG eventually recommended, and the Government of the time agreed, to introduce a GNMP, ONLY to persons entitled to invalidity pension/injury and survivors benefits who were born on or after 1st. January 1962.

2.02 This measure was and remains discriminatory, and is unacceptable to the APO which represents practically all organised pensioners. The differential between the GNMP and the National Minimum Pension (MPI) of a married couple is substantial. Indubitably it affects adversely the quality of life of those on the MPI and with each passing year pushes them even further near or below the poverty line. According to the NSO, more than 19% of pensioners, in the 65 year age bracket or older, are deemed to be at risk of poverty. Time is not an ally of older people, and adjustments must be effected in the shortest possible time frame, a few years at most and not a decade.

2.03 The APO wishes to raise a very important point about the differences that exist between the National Minimum Pension (NPI) and the GNMP. Where a person is married and maintaining a wife, and has a yearly average of contributions of 50 and over, the pension rate is 34% higher, result in an increase in access of 40 Euro per week. Again, where a person of the same status has a yearly average between 20 and 29 contributions (last rate applicable), there is no increase. On the other hand, where a person is single and the yearly contribution average is 50 and over (full rate applicable), the increase is only 3% resulting in an increase of 3 Euro per week. A single person is not entitled to an increase, in case where the yearly contribution average falls between 20 and 49.

2.04 In our PAYG system insured, persons pay an income related contribution and expect that they will be entitled to an income related benefit. The difference that exists between a married pensioner maintaining a wife, and a single person needs to be investigated.

The APO feels that this whole matter needs to be addressed sooner with urgency, and is making its suggestions in this regard in paragraphs 3.01 and 3.02 below.

3.00 Recommendation

3.01 In an ideal economic situation, the APO would prefer to see the immediate introduction of the GNMP or by January 2014, at the latest. However over the years, the APO, fully cognizant of an uncertain economic scenario, has always endeavoured to be realistic in its submissions. Given the still existent fiscal constraints, a phased introduction of a GNMP, with effect from January 2014, would in the APO's view, be fair and equitable.

3.02 The APO's proposal to the PRSG, is therefore for a common GNMP, reflecting 60% of the National Median Income, for everyone, preferably within three (3) years, (2014 - 2016), or within five years (2014 – 2018), as the worst scenario.

3.03 Finally, and with the aim of evaluating the financial sustainability of any recommendations, by the PRSG, the APO wishes to emphasise the importance of undertaking the following tasks which need to be carried out by competent technical people at the appropriate time**,** i.e., to**:**

(i) Analyse each specific benefit being charged to the National Insurance Fund.

(ii) Cost such benefits as of now and project them in the future, taking into account the present and potential future population of Malta.

(iii) Conduct an actuarial valuation of each specific benefit under (i) and (ii) above and arrive at a present rate of contribution payable now, in order to provide such specific benefit to be paid to present and prospective future pensioners in the year 2065.

The tasks mentioned at (i), (ii) and (iii) above, are to take into account recommendations taken on board by the PRSG.

Alfred St. John Joseph M. Azzopardi Rene' H. Formosa Carmel Mallia

for and on behalf of
THE ALLIANCE OF PENSIONERS' ORGANISATIONS

The above was complemented by the following, submitted by the **National Alliance of Pensioners**:

A) Position regarding the Elderly at Risk of Poverty

The elderly are one of the three target groups, materially deprived and at risk of poverty, who are earmarked for assistance in the fight for the elimination of poverty. According to the National Statistics Office, there are 10,960 persons in poverty. Poverty is, in fact, one of the thematic objectives, targeted through NRP 2013, which seek to address challenges and bottlenecks with the aim of ensuring growth in line with the Euro 2020 Strategy (Page 193)

The following indicate that the elderly population (65+), in Malta, compares rather unfavourably with their counterparts in the E.U.

Risk of Poverty - Whole Population (Malta) 15.4%; Whole Population (E.U): 16.9%; Malta compares favourably.

Risk of Poverty - Elderly 65+ (Malta): 18.1%.; Whole Population (E.U): 18.1%;..Malta compares unfavourably.

More must therefore be done to narrow this gap.

Government's target is to lift around 6,560 people out of risk of poverty and exclusion by 2020 (Page 15). There is, however, no indication of how different strata of the population will be affected.

B) Extracts from the NRP and our Observations

(1) €300 grant - Page 153 of the NPR indicates that the €300 grant per annum to senior citizens which started being paid in March 2012 to 80 year olds, will continue to be paid in 2013 and will be extended to persons aged 75 to 77 in 2014.

Observations: This is a good measure and certainly helps in alleviating poverty. However, it must be pointed out that we are the only country where males over 65 are more at risk of poverty, than women over 65. This is not a major concern, but we have to guard against the difference in percentage points, which has increased from 3.1% to 3.6%, getting larger.

(2) Service Pension - Page 154 indicates that €200 of the service pension will be waived off from the calculation of the social security pension, and that the target population is service pensioners – currently approximately 13,500.

Observations: Those who are in receipt of retirement pension (2/3 pension) are in their majority, if not all, not at risk of poverty.

(3) Energy Benefit – An increase from €30 to €40 in the energy benefit entitlement issued to households on a low income, in order to mitigate for the increase in the price of gas – Page 157.

Observations: The increase was so small that it had little effect.

C) Supplementary Assistance Mechanism and our Conclusion

At Page 157 mention is made of the Review of the Supplementary Assistance Mechanism for those pensioners whose household income falls below the National Median Equivalised Income – thus increasing the allowance for this category of pensioners.

Observations and Conclusion: The party in government promised in its electoral programme that no person will be paid less than 60% of the median income. If and when this measure is put into effect, no single person will be at risk of poverty.

Yet, not all couples will be lifted out of / freed from the risk of poverty.

In our opinion this very positive measure of reviewing regularly the supplementary assistance, for those pensioners whose household income falls below the National Minimum **Equivalised** Income, will go a very long way in the struggle to completely eradicate poverty – provided the increase is awarded every year till 2020.

The above was complemented by the following, which was presented also by the **National Alliance of Pensioners**.

Sotto-Kumitat tal-Gvern tal-Pensjonanti Kurrenti
Attn: Mr Joseph M. Azzopardi

Pensjoni Minima Nazzjonali

Bħala Assoċjazzjoni qed nitolbu li jiġu mwettqa dawn iż-żewġ wegħdiet magħmula mill-Gvern –

- Nibdew proċess fuq medda ta' snin sabiex b'mod gradwali naslu għal Pensjoni Minima Nazzjonali, li tkun edwivalenti għad-dħul nazzjonali medja (Programm Elettorli 'Malta Tagħna Lkoll' - Wegħda Numru 39).

- Sal-2015, irridu innaqsu n-numru ta' persuni fir-riskju tal-faqar bi 22,000 persuna (Stqarrija magħmula mill-Prim Ministru fil-preżentazzjoni tal-'Green Paper' fuq il-Faqar.

Kif dan jista jitwettaq –

'Assumptions':

- 60% tal-'Median Income Review - €7,000.
  Meta teskludi 22,000 Persuna mir-Riskju tal-Faqar - €6,000

  Il –benefiċċju Supplementari irid jitla għall-€6,000.

Il-miżura tista' tkun applikata kif ġej –

- Tagħti lil dawk lid-dħul 'equivalized' hu bejn is-6,000 u 7,000 - id-differenża bejn id-dħul tagħhom u 7,000.

- Tagħti lil dawk li d-dħul 'equivalized' hu inqas minn 5,000 - id-differenża bejn id-dħul tagħhom u 6,000.

- Għall dawk li d-dħul tagħhom hu €5,000 u €6,000, tinagħta żieda ta' €1,000.

Jien inħoss li b'hekk il-wegħda tal-Prim Ministru tkun imwettqa, waqt li jkun pass sinjifikanti biex jintlaħaq l-għan aħħari li l-ebda persuna ma jkollha dħul inqas minn 60% tad-dħul medjan.

Moses Azzopardi
President
Għaqda Nazzjonali tal-Pensjonanti

N.B. Ħaġa naturali, ċ-ċifri mogħtija huma 'Assumptions', għax is-60% tad-Dħul Medjan, u fejn taqa' l-figura, meta tnaqqas 22,000 persuna jistgħu biss jiġu mogħtija mill-Uffiċċju tal-l-istatistika.

Dan l-eżerċiżżju jiġi mwettaq sena wara sena sakemm l-ebda 'household' ma jkollha inqas minn 60% tad-Dħul Medjan.

Note by the Pensions Strategy Group

The recommendations presented by the Alliance of Pensioners and the National Alliance of Pensioners were agreed to by all organisations representing pensioners.

Discussion Paper by the Alliance of Pensioners' Organisations re. Proposals on Service Pensions for consideration by the Pensions' Reform Sub-Group

1. BACKGROUND

1.1 The amendments to the then National Insurance Act, which came into effect on 22nd January 1979, introduced a two-thirds income related Retirement Pension for all. The praise-worthy measure, to insure a decent post-retirement income for each and every citizen, came at a cost to those who were entitled to a pension on retirement, from their employer or who had forked out money for some form of retirement pension.

1.2 When all social legislation was consolidated in one Social Security Act, the decision to "abate" (a misnomer if there ever was one) the contributory Retirement Pension by the amount of a totally uncommuted Service Pension (= occupational pension) was re-enacted in Section 56. This confirmed the abusive appropriated by the State, of rights enjoyed introduced by the 1979 amendments.

1.3 The amendments relating to how different categories of occupational pensions are to be treated for purposes of deduction from the Social Security Pension have given rise to a discriminatory regime ill-benefitting a State which claims to believe in equal justice for all. The discrimination started when gratuities ceased to be set-off. It went much further in 1997, when only the original pension awarded on retirement started being deducted (i.e. amounts from revisions being disregarded), and when pensions commuted completely began to be disregarded completely.

1.4 The total disregard of pensions commuted completely also created a discriminatory regime vis-a-vis those who could only commute a part of any occupational pension (= service pension).

1.5 This part of the pension regime is in a complete mess and fails completely to safeguard the rights of those in receipt of or entitled to an occupational pension, if they were unfortunate enough to be born before the 1st day of January 1962.

2. PROPOSALS

2.1 In a society where the only consideration influencing policy is justice, Government would propose the immediate repeal of Section 56 of the Social Security Act, and the disregard of any occupational pension or similar for all forthwith. This is an ideal scenario which ignores financial realities. The Alliance is made up of realists and does not propose such an abrupt change.

2.2 This question of the total disregard of an occupational pension (or of a pension equated thereto) for all those born before the 1st January 1962 started being addressed in a disjointed fashion in 2008. €466 was disregarded in the first year, nothing in another year and €200 per annum in other years up to January 2014. Rectification of an injustice, committed by a State by fits and starts ill-befits a country aspiring to be an example to its European partners. Under the current arrangements, each and every pensioner in receipt of a "service" or occupational pension would have to live to be a hundred or so in order to benefit fully. So, if justice is what we are after, this also is not an option.

2.3 The Alliance proposes a somewhat more radical solution, which recognises that justice will have to be delayed in the longer term economic interests of the country, and of its financial stability. By not later that 1st January 2015 there should be:

i. a total disregard of any occupational pension for pensioners aged 80 years and over;

ii. a disregard of not less than 80% of any occupational pension for pensioners aged 75 to 79;

iii. disregard of not less than 60% of any occupational pension for pensioners aged 70 to 74;

iv. disregard of not less than 40% of any occupational pension for pensioners aged 66 to 69; and

v. disregard of not less than 20% of any occupational pension for pensioners aged 65 or below and for all those entitled to an occupational pension who retire on or after 1st January 2015.

As from the 1st of January 2027, service or occupational pensions, should be disregarded for all irrespective of whether they were born before, or after the 1st January 1962.

2.4 The proposal outlined above does away with the need for arrangements as to how to deal with the commuted parts of pensions.

Note by the Pensions Strategy Group

The recommendations were accepted by all of the pensioner organisations, other than the National Association of Service Pensioners. The National Association of Service Pensioners presented its own recommendations.

The following are the proposals presented for consideration by the **National Association of Service Pensioners**:

1.1 Article 56 of the Social Security Act states:

"Where a person is entitled to a Service Pension, other than a Service Pension which has been commuted, at any time, in whole, any pension arrived at in accordance with the provisions of Articles 53 to 55 of this Part shall be abated by the amount of such Service Pension".

1.2 Articles 53 to 55 set out the conditions which regulate the award of the two-thirds pension.

1.3 The National Association of Service Pensioners, proposes that Article 56 should be repealed with effect from 1st May 2004, at the very latest.

2.1 Any other reference to any abatement of the Social Security Two-Thirds Pension (SSTTP), because of a service pension should likewise be considered as having ceased to have effect from the said date, 1st May 2004, at the very latest.

3.1 A ring-fenced Contributions Fund, should be set up wherein all social security contributions from employees, employers, self-employed, and the State, would be deposited; and from which all contributory benefits are paid out.

4.1 A national authority/board/agency, should be set up to manage the Contributions Fund, and oversee the requirements of its sustainability and the prevailing conditions of entitlement.

5.1 This reform could take place over a period of three years, with a minimum of €1000 (one thousand euro) of the service pension being ignored yearly per pensioner, and another equal amount paid out in arrears.

Albert Cilia-Vincenti
Hon. President

Publius Grech
Hon. Secretary

<u>Kummizzjoni Nazzjonali ghall-Anzjani</u>

As from 4th January 2014 a widow is entitled to a *Widows' Pension irrespective of any gainful employment.*

Social Security Act CAP 318 Article 31 (2) states:

"Provided that with effect from the 4th January 2014, entitlement for the full Pension under Part IV shall not cease notwithstanding such widow is gainfully occupied and the earnings from such gainful occupation exceed the national minimum wage. "

Any reference to a widow also means a widower.

<u>This legal provision is giving rise to:</u>
Discriminatory practices between workers and the resulting benefits they receive from the payment of national insurance contributions in that:

- The pension of the single breadwinner within the recognised couple is enjoyed by the surviving spouse till death.

- The pension of the two breadwinners within the recognised couple is only enjoyed by the surviving spouse until the latter's retirement.

This measure is being seen in the context of:

1. The investment made in the payment of one tenth of the salary by both partners in gainful employment over their life-time is by far being devalued when compared to the investment made in the payment of one tenth of the salary of one partner in gainful employment.

2. In comparison, the much lower investment being made in the payment of one tenth of the salary of one partner is being translated into a much higher and relatively disproportionate return.

3. The disproportionate return is to say the least discriminatory to both women and men but mostly to women who are far likely to outlive their spouses.

4. The shock to the standard of living of the widows/ers, who have been living most of their lives on two salaries working hard to earn an income that supports such a lifestyle, is devastating particularly at a time of the personal loss of a spouse.

5. The situation for the couple with a single breadwinner does not have such drastic consequences as the surviving spouse continues to enjoy the same or practically the same pension (5/6 for the widow).

6. The needs of the elderly as they grow older (mostly women), resulting from more serious ailments, as well as lack of mobility, and thus requiring financial resources to afford help in the home or in an institution, increase with age.

7. The elderly, on becoming dependent, often cannot rely on family members who may be busy looking after their own children/grandchildren, coping with gainful employment and care of children or have become elderly themselves.

8. Financial stability may translate in the long term in lessening the burden of elderly care on the State.

Recommendation: The eligibility of a survivor within a recognised couple to continue to receive the pension of the deceased spouse should remain in force even after retirement.

Conclusion:

This measure can prove to be an incentive:

- to address current concerns regarding discriminatory practices in pension entitlements of women (and men).
- to attract more women to join the labour market.
- to encourage women to move from the black into the formal economy.
- for stronger sustainability of national welfare services and a stronger economy through payment of national insurance and income tax.
- for a higher return in tax revenue.

With the increase in the number of women in the labour market, be it on a part-time or a full-time basis, it is being felt that the eligibility of all widows (widowers) within a recognised couple to continue to receive the pension of the deceased spouse, should remain in force even after retirement.

Moreover, considering that the number of current elderly couples who are entitled to two full pensions is relatively minimal, the cost to the public purse will be negligible and will only grow gradually over the years.