

ALLIANCE OF PENSIONERS' ORGANISATIONS

Note Supplementing the Minutes of the Meeting Between The Management of the Social Security Department and Representatives of Pensioner/Elderly Persons Organisations held on the 4th July 2011 in Connection with the Supplementary Paper on Anomalies, etc

1. Scope

This note aims at re-stating the views of the Alliance of Pensioners' Organisations on crucial topics such as the Guaranteed National Minimum Pension, the Maximum Pensionable Income, computation of Social Security Pension where the beneficiary is also in receipt of an occupational/service pension, "ring-fencing" of Social Security Account, etc.


2. Issues

1. Guaranteed National Minimum Pension

- 1.1 The United Nations and OECD consider that persons with less than 60% of the National Median Income are at risk of poverty. This norm is accepted and applied in EU countries. The Alliance's proposal that this formula should also apply to Maltese pensions was accepted in principle in the amendments to the Social Security Act approved in 2006. Unfortunately, government decided to apply it only to those born on or after 1st January 1962. In other words, except for a few early retirees (as invalids or as a result of industrial injury) and for surviving spouses of deceased contributors in the same cohort, the GNMP of 60% of National Median Income will only become operative on 1st January 2027. This arrangement discriminates against current pensioners who have not been boarded-out as invalids, and a significant proportion of whom are at risk of poverty.
- 1.2 According to the latest NSO figures, in 2009, 19% of 65 years or older, were deemed to be at risk of poverty. The position today is worse. Considering that the GNMP for a married couple in 2011 (based on 60% of National Median Income) is € 171.87 per week, all those receiving a lower pension (minimum is €127.97) are not only at risk of poverty but actually below the poverty line. The Alliance fails to see how policy makers continue to remain unmoved. The poor amongst us cannot, and should not, be allowed to just exist. The Alliance expects to see the

- 3.1 The Social Security Act (1979) stipulates that an uncommuted occupational (service) pension shall be set-off against the 2/3 pension. The principle might have been equitable (disregarding the morality of such reduction) when all payments on retirement were taken into account for purposes of such deduction. The 1979 structure started being weakened when gratuities ceased to be set-off. It collapsed partially in 1997 when, (i) only the original pension amount started being deducted (revisions following award, however large, were ignored), (ii) wholly commuted pensions started being ignored in-toto.
- 3.2 This has left a discriminatory regime targeting pensioners who commuted only part of their occupational pension – either because only partial commutation was permissible or because of pensioner’s choice. The discrimination is even worse for ex-public servants – 50% of the commuted part is set-off against the 2/3 pension at age 72. There is therefore an immediate need for an occupational/service pension to be set-off invariably on a 100% commuted basis.
- 3.3 To mitigate the impact on the exchequer the arrangement should be introduced over a period of not more than four (4) years for all those below 72 years, but immediately for those of 72 years or over. This is because the commuted part of a pension is mostly computed at twelve and a half (12 ½) times the amount of pension foregone. In other words the value of the “gratuity” (12 ½ x € x) is extinguished after 12 ½ years.
- 3.4 This question of the total disregard of an occupational pension has been addressed, since 2008, in a disjointed fashion, with € 466 being ignored in one year, nothing in another, and € 200 in another year still. Rectifying injustices by fits and starts does not befit a European country aspiring to be an example to others. NSO statistics show that around 14,000 individuals have their 2/3 pension reduced as a result of this injustice. Lack of funds should never be put forward as an excuse to justify non rectification of injustices.
- 3.5 The total disregard of an occupational/service pension raises more than financial issues. Ethically and morally a state does not have the right to deprive its citizens from enjoying the fruits of their labour, directly or indirectly paid for by them. An occupational pension represents either a higher salary foregone or some salary foregone and an actual contribution. While in the first case the employee’s contribution is not immediately

serious doubts about the early introduction of a mandatory Second Pillar Pension (in the light of the public reactions of employer organisations). It holds that the important thing is to ensure a truly adequate First Pillar Pension and considers that as the economy improves the contribution rate should be gradually increased. The additional income resulting should be ring-fenced and administered by a Board of Trustees.


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