

FURTHER CONSULTATION

General Comments

1. INSURABILITY

“Employed” a person who is under 65 years and employed in insurable employment.

“S/Occupied” S/E person who is engaged in any activity through which earnings exceed Lm390 pa

“Self/Employed” is not employed or s/occupied. Income generated from rents, interest etc.(unearned income).

There is an increase in the trend that persons are asked by employers to pay a s/occupied social security contribution on taking up employment.

The proper classification of the insurability of the person according to the gainful occupation he/she is about to carry out is of paramount importance to the individual as well as to the department of social security.

Any type of employment with a company, firm, shop etc. where a person is giving a service to an employer for an agreed remuneration should be classified as class 1 contributor.

Only persons who are engaged in any activity where the income generated emanates from a profit and loss account should be classified as class 2 contributor (farmers, carpenters, mechanic etc.) In this area there are irregularities which must be addressed without further delay.

It is unacceptable that persons who give a service to an employer as clerks, shop assistant, teacher and similar jobs are accepted to be insured as self occupied persons. There should be proper investigation to stop this abuse.

The victims of these irregularities should be aware that as self occupied they are losing their rights as stipulated by law for sick/vacation leave, paid public holidays, bonuses from employer. The employer is also evading his share of social security contributions besides other obligations.

2. ADEQUACY

The introduction of minimum pension guaranteed and the change in survivors' pension rate are two measures that can be identified as regards adequacy. About the former a considerable increase can be noted only in the first two bands of the married rate when compared to the rates of the *national minimum pension*. *Minimal changes were effected in the single rate.*

About the latter, the survivors pension, there are comments further on. (see para 7)

The award of credits to family carers (parents) according to the number of children born can also be considered to enhance adequacy.

A fact that should be mentioned and discussed is that all projections, workings, and calculations were carried out on the assumption that persons work and pay contributions for a period of 40 years and therefore be entitled to a full rate of pension.

What about the others who for various justified reasons work less and their contribution record is deficient? Although the changes carried out in the calculation of the contribution average maybe considered good for sustainability of pensions, yet they are not good enough to provide an adequate pension. Reduced pension rates have been cut down drastically (see attached graph)

3. SUSTAINABILITY

It is a fact that due to the demographic change and its effect on the population drastic measures had to taken for the sustainability of the pension system. However, the first priority should be the re organisation of our existing mechanism to collect our dues in time, fight evasion and control black economy. The current structures operating at DSS/CIR should be further enhanced so that the collection of contributions from social security will render more income.

Recently the administration appointed between 50 to 70 wardens to control hunters. It can do the same and appoint teams of inspectors to monitor regularly the self occupied etc. on their place of work. They can check on the spot whether

1. Social security contributions are paid regularly.
2. The proper rate of contribution is paid according to their earnings.
3. Persons on invalidity pension are working.
4. Employers engaging hundreds of immigrants in construction, cleaning, farming, restaurants, road construction and other odd jobs are doing this on regular or irregular basis.

Now is the proper time to regularise the employment of legal immigrants in our labour market both from the economic as well as from the social aspect.

The re introduction of the deficiency notice (DN) will help also to collect funds.

In all circumstances the employee share of 10% collected by employer from wages/salaries should be paid to the DSS/CIR.

CIR and Tax compliance unit should be more effective.

Amnesties and other measures to waive off revenue due to the state must be avoided. This practice can be considered as an incentive to encourage evasion of fiscal dues and discourage persons from paying their dues regularly and in time.

Finally there is a need to introduce a solidarity contribution of 1 or 2% on those persons whose earnings exceed 30,000 Euros, perhaps this income can go into a fund for health, pensions or help those who due to their financial constraints could not afford to participate in the second pillar pension.

4. SERVICE PENSION

Sec. 56 of the Act states clearly that where a person is entitled to a service pension which is or had been commuted, at any time, in whole or in part, any pension arrived at shall be abated by the amount of such service pension.

The law is clear and treat all forms of service pension equally.

4.1. However, the amendment carried out with effect from 4th October, 1997, is unjust and discriminatory.

On one side the amendment provides that where a service pension has been commuted in full, it should not be considered for abatement from TTP entitlement.

On the other hand, where a part of service pension (say 25%) has been commuted all the amount is to be deducted from TTP entitlement between Age 61 and 71.

At age 72, only one half of the 25% is waived off and the other half is still deducted from TTP entitlement. It is expected that the whole amount (25%) will no longer be considered to form part of the service pension. This should be the first step to give equal treatment to pensioners.

While section 56 gives equal treatment to all persons who are entitled to a service pension the amendment of the 4th October, 1997, is unjust and discriminatory in all aspects.

4.2. The law provides that where a person is in receipt of a service pension he is entitled to a flat rate retirement pension according to his status.

However, the provision of section 62 points out that in case of a married couple, where the wife is entitled to a pension on her own right, the husband is no longer considered as married but as single person and receives a rate of pension accordingly. This may be called injustice or unfair treatment.

4.3. PERSONS ENTITLED TO A SERVICE PENSION FROM THE BRITISH SERVICES.

It can be noted from Schedule XII (rates of Retirement Pension) that the rate paid to these pensioners is still above the rate paid to other pensioners who are entitled to a service pension from other sources/employers.

Way back in the 90's measures were put in place to adjust this injustice. The pension rates of the second category started to have an extra increase so that over a period of time they reach up to the level paid to pensioners of the first category.

For no valid reason this practice stopped abruptly. It should be re-activated without delay.

4.4. It is expected that the amount of 866 Euros which is deducted from the service pension entitlement continues to be increased on a regular basis.

5. GUARANTEED MINIMUM PENSION.

As both a single and married person pay an income related contribution they should be treated equally and therefore the single rate should be eliminated.

The relationship between the *National Minimum Pension* and the *minimum wage* is on the way out.

The 60% of the median income should apply to all pensioners with immediate effect. From the rates published it can be noted that the difference between the *National Minimum pension* and the *Guaranteed Min Pension* have a considerable increase in the first two bends of the married rate only.

6. RE-ASSESSMENTS

The stream lined approach of an increase of 70% average wage and 30% inflation should be applied to all pensioners.

If there is no agreement on this measure then a mechanism where a basket of goods and services based on the needs of older people should be put in place without further delay. This can help to determine the increase in the rates of pension.

There should be a way to safeguard the purchasing power of older citizens, to create a relationship or comparisons between wages/salaries earned and pensions paid. The elderly have a right to continue living a decent life and it is everybody duty to take measures to protect them from facing the risk of poverty problem.

7. SURVIVORS PENSION

The proposal that widows will be entitled to the full two thirds instead of 5/9 of husband's pensionable income is very good and there is an agreement.

At this point in time one has to mention the other face of the coin where the administration is considering various measures to increase the number of women in the labour market.

The measure proposed will be positive for a widow who never participated in a gainful occupation. On the other hand it will be unfair for a woman who worked and paid contributions for a number of years. The law provides that a person cannot receive two benefits/pension at the same time. This means that in many cases the widow has to forfeit the pension earned on her own right to be entitled to the survivors pension. There should be some form of compensation to females who worked and paid contributions otherwise the measure will discourage females to return to work.

8. MPI.

There should be one MPI for all pensioners.

One has to consider the fact that the MPI remained for 24 years in cold storage. It has to be noted that during this period there were considerable increases in wages/salaries.

The inflation rate during this period has been the major reason contributing towards the erosion of the purchasing power not only to workers but worse for older people.

As regards Recommendation 26 of Supp. 06 para (iii).

The principle of the pension system (First Pillar) always depended on solidarity between current workers/contributors and current pensioners.

About the other comments “ that the pension received is equal to the contributions paid by the insured person”, it should be pointed out that this does not apply to persons who are entitled to a service pension.

This category of pensioners paid income related contributions since 1979 but are still entitled to a flat rate pension. In other cases they are still having their service pension or may be part deducted from their Two Thirds Pension entitlement.

In the circumstances they should not be considered to undermine the fundamental principle of the pension system but on the contrary they are still contributing towards its sustainability.

9. APPEALS

Re para 03.

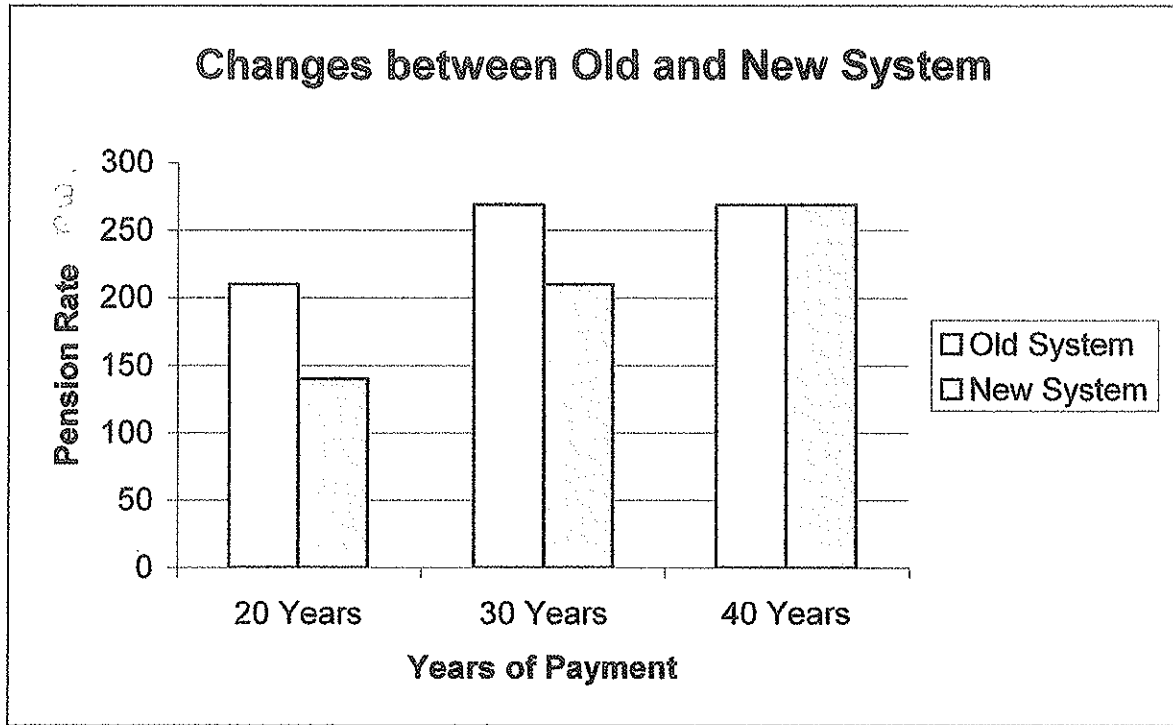
There are about 16 associations representing pensioners. From that point of view we do agree that it is impossible to appoint 16 assessors. However it should be pointed out that the General Workers Union and UHM are representing two associations out of the 16 and yet they are regularly appointed on the appeals board by the Hon.Minister.

“The PWG 2010 is strongly of the view that the integrity of the impartiality of the appeal’s process will be compromised.” This statement can also apply in the case of the GWU and UHM representatives. To reach a compromise and do away with the system of two weights and two measures, a member of the National Council for the Elderly, representing all associations can be considered for appointment on the appeal’s board.



President
National Council for the Elderly
5.05.2011

Pension Age	Old System	New System	Difference	% Decrease
20 Years	210	140	70	33.3
30 Years	269	210	59	21.9
40 Years	269	269	0	0.0



Calculations in MP1 of E 20964.