

Analysis of Feedback Received
Supplementary Paper No 01

New Pensions Working Group
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Glossary

EET	Exempt Exempt Tax
MFSA	Malta Financial Services Authority
MPI	Maximum Pensionable Income
NPWG	New Pensions Working Group

01. Introduction

As part of its review, the New Pensions Working Group (NPWG) invited several entities to attend an individual consultation session, which aim was to clarify the terms of reference assigned to the Group, as well as to outline the basic framework of pension restructuring that the Group is proposing. More importantly, these sessions served as a platform to gather feedback from the various stakeholders on a number of issues and challenges pertaining to pensions.

Out of a total of 39 bodies contacted, 32 accepted the Group's invitation and agreed to a consultation date. These were (in alphabetical order):-

- Alliance of Pensioners
- Alternattiva Demokratika
- Assocazzjoni Pensjonanti Anzjani Nazzjonalisti
- Association of Insurance Brokers
- Chamber of Engineers
- Chamber of Retired Engineers
- General Retailers and Traders Union
- General Workers Union
- Institute for Financial Services Practitioners
- Kunsill Studenti Universitarji
- Kummissjoni Nazzjonali ghal-Persuni b' Dizabilita
- Malta Bankers' Association
- Malta Chamber of Commerce, Enterprise and Industry
- Malta Chamber of Pharmacists
- Malta Confederation of Women's Organisations
- Malta Employers' Association
- Malta Hotels and Restaurants Association
- Malta Insurance Association
- Malta Institute of Accountants
- Malta Institute of Management
- Malta Institute for Taxation
- Malta Police Force Association
- Malta Union of Midwives and Nurses
- Malta Union of Teachers
- National Commission for the Promotion of Equality
- National Council for the Elderly
- National Council of Women
- National Youth Council
- Partit Nazzjonalista
- Partit Laburista
- Union Haddiema Maghqudin
- Zminijietna – Voices of the Left.

A comprehensive analysis of the formal and informal feedback gathered was subsequently carried out. This Supplementary Paper presents a general synopsis of the comments received, highlighting the most common concerns, issues and recommendations brought forward.

The full documentation of the feedback received by the NPWG can be found in Appendix I 'Detailed Analysis of Feedback Received', attached to this Supplementary Paper.

02. The Key Points of Discussion

02.1 General

There was agreement across the board that the current pension structure needs to be reformed if the adequacy and sustainability of pensions in the future is to be safeguarded. All the parties concurred that deferment of action is not an option, albeit their views differing on the course of action to be adopted in this regard.

In addition, the majority of entities consider the five-year strategic pension review as positive and believe it should be maintained, so as to be able to periodically monitor and assess the economic, social and demographic changes that could potentially affect the pension framework over time.

02.2 Current Pensioners

There is common agreement that the current pensions are not adequate enough to provide pensioners a decent standard of living. The present Maximum Pensionable Income (MPI) is viewed to be low, especially in light of the increase in the cost of certain basic needs such as utilities, gas et al. This situation must be rectified in order to reduce the risk of poverty faced by an increasing number of elderly persons in Malta.

It was suggested that pensioners are exempted from paying income tax on their pension as they would have already paid income tax on the national insurance contribution when they were in employment.

Furthermore, a number of entities highlighted the existence of various anomalies which resulted from the last pension reform and suggested that these are resolved during this review.

Another suggestion was to remove the 3 levels set for the MPI so that all pensioners are allowed to start from the same platform within the coming years.

It was also maintained that the Service Pension is treated the same as Occupational Pensions, in that it is not deducted from the State's total pension amount.

Finally, several bodies, mostly those representing women and the elderly, maintained that the current structure of the Widow's pension is unfair and discriminatory against those women who have earned a pension in their own right. They also add that the Police Pension is discriminatory against the spouses as, if the receiver dies during service, his or her spouse are not entitled to this pension.

02.3 Retirement Age

A significant majority of the constituted bodies oppose a further rise in the official retirement age at this point in time. Some argued that it is not socially acceptable to withdraw the opportunity for workers to 'rest' after a lifetime of contributions, whereas others maintained that a longer life expectancy does not equal to a good quality of life.

Furthermore, an increase in the number of workers in this cohort might 'block' new positions for younger workers. On the other hand, a number of entities argued in favour of adjusting the official retirement age in accordance with the life expectancy of the population.

Despite these differing outlooks, there is a consensus to allow, and even incentivise, workers reaching the official retirement age to remain in their current employment, should they be in good health and express the wish to do so. In other words, the onus of whether or not to continue working will be on the employee.

A minority pointed out, however, that allowing individuals to remain in employment past the official retirement age could be discriminatory against certain social groups, as it is generally easier for professional workers to remain in the labour market than, say, manual or industrial workers. This can lead to two different 'classes' of pensioners.

02.4 First Pillar Pension

There was unanimous agreement that the 1st pillar pension structure needs to be strengthened, as this is proving (both currently and in the future) inadequate in providing pensioners a decent standard of living. A number of entities, particularly those representing the elderly, maintain that a 40% replacement rate is insufficient and that it should be at least 50 to 60%.

A number of representatives suggested that a way to boost an individual's pension in the future is to calculate the NI contribution owed on his or her total income and not, as is currently, on his or her basic salary.

The majority agree that the Maximum Pensionable Income must be set at a rate and revised regularly to reflect the cost of living and expectations for a decent standard of living.

Moreover, there was undisputed concurrence that 1st pillar pension contributions are placed in a ring-fenced account with revenue collected to be used solely for pension purposes, as opposed the current system where revenue is placed in the Consolidated Fund.

Indeed, many entities are adamant that the NI contributions remain at the same rate until a ring-fenced pension account is established. Some entities also argue that should it be created, a Governance Board, constituted of State and User (i.e. employee) representatives, is established to regulate this ring-fenced Pension Account.

02.5 Second Pillar Pension

The absolute majority agree that now is not the ideal time to introduce mandatory 2nd pillar pension schemes. The representatives maintain that the economy is still particularly fragile after the recent global recession and remains relatively unstable. Instead, most entities believe that the 2nd pillar should be introduced in a gradual manner, so as to have the least negative impact possible on individuals and the economy. In addition, it was emphasised that an adequate implementation period for any new measures is allowed, to provide industry the opportunity to prepare for such changes.

Moreover, a number of entities strongly argued that the 2nd pillar should not be introduced, if at the detriment of the 1st pillar pension – the focus, first and foremost, should be on strengthening the State's Social Security System.

A schism in opinions was observed with regards to the manner in which 2nd pillar pension schemes are administered, if introduced. One bloc, made up predominantly of the Unions, maintain that the 2nd pillar should be administered by the State, as an extension of the current social security system and not by private financial services providers.

They argue that investing one's pension in the private market comes with a number of risks, including steep administration costs and loss of funds invested, which would be catastrophic to the individual nearing his or her retirement. Moreover, there is the issue of lack of trust towards these institutions, especially in the wake of the recent financial collapse.

Another comment made was that the surge of funds directed towards 2nd pillar schemes will result in a loss of money injected into the Maltese economy, as many of the investments will be made in foreign markets. In addition, allowing the schemes to operate within an open market will create a diseconomies of scale, given the small size of our country.

In contrast, the second group favours the private sector in taking the responsibility to administer these schemes, if under a strict financial regulatory framework. Indeed, it is argued that both the providers as well as the MFSA must ensure that the products offered are transparent and based on a solid foundation to gain the trust of the State as well as potential clients.

Furthermore a number of entities propose that, in either scenario, the Government should take the onus of the guarantor, to protect against any losses incurred in the market. Others recommend that the State steps in to assist those individuals who cannot afford to save for the future to save by contributing to part or whole of their 2nd pillar pension.

Finally, some entities underlined the importance of introducing the necessary legal and / or regulatory frameworks prior to implementing any 2nd pillar pension schemes.

02.6 Third Pillar

The large majority of constituted bodies agree with the introduction of tax incentivised 3rd pillar pension schemes with immediate effect. They argue that although mandatory 2nd pillar schemes are not viable at the moment, people can still be encouraged to save for their pensions through these schemes.

The model recommended for the tax incentives is the Exempt, Exempt, Tax (EET) model, where individuals are only required to pay tax when the benefits are paid out at the end of the scheme. On the other hand, a minority are of the opinion that such schemes could create two separate classes – those who can afford to save for their future in the 3rd pillar schemes and those who cannot.

A number of entities also maintained that, since, people have low confidence in the financial services sector at the moment they might be hesitant to trust them with their future pension. Hence, another proposal, similar to that made for 2nd pillar pension schemes, is that the State steps in to guarantee any market losses incurred through private pension investment funds.

Several representatives were also concerned on the potential consequences of introducing tax incentives to encourage uptake of these schemes. For one, there is the prospect of individuals reducing and / or transferring their current contributions to 'taxed' savings plans e.g. bonds, to these incentivised pension investments so as to save on tax.

This could mean a loss of a substantial amount of income to Government in taxes. Furthermore, the money put away in these pension schemes is deferred income and, hence, could affect the country's consumption power and competitiveness at present.

A recommendation proposed by the financial services representatives is to introduce incentive schemes that encourage those individuals who have life endowment policies nearing maturity, to lock away their sums into a pension scheme, instead of withdrawing the lump sum at this point in time.

Another issue raised related to whether the financial service providers in Malta will be in a position to provide annuity pension schemes as Malta does not have longevity tables.

A further proposal was to create private saving schemes designed especially for pensioners – as people are living longer, the retiree's 'wealth' and pension value at 61 years will be potentially eroded by 80 years. Hence, pensioners also need to 'save' some of their pension for their later years.

A number of entities have expressed their reservations on the creation of a scheme which allows parents the option to divert the Children's Allowance into a pension fund for the child, as this could be discriminatory against low income families who need this benefit for their daily requirements.

Although most comments were in favour of the introduction of Home Equity schemes as a 3rd pillar option, many were doubtful on the extent to which this concept will be embraced by people, as culturally, the older generation prefer to leave their property to their children as inheritance.

02.7 Increasing Active Workforce Participation

There was unanimous agreement that, in order to secure an adequate and sustainable pension system in the future, the active workforce participation rate in Malta needs to be increased. This could be achieved by targeting those cohorts that have a low labour market participation rate.

Firstly, the majority of the representatives emphasised that the female participation rate needs to be boosted. Various measures were recommended that could be applied to encourage more women to join the labour market. These are discussed in more detail in the section 'Gender and Family Issues', below.

Several entities also highlighted the importance of reducing the number of individuals currently operating in the 'black economy', by providing them with incentives to join the formal one. This will increase the number of workers who pay tax and NI contributions.

The greater part of the feedback was in agreement that workers are encouraged to remain in the labour market for as long as possible. For this reason, early retirement schemes should be avoided, whilst eligibility for invalidity benefits tightened to curb any abuses. Furthermore, individuals reaching the official retirement age should be incentivised to remain working, both through financial initiatives as well as and by reducing the bureaucratic hurdles currently in place.

A number of bodies, particularly those representing employers, view the development of a targeted immigration policy for Malta as one means of mitigating against the demographic challenges being faced in relation to maintaining the adequacy and sustainability of pensions, as well as serve to boost and sustain the country's productivity.

On the other hand, a minority believe that although immigration policy can solve certain issues, it could bring about further pressures on the country's infrastructure et al. Nonetheless, there was a general agreement that the topic of immigration is still a taboo subject in Malta and more needs to be done to get the nation to embrace this course of action.

02.8 Gender and Family Issues

The majority agree that female participation in the labour force should be increased, so as to boost and sustain economic growth, aid the sustainability of the pension system in the future as well as ensure that women are provided with an adequate pension upon their retirement.

On this note, there was agreement across the board that private entities should be incentivised to implement more family-friendly measures, as well as show more flexibility in work hours et al to encourage more women to return to the labour market after having children.

Another suggestion pertained to the adjustment of school hours and the scholastic holiday period as these were identified as major obstacles for women to return to formal employment. Alternatively, Before and After School care programmes should also be introduced as another mechanism to attract females to re-enter or enter the labour market. Moreover, child and elderly / disabled care services should be made more affordable and of a higher quality

A number of entities further maintained that the 40 years contributory period is discriminatory, especially against women, as these are usually the ones who exit the workforce for a period of time to take on a caring role.

Several organisations called for an increase in pension credits provided to child carers from 2 years to around 4 – 6 years, to better support the natural child rearing process. Pension credits must also be extended to carers of sick, elderly and disabled relatives. However, a minority believe that increasing pension credits could hinder, and not encourage, women's return to the labour market – hypothetically, a woman with 4 children and 5 years of pension credits per child can remain out of the work force for 20 years.

One entity commented on the lack of female representatives on the Pensions Working Group and highlighted the importance of having a female outlook when debating this issue. In addition, the organisations representing women suggested that the Pensions Working Group carries out gender mainstreaming on all the recommendations submitted to ensure that these are not negatively affecting one gender or the other.

A final comment was that the pension system should not be solely based on a traditional family model but should also take into account single parents, same-sex partners, cohabitation, separated partners et al. Due to these changing norms, there is a need for the pension system to start addressing issues relating to cohabitated partners vis-a-vis a partner's right to a pension.

02.9 Atypical Employment

A number of entities highlighted the need to examine the manner in which any reform in the pension system will affect workers who are employed on a part-time, temporary and / or contractual basis. As this group continues to expand, it must be ensured that such workers are provided with an adequate pension in the future.

02.10 Financial Education

The majority concurred with the importance of developing and implementing a strategic and sustained financial education campaign, both at the school and national level. Such a campaign should strive to bring about a culture change that encourages future financial planning and saving for one's pension.

Another comment was that people need to be educated on the 'small print' of financial products on offer, as well as any related risks, in the event of launching 2nd and / or 3rd pillar schemes in the private financial market.

02.11 Other

A number of entities proposed that individuals are incentivised to make payments on any gaps in their NI contribution history, to ensure that they are eligible for the full pension in the future.

One entity proposed involving the younger generation in the debate on pensions to encourage their active participation and contribution in this regard.

Another suggestion was to introduce 'Learning Credits' for individuals over 30 years of age who decide to interrupt their employment to further their studies in any institution accredited by the Ministry of Education, so as to retain their eligibility for the full pension.

Appendix 1: Detailed Analysis of Feedback Received

01. Associations

Alliance of Pensioners

Submitted: 28th July 2010

Topic Area	Position / Recommendation
General	Although, Malta needs to control its national deficit, it should be careful when targeting health care, welfare and state pensions as thousands of individuals can be negatively affected.
Current Pensioners	A Guaranteed National Minimum Pension of not less than 60% of the national median income should be paid out to all contributory and old pensioners, not later than 1 st January 2011. As thousands of pensioners are now already on, or below the poverty line, the Alliance expects the GNMP to be introduced forthwith.
	<p>The different rates of Maximum Pensionable Income for different groups of pensioners are discriminatory. The Alliance wants to see an end to the current three levels of M.P.I. It suggests that all pensioners and contributors depart from the same platform. Hence it is proposed:</p> <ol style="list-style-type: none"> i. On 1st January 2010 there shall be a single MPI of 21,000Euros; ii. From 1st January 2014 this MPI shall be increased annually <ol style="list-style-type: none"> a. By a sum equal to 70% of the percentage increase in the average national wage for the previous calendar year plus 30% of the inflation rate for those born on or after 1st January 1962; b. By a sum equal to seven eighths of the sum resulting from the 70/30 formula in the case of those born between 1st January 1952 and 31st December 1961; c. By a sum equal to three-fourths of the sum resulting from the 70/30 formula in the case of those born on or before the 31st of December 1951; iii. In addition the MPI will be further increased by 500Euros each year between the 1st January 2015 and the 1st January 2026 to partially compensate for the absence of any adjustment between 1982 and 2004.
1st Pillar Pension	The 1 st pillar pension should pay out an adequate pension related to the number and level of contributions. In other words, this pension should give a reasonable replacement value and, at the very least, retaining its value over time. For those in senior and upper middle positions the pension on retirement should not be less than 50% of best earnings; for those in the middle and lower positions it should not be less than 60% of best earnings; for those on the minimum it should not be less than 66.66% of best earnings. These must also be indexed to inflation. Adequacy of pensions must be tested by the ability of a retiree to maintain a standard of living near that to which he was accustomed while economically active. Failure to attain and maintain such a level makes for poverty.
	Social Security Contributions should only be used for benefits related to work and not for other purposes e.g. health care, care of the elderly et al. Hence, Appendices A, B and C in the Estimates should be re-cast to show what is properly chargeable to Social Security. Other items of expenditure should find their proper place in Appendices B and C respectively.
	Although in favour of a ring-fenced account, it appreciates the financial difficulty of going for this option at this time.

2nd Pillar Pension	The small size of companies in Malta militates against the ability of employers to contribute towards their employee's retirement in addition to NI contributions. Introducing 2 nd pillar will impact on the country's competitiveness.
	The Alliance totally and absolutely objects to a 2 nd pillar financed by allocating one tenth of all contributions to a funded 2 nd pillar scheme. Such a move would create an illusory 2 nd pillar and would inflate the pensions' deficit.
	Low pay levels in certain sectors may make it difficult for some individuals to save for their retirement.
	In relation to Service Pensions, where the whole of a service pension is commuted, the Social Security pension is to be computed as if the person had not received anything from his employer and only the original pension was to be deducted i.e. subsequent additions were to be ignored.
Workforce Participation	Workforce participation is in Malta low. The problem is job availability. Provided Malta gets job-creating investments, the numbers of those economically active would rise dramatically.
	Abuse in invalidity benefits should be curbed and early retirement schemes avoided.

Alternattiva Demokratika

Submitted: 5th November 2010

Topic Area	Position / Recommendation
General	The AD believes in a socially just and economically sustainable pensions system which matches rights with responsibilities and which takes long-term interests into consideration.
Current Pensioners	The AD does not agree with the 40 years contributory period for entitlement to the full State pension.
Retirement Age	All citizens should be eligible for a state pension at the age of 65 years, subject to the transition period already defined, without losing their right to remain part of the workforce. The AD favours a voluntary retirement age system to ensure that everyone is left free to work for as long as she or he likes but at the same time nobody should be forced to work beyond the age of 65 years. An independent commission should consider whether a different age for pension eligibility should be set for physically or mentally demanding jobs. The Government should also introduce schemes which encourage industry to recruit these persons in occupations which are not physically or mentally demanding.
1st Pillar Pension	To ensure social justice, the statutory state pension must be set at a rate and revised regularly such that it reflects the cost of living and expectations for a decent standard of living.
	As regards the State pension, the AD believes in the long-term goal of a universal Citizen's Pension, which, rather than being based on National Insurance Contributions, is based on the belief that all citizens make positive contributions to the economy and society through their paid and unpaid work, thus resulting in equal pensions which reflect the true cost of living. Such a pension can have positive multiplier effects on the economy due to increased spending power for pensioners from lower socio-economic strata. People who want to keep the same standard of living they currently have should be encouraged to supplement this citizen pension by investing in private pension funds.

2nd Pillar Pension	A combination of statutory state pension insurance and private provision has become a must for many people, as this can guarantee both a stable level of contributions and a pension scheme ensuring a good quality of life. However, this should not absolve Government from responsibility of providing decent pensions.
	The 2 nd pillar should be introduced in a responsible manner to avoid shocks in people's quality of life.
	A pension fund should be established which is used exclusively for payments of pensions or investments which generate profits for the same fund. The fund should be financed through social security and second pillar contributions. The fund should be administrated by the State but its board should include representatives of the social partners represented in the MSCD and should be subject to the scrutiny of the Auditor General. The day to day running of the fund should be in the hands of a professional management.
Workforce Participation	The Government should encourage older workers to remain in the workforce by removing current bureaucratic hurdles.
	Female participation rate in the workforce should be encouraged through having more family-friendly social policies. Increased involvement of men in caring roles is also of utmost importance.
	A targeted immigration policy should be developed for Malta.
Gender & Family Issues	Pension policy should not be based on one family model, but to the contrary should be inclusive of different types of families including marriage, cohabitation, single-parents, same-sex couples and single persons.
	A pension system which is based on income received during one's life is rigid and inflexible resulting in inequalities for people with non-traditional working patterns such as carers and part-time workers. Women, in particular, find it difficult to balance contributory requirements with the competing demands of family life, childbearing and insecure, part-time work.
Financial Education	Education plays an important role in the pensions issue. The younger generations should be made more aware of future needs and long-term issues which will affect them in their later years. This is of particular importance especially when we are living in a here-and-now consumerist society.

Assocazzjoni Pensjonanti Anzjani Nazzjonalisti

Submitted: 7th July 2010

Topic Area	Position / Recommendation
Current Pensioners	The Widow's pension as currently constituted is unfair in that women who have worked and earned a pension in their own right are subsequently discriminated.
Retirement Age	The view was made that there is no law in force that gives pensioners the right to continue in employment after retirement age. Members of APAN highlighted that the current system in this regard is creating an unjust way of unequal wealth distribution amongst pensioners, given that not all retired persons have the same opportunities and hence the situation as is today is putting pensioners into different categories.

Atypical Employment	The view was made that Government and the private sector should strive further to introduce diversified jobs, such as tele-working, for pensioners, disabled persons and women.
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Association of Insurance Brokers

Submitted: 30th August 2010

Topic Area	Position / Recommendation
2nd Pillar Pension	The Association believes that given the current economic situation, the country is not yet in a position to introduce a mandatory 2 nd pillar pension, but should rather look into the implementation of voluntary 3 rd pillar schemes with incentives.
	The Association supports the creation of a Default Fund for the 2 nd pillar pension, which is managed by the private sector.

Chamber of Engineers

Submitted: 5th July 2010

Topic Area	Position / Recommendation
Retirement Age	A further increase in the official retirement age should be considered, making a reduced-hours work schedule obligatory, whilst a full-time schedule voluntary. The idea that older workers exit the labour market gradually is beneficial in that they can be able to act as mentors to younger employees without blocking job positions for them. Furthermore, sudden retirement from full-time employment can be upsetting for some individuals, hence, they might be better able to cope with a gradual decrease in work participation.
2nd Pillar Pension	The 2 nd pillar pension should be introduced in a gradual manner. This approach will have less of a negative impact on the country's economy, whilst still serve to trigger a culture change in which individuals start thinking about saving for their pensions.
3rd Pillar Pension	Reservations were raised as to whether the recommendation of diverting the Children's Allowance into a 'locked' pension account for the child will be embraced by the general public.
	There representatives supported the idea proposed that first time labour market entrants are targeted to 'lock in' some of their monthly income to a pension account.

Chamber of Retired Engineers

Submitted: 24th September 2010

Topic Area	Position / Recommendation
2nd Pillar Pension	Entrusting 2 nd pillar pension schemes to private financial services providers comes with a number of risks, including loss of funds invested and steep administration costs. For this reason, the State should step in as a guarantor for any losses incurred in private retirement funds.

3rd Pillar Pension	Private pension schemes, designed specifically for pensioners, should also be created. As people are living longer, the 'wealth' and pension value of pensioners at age 61 can potentially be eroded by age 80 and, hence, encouraging individuals to put away some of their pension will guarantee a stable life style level across the pensionable period.
Financial Education	There was agreement on the importance of focusing on financial management education in the current pension reform.

General Retailers and Traders Unions

Submitted: 2th September 2010

Topic Area	Position / Recommendation
Current Pensioners	The level of pension income is currently low. Pensioners need to have adequate purchasing power for expenditure, as economic consumption is crucial for the survival and prosperity of small to medium businesses and enterprises.
Retirement Age	The Union is in agreement with extending the national working age. Nonetheless, such a policy needs to be introduced in conjunction with the relevant incentives, such as having a flat rate income tax for individuals working beyond the retirement age et al, so as to encourage workers to remain in the labour market.
2nd Pillar Pension	Depending solely on private financial services institutions for the provision of 2 nd pillar pension schemes is risky, as bad investment decisions could result in individuals losing all, or most of their pension savings. A more suitable alternative would be for the Government to introduce and build up a pension fund from income generated from the privatisation of State companies, the selling of Government property, such as schools, et al, wherein the wealth is shared over the generations

General Workers Union

Submitted: 21st July 2010

Topic Area	Position / Recommendation
Current Pensioners	There is a need to strengthen the 1 st pillar pension as this is currently proving inadequate in providing pensioners a decent standard of living.
	A further question related to as to whether current employees are able to afford to fork out a larger chunk of their wage for pension purposes. An alternative solution would be to create measurable triggers reliant on various economic performance indicators over time and implement associated increases in contributions accordingly.
1st Pillar Pension	The fact that the State's NI pension fund is not yet ring-fenced is of concern. This situation might pose a risk to pensions should some future Government decide to change the rules of the game and utilise these funds for other purposes. Should a ring-fenced account is created, it should be administered by a partnership composed of both representatives of the State as well as its users i.e. the employees.
	Before turning to 2 nd pillar pension schemes, 1 st pillar pensions must guarantee a decent standard of living and should be higher than the minimum wage. Additionally, each person should be made aware of the total amount of pension he or she will receive upon retirement and, if

	it is unsatisfactory in relation to their lifestyle, it will be their choice to join a 2 nd pillar pension scheme.
	As a proportion of NI contributions is currently being directed for healthcare purposes, a question was raised as to what will happen to free Government healthcare if the pension fund becomes ring-fenced.
2nd / 3rd Pillar Pension	2 nd pillar pension schemes might further divide the social classes, as not everyone will be able to afford to save in 2 nd pillar (or 3 rd pillar) pension funds.
Workforce Participation	The policy which allows workers past their retirement age to continue to participate in the labour market whilst also receiving their pension benefits is deemed as discriminatory towards certain social groups, as it is easier for professional workers to remain in employment at this age, than is the case for working class or industrial employees.

Institute of Financial Services Practitioners

Submitted: 17th August 2010

Topic Area	Position / Recommendation
Current Pensioners	Pensioners who have some other type of income apart from their pensions, should pay a reduced value amount of the NI.
1st Pillar Pension	NI contributions owed should be calculated on an individual's total income and not solely on his or her basic salary.
2nd/3rd Pillar Pension	There is concern relating to the introduction of tax incentives to encourage the uptake of 2 nd /3 rd pillar pension schemes. These incentives might be particularly favourable to the upper classes as a tax-saving option, who might hence decide to transfer their current 'taxed' investments e.g. bonds, into these tax-relief pension schemes. The final outcome will be the loss of a substantial amount of taxes for the Government. Nonetheless, despite this risk it is important that there should be tax credits or tax deductibility attached to contributions to both 2 nd and 3 rd pillar pension schemes.
Workforce Participation	Some form of targeted immigration is necessary, both as a means to bolster the sustainability of pensions by increasing the number of people in employment who therefore pay NI contributions, as well as enable the economy (including the financial services sector) to expand. Nonetheless, immigration is still a taboo subject in Malta and needs to be destigmatised before it can be embraced as a solution by the general population.
Financial Education	A comprehensive financial education programme, which includes saving for pensions, is a must and should be formally introduced in schools.

Kunsill Studenti Universitarji

Submitted: 30th September 2010

Topic Area	Position / Recommendation
General	The five-year review system should be maintained since it is an ideal system of how to evolve and mitigate the impact of the transition from a Pay As You Go system to one that is more sustainable. Through each review the Government can modify and adopt the system to be

	coherent to the particular projections, trends and norms of the time.
Current Pensioners	The Maximum Pensionable Income should be adjusted in accordance to the inflation during each five-year strategic review.
Retirement Age	Any further increases in the official retirement age should be considered with extra caution and implemented as a last resort. It is wrong to link pensionable age with longevity, as a longer life does not necessary mean a better quality of life.
	The official retirement age should be the same for both genders. To avoid gender discrimination, no differences should be allowed.
1st Pillar Pension	Pensions are essential so a guarantee of a basic level pension should be maintained. The State should remain a regulator and a key player since pensions are a prime social responsibility.
	The same rate of NI contribution should be maintained, as any increase can be detrimental to the economy.
2nd Pillar Pension	The 2 nd pillar pension should be introduced in the coming years, following an adequate Economic Impact Assessment. Such a measure however should only be taken when the economic climate permits it and when consumption is not at a low ebb or recovering from an economic recession, as it will further lead to decrease in consumption.
	The implementation of the mandatory second pillar may be incentivised by means of limiting the amount of pension given by the 1 st pillar. Such amount, which should still ascertain a decent lifestyle for the pensioner, should in itself incentivise a person to seek a second pillar.
Workforce Participation	The effect of migration on the local workforce should be studied in more depth. Skilled migrants can help in sustaining our current social state by supplementing the number of young people entering the workforce. Hence, the Government should implement an immigration policy that addresses the gaps in the labour market in order to attain further economic growth.
Gender and Family Issues	Female participation in the workforce should be increased, by creating opportunities and incentives that favour families.
Financial Education	The State should seek to educate its citizens with regards to financial management and investment and to encourage a culture of self-planning and independence from the state systems.
Other	Learning credits should be provided to persons who interrupt their employment in order to further their studies. People over the age of 30 who decide to further their studies with an institution accredited by the Ministry for Education, should have their pensions credited. In addition, PhD students should be credited for the duration of their studies and allowed to fill up their unpaid contributions at any time before retirement. It is only through such student-friendly measures that Lifelong Learning can be adjoined with a proper pensions reform.

Kummissjoni Nazzjonali ghal-Persuni b'Dizabilita

Submitted: 15th June 2010

Topic Area	Position / Recommendation
Current Pensioners	The work experience journey of a person with a disability is different than that of a healthy person. Research shows that disabled persons

	tend to have a number of breaks from employment due to health reasons, operations, et al. KNPD thus recommends that this unique aspect of the work journey of a person with a disability should be reflected in the pensions systems by means of providing appropriate credits.
	Scientific research, including empirical work carried out in Malta, shows that a disabled person spends far more on medical assistance, pharmaceuticals, supporting equipment, et al. This means that the disposable income arising from the Maximum Pensionable Income for a disabled person will on average be less than that earned by a 'normal' person. For this reason, KNPD recommends that this issue should be factored when determining the indexation of the Maximum Pensionable Income for this cohort.
Retirement Age	Persons with certain types of disabilities do not live longer than 40 years of age, whilst for other disabilities a person may not make it to retirement age as the disability degenerates. In essence, this means that persons with certain disabilities will never be able to benefit from the contribution they are paying with regards to their pensions. KNPD thus recommends that a differentiated retirement age should be in place to account for people who may contribute 15 to 20 years in employment but are then forced out from employment as their disability degenerates.
Workforce Participation	KNPD's ethos is that disabled persons should integrate within the community and be as fully participant actors within the labour market, hence it is strongly of the opinion that the State should incentivise disabled persons to assume such a role. KNPD recommends that an incentive to achieve this would be to credit the pension of a disabled person by 'n' years for every 1 year in employment.
Other	The current pensions system is flawed as it is based on the type of disability a person is classified to be in and not the degree of impairment. For example, autism is not classified as a disability which means that such persons do not classify for a disability pension. Nevertheless, there are different degrees of autism – from complete dysfunction to one where a person can have an active role in the labour market. In this regard, KNPD recommends that the definition of 'severe disability' as defined in the Social Security Act should be changed to underpin the principal of functional impairment.

Malta Bankers' Association

Submitted: 28th July 2010

Topic Area	Position / Recommendation
1st Pillar Pension	The Government should set up a scheme that provides concessions to individuals who are interested in paying out any gaps in their NI contributions. This will result in an increase of funds for the Government, as well as ensure that individuals receive the full pension upon retirement.
2nd Pillar Pension	Given the current economic climate, the introduction of a mandatory 2 nd pillar pension scheme at this point would be ill-timed, as this will place an additional undue financial burden on employers as well as employees. However, it is broadly acknowledged that there are quite a number of companies / employees who are willing to start pension schemes and such companies / employees should be incentivised to do so, not disincentivised. The MBA therefore supports the introduction of 2 nd pillar pension schemes, initially on a voluntary basis. The MBA understands that the position will be reviewed by 2015 and based on the prevailing economic situation in the interim period, a decision will be taken as to whether to convert into mandatory at this point.
3rd Pillar Pension	3 rd pillar pension schemes should be introduced with immediate effect to allow individuals to personally save for their retirement within a proper regulatory and legal framework.

	The Government should incentivise both 2 nd and 3 rd pillar schemes through adequate fiscal incentives ideally at the contribution stage, rather than at benefit stage. This way employers / employees will be encouraged to start thinking and planning for their pension today.
	There should be a proper mechanism through which individuals with existing savings schemes / vehicles could convert such schemes / vehicles into 2 nd or 3 rd pillar schemes. In order to determine the effect of such flow of funds (which could effectively impact certain financial sectors such as banks, insurance companies, custodians, etc) and consequently the economy, a detailed analysis should be carried out to determine the extent of such schemes and respective maturities.

Malta Chamber of Commerce, Enterprise and Industry

Submitted: 4th August 2010

Topic Area	Position / Recommendation
2 nd Pillar Pension	Due to the fragile state of the economy, caution needs to be exercised when planning to introduce any additional costs for employers in the form of increased NI contributions. In the meanwhile, however, there is the recognition that further deferment of action does not remain an option. A solution to this problem would be to stagger any increases in NI contributions over time.
3 rd Pillar Pension	There was agreement with the proposal of introducing Home Ownership Equity Schemes as a 3 rd pillar pension option.
Financial Education	It is important to encourage individuals, especially the younger generation, to plan and save for their retirement. For this reason, a comprehensive financial education programme should be set up and implemented.
Other	It is important to allow for an adequate implementation period for any new policies, to provide industry the opportunity to prepare for such changes.
	Another suggestion made related to the introduction of some form of Health Insurance, the rationalisation of social benefits, as well as the consolidation of means-tested benefits, as these are also intertwined with the issue of pensions.

Malta Chamber of Pharmacists

Submitted: 27th September 2010

Topic Area	Position / Recommendation
Retirement Age	There should be no further increases in the official retirement age, despite the trend of people living longer. The argument is that a longer life span, does not necessarily translate to a good quality of life.
2 nd Pillar Pension	The State should step in as a guarantor for any losses incurred in 2 nd pillar private retirement funds.
Gender and Family Issues	The 40 years contribution period for eligibility for a full-pension is discriminatory against women, who are usually unable to accumulate this number of years due to their role in child rearing.

	Employers should be more flexible when it comes to work patterns, so as not to discourage females to re-enter the labour market after having children.
Financial Education	The importance of introducing a comprehensive, national financial education programme, both in schools and for the general public was emphasised. Particularly, people need to be educated on the 'small print' of financial products offered, as well as the risks associated with them. Furthermore, financial consultants must be made responsible for explaining the degree of risk of each product on offer, as well as the consequences of choosing a particular investment package.

Malta Confederation of Women's Organisations

Submitted: 27th July 2010

Topic Area	Position / Recommendation
2nd Pillar Pension	<p>Increasing reliance on private schemes has fiscal costs, given the widespread practice of providing tax incentives during the accumulation phase. Moreover, safety nets have to be put in place following the recent economic earthquake that the financial world has gone through. If not, and if private schemes cannot deliver on their promises, there will inevitably be pressures on the public purse to pick up part of the bill.</p> <p>Furthermore, who or what is going to financially cushion compensatory crediting for periods of unemployment, sickness or caring duties that can also lead to gaps, as can lack of coverage of vulnerable groups, such as short-term contract and atypical workers (women) or insufficient minimum pension guarantees or income provision for older people.</p> <p>Pension schemes should have in-built safety measures to safeguard contributors' interests as well as a body that continuously monitors these schemes and provide information, advice and support to enable workers to know and obtain their rights in this regard.</p>
Workforce Participation	Early retirement schemes should be avoided and abuses in invalidity benefits curbed.
	The labour market needs the baby boomers who are steadily retiring at age 61 and who may wish to continue in employment. Although incentives have been introduced to encourage pensioners to remain in the labour market, the most practical way to do so is to continue in the same posts that they've occupied. Thus the Malta Public Service should shoulder its role as the model employer and continue to make use of available public officers who have reached retirement age and who wish to continue in employment. Policies should also encourage retired employees to return to work for the Service to make best use of their knowledge, skills and experience thus also getting a return on the training costs that have been invested in these employees.
Gender and Family Issues	The Confederation expressed its disappointment at the fact that no female representatives were elected to sit on the Pensions Working Group. The experiences and input of females is crucial in creating a gender-sensitive pensions reform.
	The different career paths of women and men necessitate that the 5 year review itself be drafted from a gender perspective. An additional supplementary plan drafted to address gender issues, whilst positive, is not ideal. More often than not, for the sake of practicality, the principal plan which will be given priority at the implementation stage and policies and programmes will only be partially influenced by the

	supplementary document when these should, from the initial stages be planned, drafted and implemented to cater for the needs and expectations of the whole of society.
	The two years pension credit for women after childbirth is insufficient and should be increased, particularly in the light of the amendments to the pension legislation, which has made it mandatory for all workers to have covered 40 years of service for eligibility to a full pension. A 'credit modelling' based on 4/6 years per child makes better sense because of women's career breaks. This would help them to secure an entitlement to a full pension and incentivise them, with effective support structures, to continue working in the formal economy.
	Credit modelling should also be considered for other caring duties besides having children and this should be made available to both women and men. Crediting of NI contributions will be more than compensated for when one considers the cost of caring for children, the sick and the elderly outside the family.
	The low rate of employment for women in Malta is worrying, especially in light of the campaigns organised during the past few years. The inflexible working hours offered by employers, as well as the short school hours and long holidays as critical factors that hinder females' ability to participate in the labour market.
	In spite of the high-tech working environment available locally, generally speaking, management has still not come to terms with the implementation of tele-working, flexitime, job sharing et al. managerial skills need to be updated to take on these challenges and not look upon them as extra burdens. It has been proven that it makes economic sense for enterprises to address these issues.
	Childcare services should be made more affordable and of better quality, so as to further encourage women to enter into the labour market.
	The lack of work/life balance for women and men is driving women who wish to work to seek part-time employment or reduced hours' timetable. This is leading to women earning less than men. Thus women will be entitled to a lower pension rate than men. Moreover, a low pension may lead to their eventual increased risk of poverty. This is not only discouraging women from re-entering the formal economy and opting for the black economy but also entitling them to an 'inadequate pension in spite of their years in the labour market.
	Another issue relates to the substantial number of women working in the black market. In such cases, the women are not paying their NI contributions, which will eventually result in them not being eligible for the full pension upon retirement age. Currently the situation being what is, women are financially better off working in the black economy thus not paying their NI nor any income tax. For this reason, women should be incentivised to enter into the formal labour market instead.
	The rise of single/separated/annulled mothers in society and the manner in which their status will affect their pension in the future should be considered.
	The pension reform will need to take into account the number of married women who are financially dependent mainly on their husband for a retirement pension, as well as separated women who are still financially dependent on their ex-husband.
Other	The 40 year contributory period is also discriminatory against those people who continue to their post-graduate studies and only start working at age 26 or later.

Malta Employers Association / Malta Hotels and Restaurants Association

Submitted: 11th August 2010

Topic Area	Position / Recommendation
1st Pillar Pension	Until the 1 st pillar pension account is ring-fenced, there should not be any increases in NI contributions within this fund.
2nd Pillar Pension	Concern was raised in relation to the potential high administrative costs associated with private pension investment schemes.
Gender and Family Issues	Pension credits should be extended from parents to carers of elderly and / or disabled relatives as well.
	However, doubts were expressed with regards to the sustainability of widening the eligibility time frame for pension credits from 2 years to 5 years, as this can potentially hinder female participation in the labour market instead of encouraging it e.g. a woman with four children would be able to opt out of the labour market for 20 years.
Workforce Participation	Some form of targeted immigration must be introduced to boost and sustain the country's productivity.
Atypical Employment	Atypical employment patterns, such as part-time work, flexible hours, tele-working et al, should be promoted and incentivised, in order to help boost the country's productivity and sustain the pensions system.
Financial Education	It is important to educate both employers and the public in general on financial management, including saving for pensions. Specifically, employers need to know how this issue will affect them, both directly and indirectly.

Malta Insurance Association

Submitted: 6^h October 2010

Topic Area	Position / Recommendation
Current Pensioners	The pension index mechanism should be aligned and continuously adjusted in relation to the country's GDP.
Retirement Age	Retirement age should be increased in accordance to increases in life expectancy.
2nd Pillar Pension	Given the current economic scenario, the country is not yet in a position to introduce mandatory 2 nd pillar pensions. Instead, pension reform should take the form of a journey, starting from the incentivising of 2 nd and 3 rd pillar pension schemes, followed by the introduction of voluntary 2 nd pillar occupational pensions and, finally, the establishment of mandatory 2 nd pillar pensions.
	The State should not use the 2 nd and 3 rd pillars to resolve problems existing within the 1 st pillar. The former should be introduced to increase pension adequacy but not as a buffer against deficit problems found in the first, as this will negatively affect the private sector.
	Prior to the introduction of any 2 nd or 3 rd pillar pension schemes, the providers as well as their regulator must ensure that the products offered

	are transparent and based on a solid foundation to gain the trust of both the Government and their potential clients. For this reason, the MFSA should also strengthen the regulation of financial services at the lower levels, for instance, in customer interactions, advice given to clients et al.
	It is considered that the MFSA is already providing a stable regulatory environment, whose infrastructure could however require some strengthening in terms of its operating capacity for the operation of funded pension schemes.
	In the discussion regarding the optimal market set-up for funded pension products, excessive fragmentation must be avoided, so as to preclude from the multiplication of fixed administrative costs of pension funds, which would reduce investment returns. On the other hand, there area economic benefit to be reaped from competition between a number of pension plan providers offering differentiated products that satisfy the 'approved' pension plan rules. Thus the right balance must be achieved between excessive fragmentation and competition to obtain economies of scale in search of the optimal set-up driven by free market principles. Such an approach proves to be more advantageous than other monopolistic pension fund arrangements led by one single company or Government.
	Another point mentioned related to the issue of incentives to encourage take up of 2 nd pillar and / or 3 rd pillar pensions. As most of these incentives would be financial in nature, the question remains as to how far the State will accept and implement these incentives, as this deferred income could negatively affect the country's current consumption power, competitiveness et al. It was suggested that, if the Government cannot incentivise such schemes, it can alternatively remove any disincentives. For instance, at present, a company is taxed if it decides to set aside some money for the employees' pension.
	A holistic, practical and uncomplicated framework should be set up to cover both occupational and individual pensions.
	The regulatory authorities must clearly provide a definition of what constitutes a pension product. This is necessary to establish a list of 'approved' pension products for them to be eligible to benefit from tax concessions.
	In the case of occupational pension funds, schemes must be designed to allow for portability so that employees do not incur losses when moving from one job to another or to self-employment or vice-versa.
	An opt-out approach is generally more successful at ensuring adherence to a funded scheme, but this is not quite consistent with the voluntary approach being advocated. The opt-in approach is more suitable in this case at least in the initial years. An opt-out approach could possibly be considered in later years once that credibility in the system is built and participation within it is more readily accepted by individuals. Even so, an opt-out system would possibly be introduced gradually, initially covering, say only new workers earning above a certain threshold of income.
	Local personnel skilled in asset management as well as support staff such as actuaries, accountants, auditors, financial management experts, attorneys and computer specialists are an important requirement for the introduction of 2 nd and / or 3 rd pillar pension schemes. Hence, the introduction of pension funds in Malta could create new high-quality jobs, with potential spill over effects towards the development of the financial system.
3rd Pillar Pension	Voluntary, tax-incentivised 3 rd pillar schemes should be introduced with immediate effect as an add on to the PAYG system, with the tax incentive model used being Exempt Exempt Tax (EET).
	A further issue raised was the fact that many endowment policies are currently in their 15 th year and, hence, will be maturing in the next 5 to

	10 years. The probability is that individuals will withdraw their lump sum, which increases the chances of this money being spent. Thus, the next few years will be crucial in introducing schemes that encourage these endowment policy owners to lock their sums into some sort of pension scheme, instead of withdrawing them at this point in time.
Financial Education	A comprehensive financial education programme that encourages individuals to save specifically for their pension needs to be introduced. A point was made that although there is a strong demand for long-term saving schemes, the Maltese do not generally have a clear purpose for their savings.
Other	The fact that there is no savings data for the Maltese Islands is of concern.

Malta Institute of Management

Submitted: 14th July 2010

Topic Area	Position / Recommendation
1st Pillar Pension	The MIM agrees with a ring fenced pension account.
2nd Pillar Pension	The representatives expressed their reservations on the introduction of mandatory 2 nd pillar pension schemes at this point in time. They believe that, given the current economic scenario, the country is not yet in a position to introduce such schemes.
	Another comment made was with regards the risk associated with opening mandatory 2 nd pillar schemes to all providers within the free market. First and foremost, such schemes could create an diseconomies of scale, and a significant amount of contributors money would be wasted in additional services fees such as custodian fees etc. Furthermore, with various private providers as a significant amount of money will be invested outside of the country and not injected in the Maltese economy. With various private providers, should employers encounter cash flow difficulties there could be significant difficulties and business could be forced out of business. The Government would NOT be in a position to allow breathing space for the company to pay its NI contributions as happened in the current recession. The solution could be a Government run system which is privately managed.
3rd Pillar Pension	The focus should be on voluntary 3 rd pillar schemes, issued in the free market. These schemes would be complemented by tax incentives to promote take up.

Malta Institute of Taxation

Submitted: 13th September 2010

Topic Area	Position / Recommendation
2nd Pillar Pension	Retirement schemes are, and have to remain, tax driven. Any current loss of revenue will be made good when pensions are received. Europe is said to require a further 1,690 billion Euros every year to be set aside for this purpose. Whatever tiny fraction of this vast sum is to be

	sourced from Malta, its generation can only succeed if fiscal aid is forthcoming. Past disasters abroad where this aid was withdrawn or denied proves this point conclusively.
	The wording used in the Income Tax Act regarding exemptions in this regards needs to be aligned better with that of the Special Funds (Regulation) Act. (For example, the word 'fund' may have different meanings in the two laws).
	The powers granted to the Commissioner of Inland Revenue by article 41 of the Special Funds (Regulation) Act must be clarified and reined in. as drafted, this power gives concurrent authority over retirement schemes to the MFSA and the Revenue.
	Personal deductions re subscriptions by employees to 2 nd pillar schemes need to be re-introduced.
	Initial lump sum payments for newly constituted schemes (or updated schemes) need to be made deductible for tax purposes, despite what old UK case law indicates. Even in the UK, this restriction has been removed and the lump sum payments were made deductible, but split over several years.
	Schemes constituted by foreign employees which cover also their local employees, need to be approved for Malta tax purposes if they enjoy approval in their home territory. The rules of the EU would appear to so require, but this should be applicable on a general basis.
	The rules regarding Fringe Benefits under the Income Tax Act must not be applicable to contributions made by employers.
	There is no reason why rental income received by funds and schemes should not enjoy the same exemption as other income. Well established pension schemes find that it is sound practice to invest heavily in immovable property.
	Annuities purchased for the purpose of creating pensions involve the conversion of capital into taxable income. Annuity payment should therefore, as is now done in the UK, be dissected into their capital and income elements with only the latter portion being taxable.
3rd Pillar Pension	Generous tax allowances have to be granted in respect of 3 rd pillar schemes. Past restrictive practices in this matter by the Revenue need to be suspended.
	The 15% tax payable on the maturity of Life Insurance policies should be refunded to the insured person if it is proved that the receipts on maturity are utilised for the purpose of creating a pension through the acquisition of an annuity.
Other	One point which is attracting great attention in the EU is the extent to which VAT affects pension arrangements and whether anything should be done about the matter. This issue should feature in further deliberations related to this topic.

Malta Police Force Association

Submitted: 22nd June 2010

Topic Area	Position / Recommendation
3rd Pillar Pension	There was scepticism with regards the extent to which Home Equity Schemes will be embraced as, culturally, the older generation generally prefer to leave their property as inheritance to their offspring.

Malta Union of Midwives and Nurses

Submitted: 7th September 2010

Topic Area	Position / Recommendation
Current Pensioners	A scheme should be introduced to encourage individuals with gaps in their National Insurance contributions to full-fill these missing payments.
Retirement Age	Individuals must be given the option to continue in their employment beyond the official retirement age, should they express their wish to do so and are physically healthy. Nonetheless, this cohort of workers must be incentivised to remain in the labour market by being allowed to carry on employment in their current grade and role, unlike the situation in nursing where managers are downgraded to bedside nurses subsequent to their retirement age
2nd Pillar Pension	The representatives expressed their reservations with regards to the introduction of a mandatory 2 nd pillar pension scheme at this point in time, given the fragility of the local and global economy. An alternative solution would be to establish voluntary pension schemes, which would also be useful in raising awareness on this issue within the general population.
	There is concern on entrusting private financial services providers with the management of 2 nd pillar pension schemes, especially in light of the recent financial collapse. However, in reaction to the suggestion of having the State controlling such schemes, the representatives expressed their doubts on whether the Government's finances would be robust enough to secure a guarantee against any financial losses incurred
Gender and Family Issues	More family-friendly measures should be introduced and endorsed by both the Government and private employers to encourage more women to participate in the labour market.

Malta Union of Teachers

Submitted: 22nd June 2010

Topic Area	Position / Recommendation
General	There was agreement that the current pension system will be unsustainable to retain in the future and that immediate action needs to be taken to rectify this state of play.
Current Pensioners	The Union expressed its preoccupation with regards to the lack of adequacy of the current pensions in relation to the cost of living and the relatively low standard of living faced by pensioners today.
Retirement Age	Individuals must be given the option for early retirement, with the appropriate reduction in pension.
2nd Pillar Pension	Given the economic climate of the nation at present, it would be unwise to push for the implementation of 2 nd pillar pension schemes.

3rd Pillar Pension	There is a need to embark upon a strong media campaign that encourages individuals to voluntarily take up private pension schemes.
Workforce Participation	Abuses, such as in medical boarding, must be curbed.
Financial Education	A culture change that encourages saving for the future needs to be promoted with the younger generations, through a strategic and sustained campaign in the media.
Other	A point was raised that younger people are generally absent in discussions pertaining to pensions, a situation which must be changed to encourage their active participation and contribution in such debates.

National Commission for the Promotion of Equality

Submitted: 26th July 2010

Topic Area	Position / Recommendation
Gender and Family Issues	All recommendations submitted by the Pensions Working Group should be 'gender mainstreamed', which means ensuring that these are not negatively affecting one gender or the other.
	The NCPE expressed its concern with regards to the issue of poverty and women. Given that females have a higher life expectancy than males, but are in employment for a shorter period of time, they are failing to accumulate a sufficient pension that sustains them with an adequate standard of living in old age.

National Council for the Elderly

Submitted: 30th June 2010

Topic Area	Position / Recommendation
Current Pensioners	The current Maximum Pensionable Income does not allow for the elderly to live in dignity. An adequate minimum pension should be established as a tool to fight poverty and social exclusion;- it is a fundamental right to a decent and dignified life in old age.
	Indexation should not be eroded by inflation.
	Service Pensions should be treated the same as Occupational Pensions.
	Re-assessment of pension is currently linked only with wages. The Council suggested considering the principle of 70% wages and 30% inflation for current pensioners.
	Portability of Supplementary Pension – directive is not clear and issue is unresolved.
	A Minimum Pension should be linked to 60% of 'median income'- from figures quoted from the NSO publication entitled 'Income and Living

	Conditions', in 2007 risk poverty threshold vis a vie 60% of median was calculated at, € 5,477
	Government should consider introducing a National Standard Basket of 'Goods and Services' for the older people may be an additional help to establish a National Minimum Pension.
1st Pillar Pension	The focus should be on strengthening the 1st Pillar. It is only the 1st Pillar which provides for solidarity as well as inter-generational solidarity.
	A 60% replacement rate can be considered adequate; with a 40% replacement rate the elderly are in risk of poverty.
2nd Pillar Pension	If a 2 nd Pillar is to be introduced Government needs to guarantee the contribution and introduce a 2% nominal interest. The Council is in principle against the introduction of a Mandatory Second Pillar. Recent financial turmoil should counsel against such a move.
3rd Pillar Pension	The Council is not in agreement with the idea of directing the Children's Allowance for pension purposes that is not uniformly applied, as this would constitute a discrimination towards the lower income families.
Workforce Participation	Introduce incentives to retain workers over 50 years of age in the labour market (every 1 year work over retirement age leads to 2 year contribution).
Atypical Employment	Solidarity components for atypical employment / shorter careers should be considered.
Gender and Family Issues	The rate of poverty among elderly women is by far higher than that of men. Remedies for this may include: <ul style="list-style-type: none"> - A new way of looking at the position vis a vis pension entitlement is required. - Credits for pension purposes need to be introduced to make up for breaks in work life and part time work. - Pay gaps should be eradicated wherever they still persist. - Gender discrimination must be eliminated and meritocracy should be the guiding principle when promotions are awarded.
	Marriage breakdown and single parenting are a common occurrence, hence, females should have the right for their own pension.
Financial Education	2 nd & 3 rd Pillar needs financial literacy.

National Council of Women

Submitted: 5th August 2010

Topic Area	Position / Recommendation
Current Pensioners	A Guaranteed Minimum Pension should be in place to fight poverty among the most vulnerable older people. Safety nets are crucial and the role of the State in this respect remains crucial.

	The mode of indexation should keep up with the economic scenario of society and also that their pension is not eroded by inflation.
	The Police Pension is discriminatory against spouses:- for example, the wife is not entitled to this pension if the husband dies while still in service – she is only entitled to the State Pension.
	A widow earning above the minimum wage is not entitled to a widow's pension if her children are over 21 years of age. However, this is an issue because at the age of 21 children can still be in full-time education and hence relying on their mother's support.
	It is unfair that pensioners who have a Treasury Pension, have their Social Security Pension reduced to such a minimal amount.
	Pension credits should be given to women born before 1961 for exiting the labour market to bring up their children.
Retirement Age	A further increase in the retirement age should be the last option to be taken in ensuring pension sustainability.
1st Pillar Pension	An adequate first pillar scheme should be in place. Individual contributions must be supplemented by an efficient solidarity component.
	There should be a separation of contributory and non-contributory funds for social benefits.
2nd Pillar Pension	More security should be in place for funded pension schemes (2 nd and 3 rd pillars)
	The draft directive for the portability of supplementary pensions is yet to be clarified.
Workforce Participation	Measures need to be introduced to facilitate the retention of older workers in the workforce.
	A comprehensive strategy to address the issue of undeclared work needs to be set in place.
Gender and Family Issues	Social security and pensions should be designed in a way that do not penalise those who do unpaid care work and home care. A contributory period of 40 years is discriminatory against women due to gaps in their contribution period.
	It is crucial to build support for adequate individual pension rights for women, given the decline of life-long marriage and the increasing number of single parent families.
	Equal pay for work of equal value is important as this can help women in the society to increase financial independence as well as earnings throughout their working life and hence reducing the level of poverty.
	There is currently different treatment of married women and single / separated women, in that married women are not given the opportunity to pay for missing NI contributions, whereas single / separated women have this right. This matter should be rectified.
	With regards to maternity leave payment:- <ul style="list-style-type: none"> - Government needs to subsidise employers' social security for all / part of the 20 weeks; - Payment of integrated maternity and parental leave to be shared by Government and employer on a percentage basis of the 18/20 week through the Contributory Social Security Benefits;

	<ul style="list-style-type: none"> - Maternity leave payment should be equivalent to sick leave entitlement or average pay of the last 3/4/5 years to be shared by Government and employer; - Financial incentives for private sector who introduce positive action of integrated maternity and parental leave; - Research study on the cost of non-participation of women of child rearing age in different occupations; - ETC schemes; - Collective agreements with options to include lifelong learning opportunities by employers for women on parental leave or career breaks; - Government to expand and subsidise care services for children and for sick disabled and elderly people, and enhancing their accessibility, through private/public partnership through Structural Funds; - Legal arrangements on parental leave in order to share care responsibilities between mothers and fathers.
	There is a need for more attractive incentives for the private sector to increase participation in private-public partnership schemes in supporting or setting up child/elderly care facilities through their social corporate responsibility. These centres need to be accessible and affordable.
	After school services should be provided.
	Lifelong learning and vocational training opportunities should be available for women in all working arrangements including part-time work.
	Female students should be encouraged to take up non-traditional studies in IT and Science to open up opportunities in sectors of better paid jobs, part-time or full-time as fully active individuals of the digital society.
	R&D can provide innovative use of modern technologies to address the low participation of women in decision-making positions in business, particularly in managerial positions that may require long hours of work or full time work and that can include a number of hours of non-physical presence at the workplace.
	Incentives should be introduced for the use of childcare facilities for single parents registering for part-time or full-time employment who opt to undergo a period of training or employability programme.
Atypical Employment	Support needs to be given to individuals with shorter or atypical careers to help them build sufficient number of contributions by the awarding of credits to enable them, to be eligible for a pension.
	Different types of work patterns, such as tele-working and job sharing, should be encouraged and training on how best to manage these schemes should be given to employers.
	The development of information and communication technologies offers opportunities for innovative working time organisation that do not require full-time physical presence at the workplace. This can offer part-time workers of both sexes opportunities to move into full-time work while still be able to work from home.
	Applying flexible working hours for 'knowledge workers' opting to work in part-time and full-time, away from the traditional working hours will make it possible for both parents to balance work and home responsibilities.
	In the strategy for a coherent internal market, legal certainty should be guaranteed across Europe for all types of working arrangements.

	A careful study of sectors that have experienced a rise in productivity and competitiveness, due to support for work-life balance and the increased diversity of workers and working arrangements should serve as examples of good practice.
Financial Education	Financial literacy should be encouraged and information in this regard provided.
Other	In the current economic crisis there is the need to address work and poverty in a holistic manner, in particular to tackle in-work poverty.
	Pension credits should be given to students who are studying in tertiary education, including mature students.

National Youth Council

Submitted: 31st August 2010

Topic Area	Position / Recommendation
1st Pillar Pension	It is important that the 1 st pillar pension account is ring-fenced; a person's contribution should only be directed towards pensions.
2nd Pillar Pension	People may be wary to take up 2 nd pillar pension schemes, due to lack of trust in private financial service providers following the recent financial collapse.
Workforce Participation	There is a need to increase opportunities for employment to encourage young people to work and retain employment (e.g. young people with social problems who are on employment benefits). Increasing care for such youngsters, e.g. social workers, might encourage them to take on and remain in employment.
Gender and Family Issues	Women should be incentivised to have more children to mitigate against the shrinking of the population.
Atypical Employment	There needs to be a culture change with regards to tele-working, flexitime et al.

Partit Laburista

Submitted: 31st August 2010

Topic Area	Position / Recommendation
Details of Session	<p>A presentation was delivered to a delegation of the PL. The presentation delivered to the PL focused on the 2006 reforms, the macro economic assumptions of the Aging Working Group of Economic Policy Committee of ECOFIN and how these compare to the assumptions applied by the Pensions Working Group in 2006; the projected behaviour of the pension deficit up to 2060; the projected behaviour of the average pension replacement rate up to 2060.</p> <p>The presentation subsequently looked at the (i) key determinants underpinning the PAYG First Pension - demographics and active labour participation and presented potential options in this regard; (ii) options relating to further parametric reform to the First Pension; (iii) key tenets of the Notional Defined Contribution pension system as a possible alternative to the current system; (iv) the behaviour of private pensions</p>

	following the 2008 financial and economic crisis; (v) options relating to a second mandatory pension; (vi) options of voluntary instruments where-in a person can save for retirement and (vi) financial literacy.
General	The AWG GDP for Malta and how this compares to the GDP figure reached through the AWG methodology for other EU member states was also discussed.
Current Pensioners	The PL believes that the 5/6ths Survivors' Pension is discriminatory.
1st Pillar Pension	The PL believes that the First Pension should be strengthened.
2nd Pillar Pension	Various potential options relating to the setting up of a second pension were discussed.
Workforce Participation	There is a need to be more aggressive in the employment or retention in employment of workers following the official retirement age.
Gender and Family Issues	<p>The importance of new job practices such as flexi-working and tele-working to increase female participation in the labour force was pointed out in addition to the importance that such measures are not only spear headed by the government as an employer but also by private sector employers.</p> <p>The importance of Before and After School care programmes was also discussed as another mechanism to attract females to re-enter or enter the labour market.</p> <p>The PL brought up the issue of changing norms and the need for the pension system to start addressing issues relating to cohabitated partners vis-a-vis a partner's right to a pension.</p>
Atypical Employment	There is a need to recognise atypical employment and ensure that the pension system provides the necessary safeguards in this regard.

Partit Nazzjonalista

Submitted: 31st August 2010

Topic Area	Position / Recommendation
Details of Session	<p>A presentation was delivered to a delegation of the PN. The presentation delivered to the PN focused on the 2006 reforms, the macro economic assumptions of the Aging Working Group of Economic Policy Committee of ECOFIN and how these compare to the assumptions applied by the Pensions Working Group in 2006; the projected behaviour of the pension deficit up to 2060; the projected behaviour of the average pension replacement rate up to 2060.</p> <p>The presentation subsequently looked at the (i) key determinants underpinning the PAYG First Pension - demographics and active labour participation and presented potential options in this regard; (ii) options relating to further parametric reform to the First Pension; (iii) key tenets of the Notional Defined Contribution pension system as a possible alternative to the current system; (iv) the behaviour of private pensions following the 2008 financial and economic crisis; (v) options relating to a second mandatory pension; (vi) options of voluntary instruments where-in a person can save for retirement and (vi) financial literacy.</p>
Current Pensioners	<p>The PN believes that the 5/6ths Survivors' Pension is discriminatory.</p> <p>Pensioners should not pay income tax on their pension as they would have already paid income tax on the national insurance contribution when they were in employment.</p>

1st Pillar Pension	The representatives pointed out that the adequacy of the First Pension is increasingly being eroded.
2nd Pillar Pension	The PN argued that if a Second Mandatory Pension is introduced, then the current regime with regards to Service Pensions becomes discriminatory. There is the need for appropriate protection of a Second Mandatory Pension is introduced with reference made of how investors in certain life insurance schemes lost out in terms of the maturity value when the service providers exited the Maltese market.
3rd Pillar Pension	There should be fiscal instruments to incentivise youths to save for the pension.

Union Haddiema Maghqudin

Submitted: 29^h July 2010

Topic Area	Position / Recommendation
Current Pensioners	The representatives commented that the various anomalies that resulted from the last pension reform should be resolved during this phase of reorganisation.
Retirement Age	Another reservation conveyed related to the European Union's suggestion to increase the official retirement age to seventy years. The representatives questioned the social acceptability of withdrawing the opportunity for workers to 'rest' following a lifetime of contribution to society. Individuals reaching the retirement age should be given the option to remain in the same job and continue working i.e. the discretion to stay on or to leave will be the employee's and not the employer's
1st Pillar Pension	The Union agrees that the 1 st pillar pension account should be ring-fenced. The primary focus should be on strengthening the adequacy of the 1 st pillar pension to ensure that pensioners are provided with a decent standard of living.
2nd Pillar Pension	The introduction of a mandatory 2 nd pillar pension scheme might not be ideal in the current economic turbulence. A question was also raised regarding the extent of trust that individuals can place in the profit-oriented, financial institutions when investing in their future pensions. For this reason, the State should be responsible to administer any 2 nd pillar funds introduced and establishes guarantees that, regardless of what happens, individuals will receive the pension they are entitled to.
3rd Pillar Pension	There is concern that 2 nd and 3 rd pillar pension schemes will create two separate social classes i.e. those who can afford to divert some of their income into these funds and those who cannot. The proposal of diverting the child's State allowance into a pension fund was generally accepted, although there is concern that not every family can afford to do so.

Workforce Participation	Another issue concerns the substantial number of people who are employed in the black market and, thus, not paying their NI contributions. The State should encourage individuals to enter into the formal labour market, through incentivising formal employment and disincentivising illegal work.
	Immigration policy could resolve some of the demographic obstacles faced by Malta, although an increase in the population could cause other pressures on the infrastructure et al. Foreign workers with the right skills should be incentivised to work in Malta by reducing the cumbersome bureaucracy encountered when requesting a work permit.
Gender and Family Issues	Women should be incentivised to have more children, so as to boost the population and counteract the demographic issues that are hindering the adequacy and sustainability of the 1 st pillar pension. Furthermore, there is a need to incentivise private entities to implement family-friendly measures to make it easier for females to return to the labour market after having children.
Financial Education	Workers should be encouraged to remain in the labour market for as long as possible. For this reason, early retirement schemes should be avoided and eligibility for invalidity benefits tightened to ensure that those who are able to work continue to do so.

Zminijietna – Voices of the Left

Submitted: 27th October 2010

Topic Area	Position / Recommendation
1st Pillar Pension	There is a need for strengthening the 1 st pillar pension, as this is currently proving inadequate in providing pensioners a decent standard of living.
2nd Pillar Pension	The representatives questioned the introduction of 2 nd and / or 3 rd pillar pension schemes, if these will negatively affect the 1 st pillar pension scheme.
	The Government should step in to assist individuals who cannot afford to save for their future by contributing to their 2 nd pillar contributions.
	The representatives proposed that the 2 nd pillar pension schemes are administered by the Government as an extension of the social security system, instead of private financial services providers.
3rd Pillar Pension	A proposal was for the Government to step in as a guarantor for any market losses incurred by private pension investments.
Gender and Family Issues	Female's participation in the workforce should be increased.
Atypical Employment	The group proposed studying the effect of the pension reform on temporary / contractual workers.