

# **Pensions Survey**

**MEA Research & Proposals**

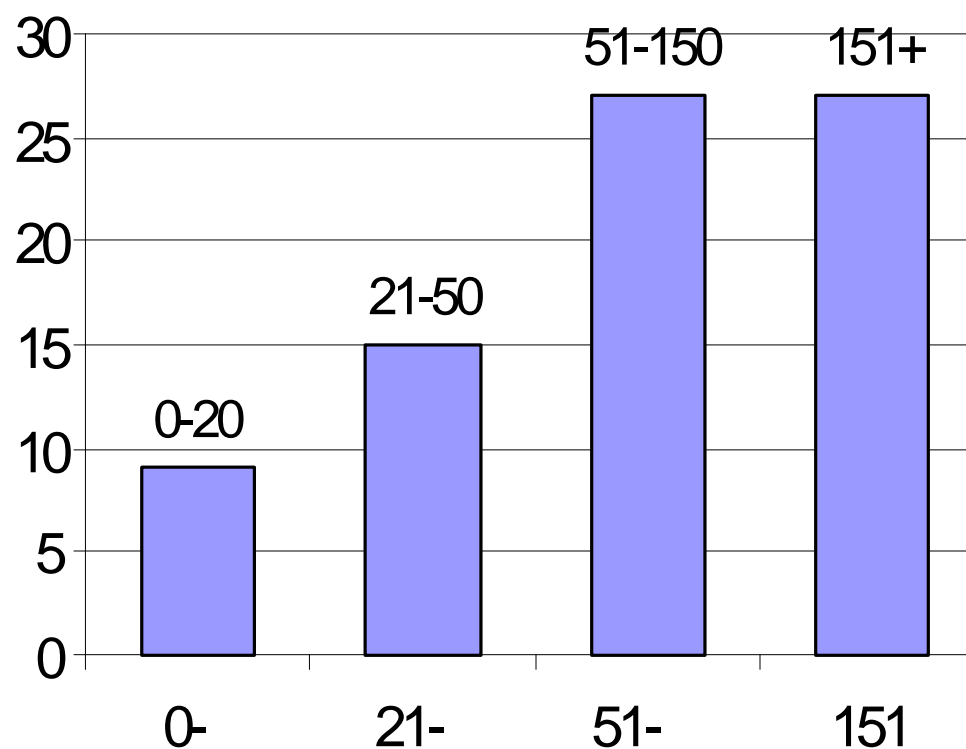
**Mr Joseph Farrugia  
Director General - MEA**

# Objectives of Survey

- To determine employers' attitudes and ideas about pension reform
- To serve as a basis on which to formulate a recommend strategies for reform

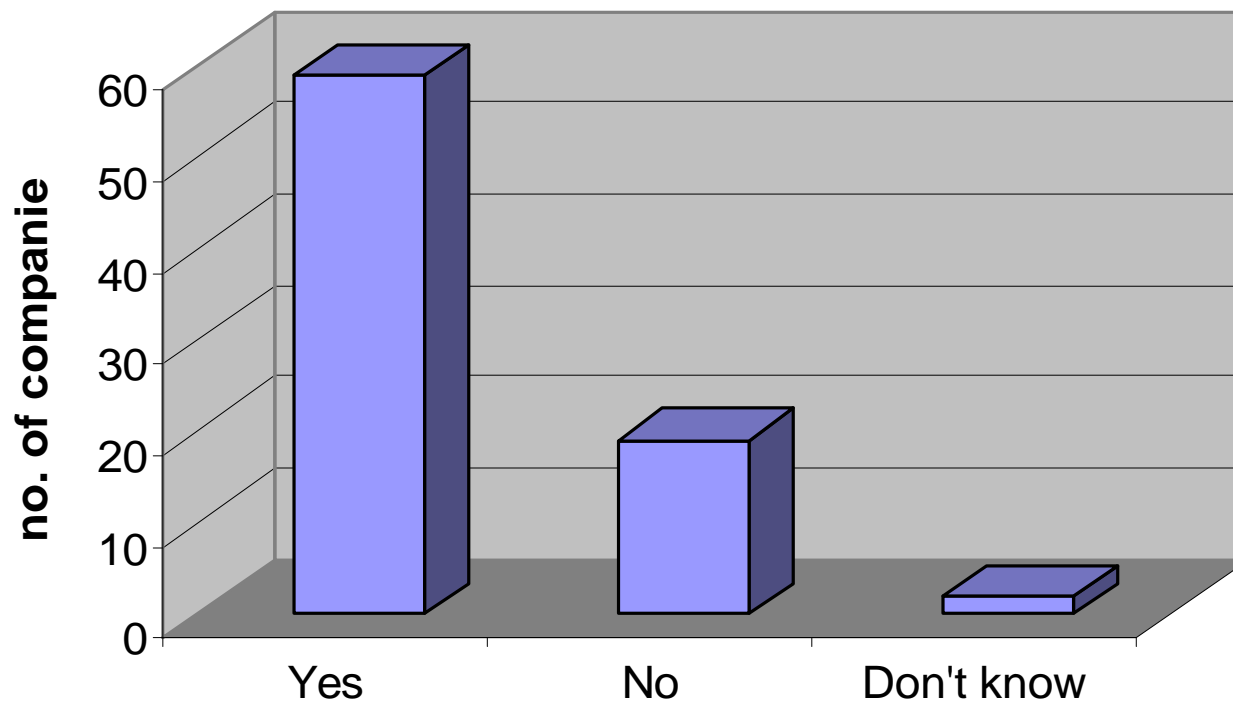
# The Respondents

**Q.11 Size of company (no. of full and part time employees)**



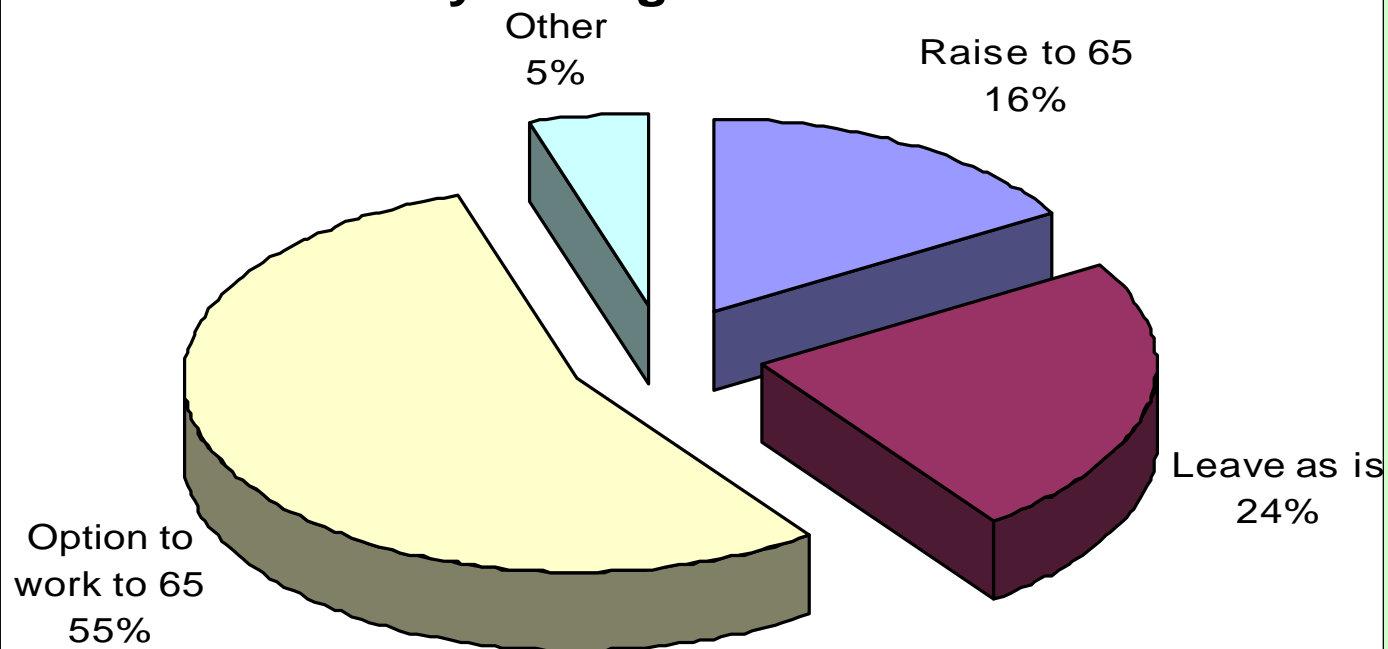
# Q.1 Do you think that raising the retirement age in Malta is inevitable?

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## Q.2 Options for Retirement Age

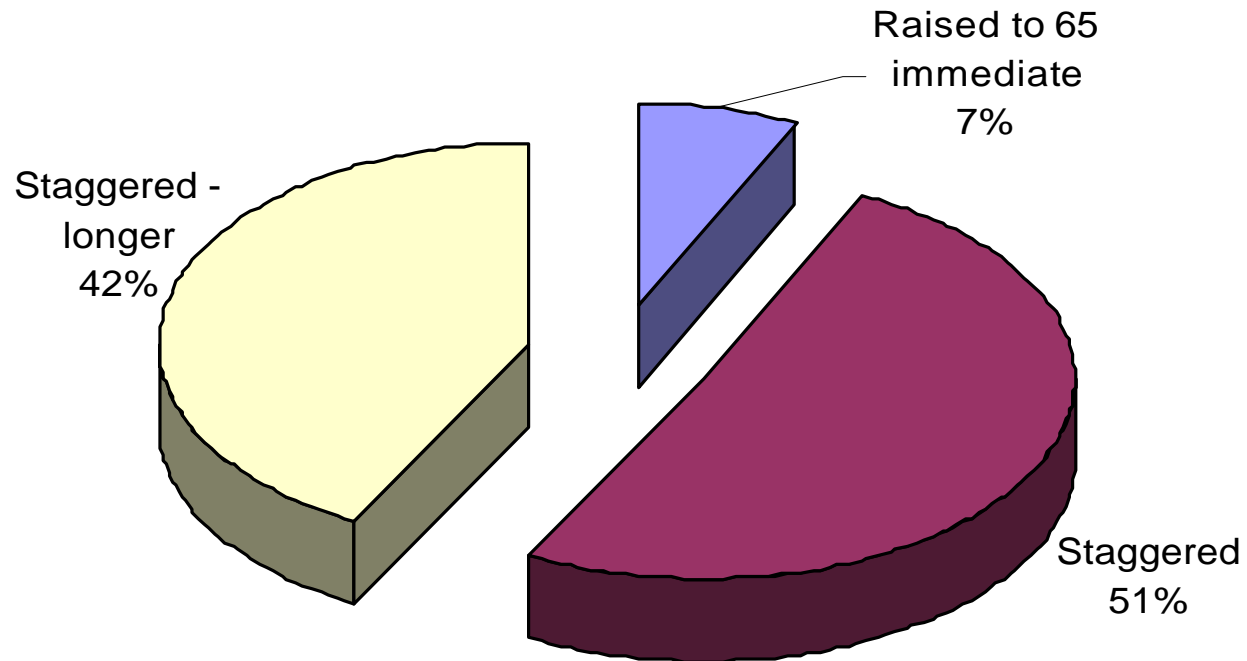
**Q.2 Which of these options would you prefer regarding the retirement age in your organisation?**





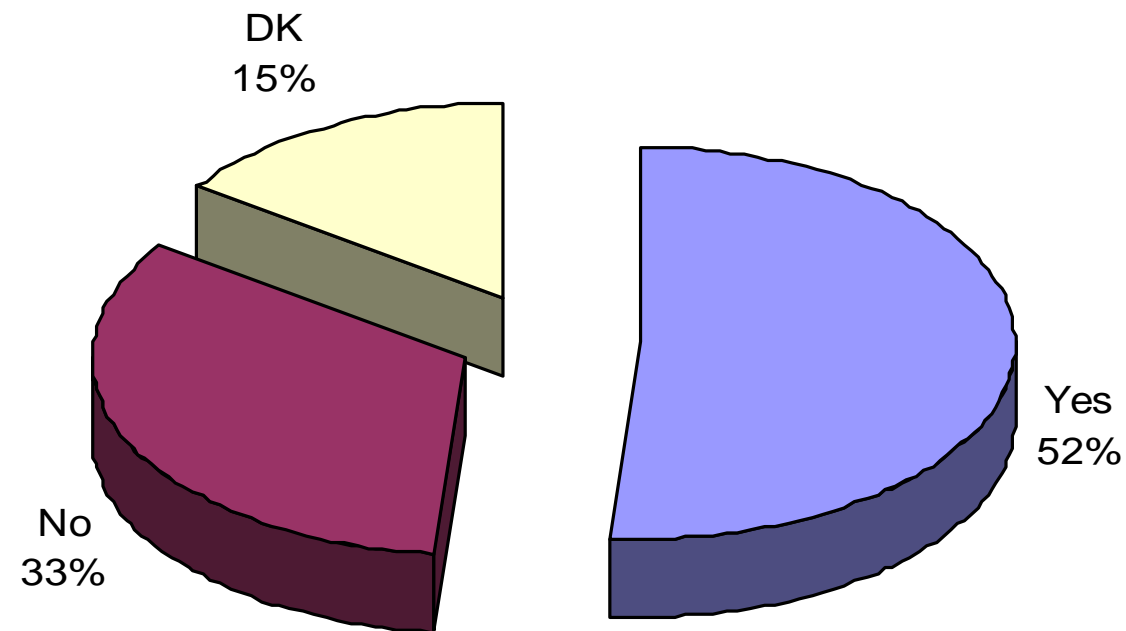
## Q.3 Retirement Age should be....

**Q.3 Do you think that the retirement age should be...**



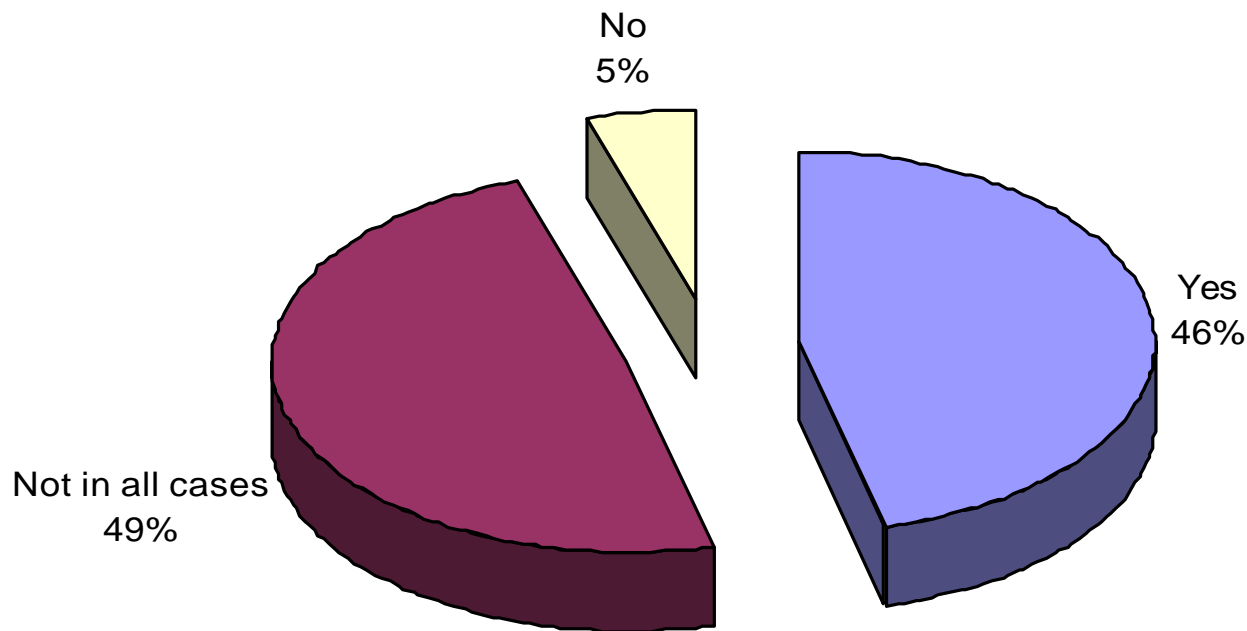
## Q.4 Retirement Age and productivity

**Q.4 Do you think that retaining employees to the age of 65 will affect the overall productivity in your organisation?**



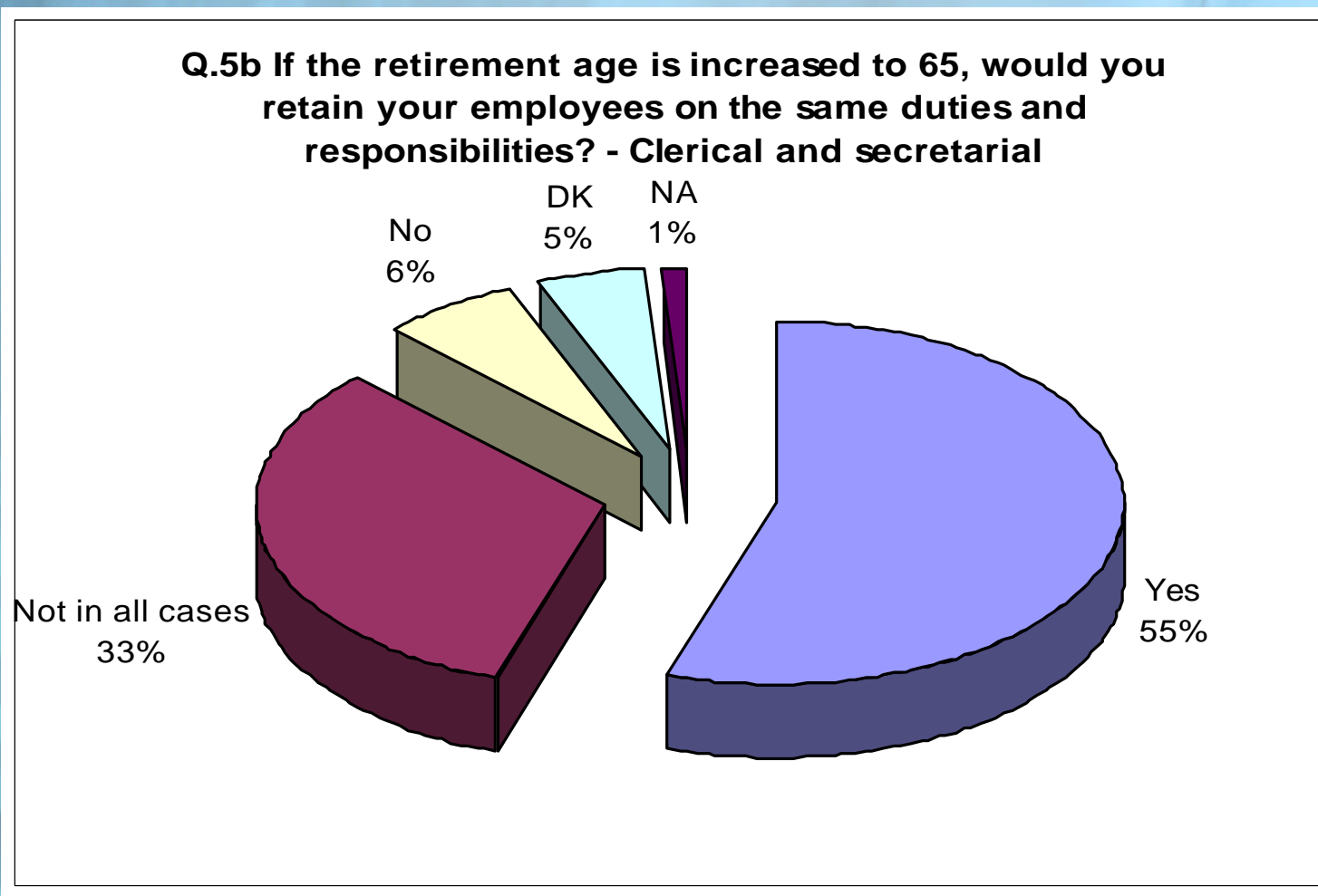
## Q.5a If the retirement age is increased to 65, would you retain your employees on the same duties and responsibilities? – Managerial and Supervisory

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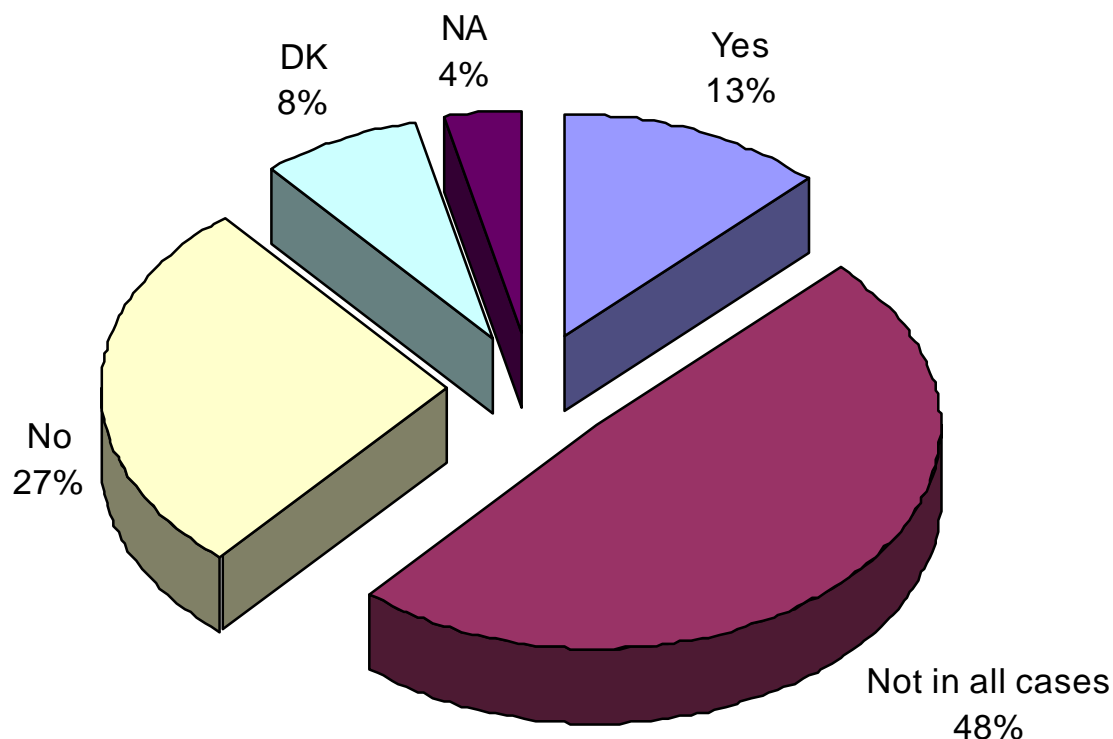


## Q.5b If the retirement age is increased to 65, would you retain your employees on the same duties and responsibilities? – Clerical and Secretarial



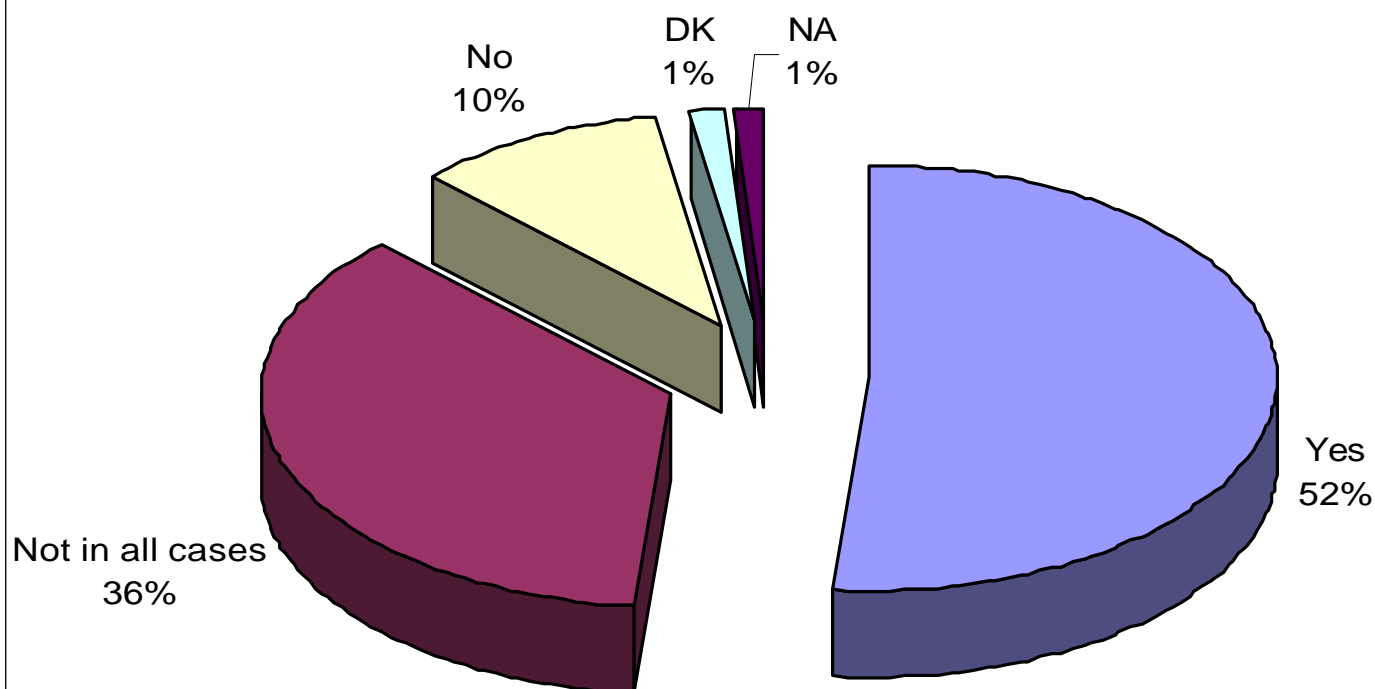
## Q.5c If the retirement age is increased to 65, would you retain your employees on the same duties and responsibilities? – Operational

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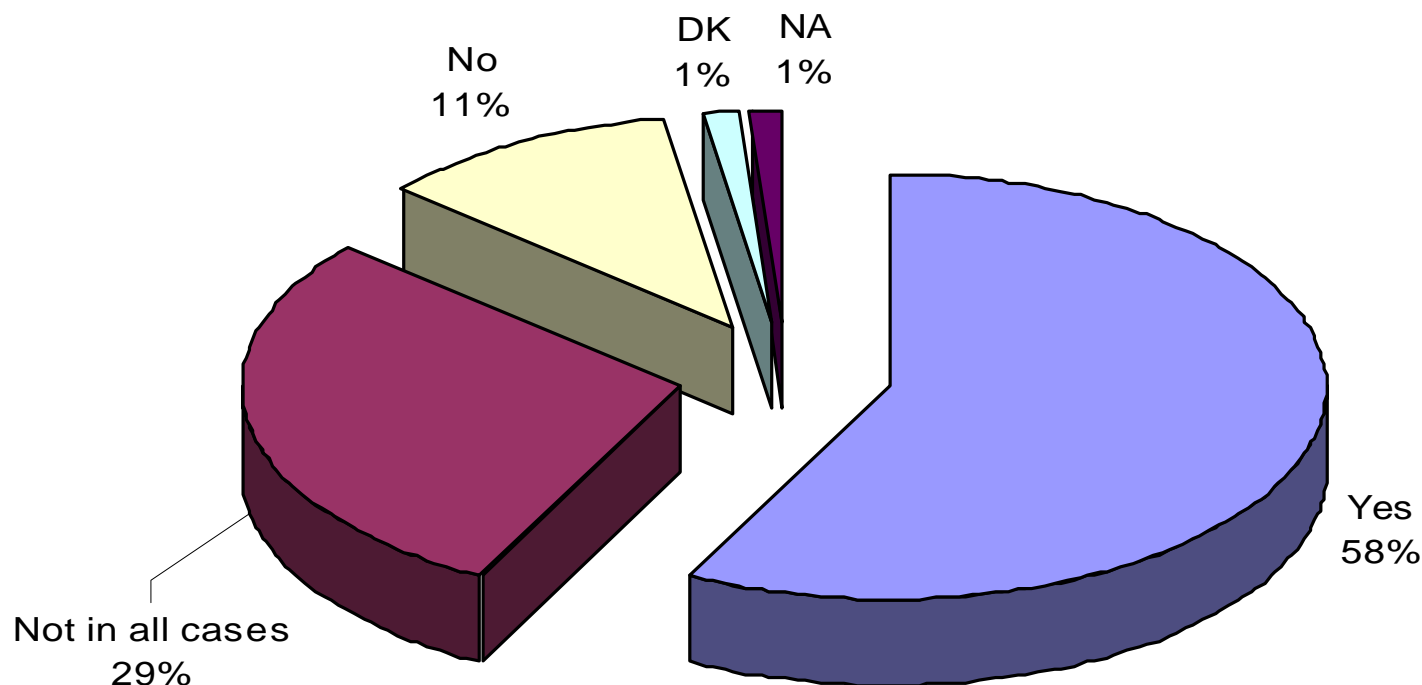
## Q.6a Would you consider retaining employees over 60 years on reduced hours (whole timers with reduced hours) if they request it? – Managerial and supervisory

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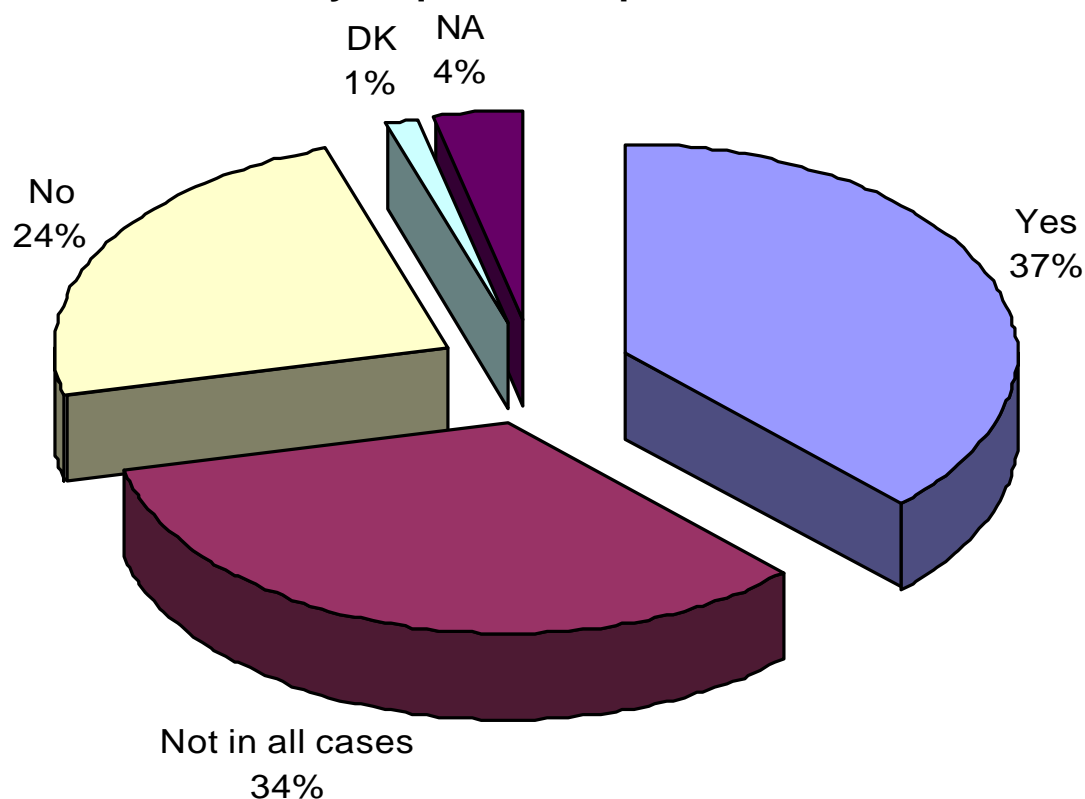
## Q.6b Would you consider retaining employees over 60 years on reduced hours (whole timers with reduced hours) if they request it? – Clerical and Secretarial

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## Q.6c Would you consider retaining employees over 60 years on reduced hours (whole timers with reduced hours) if they request it? – Operational

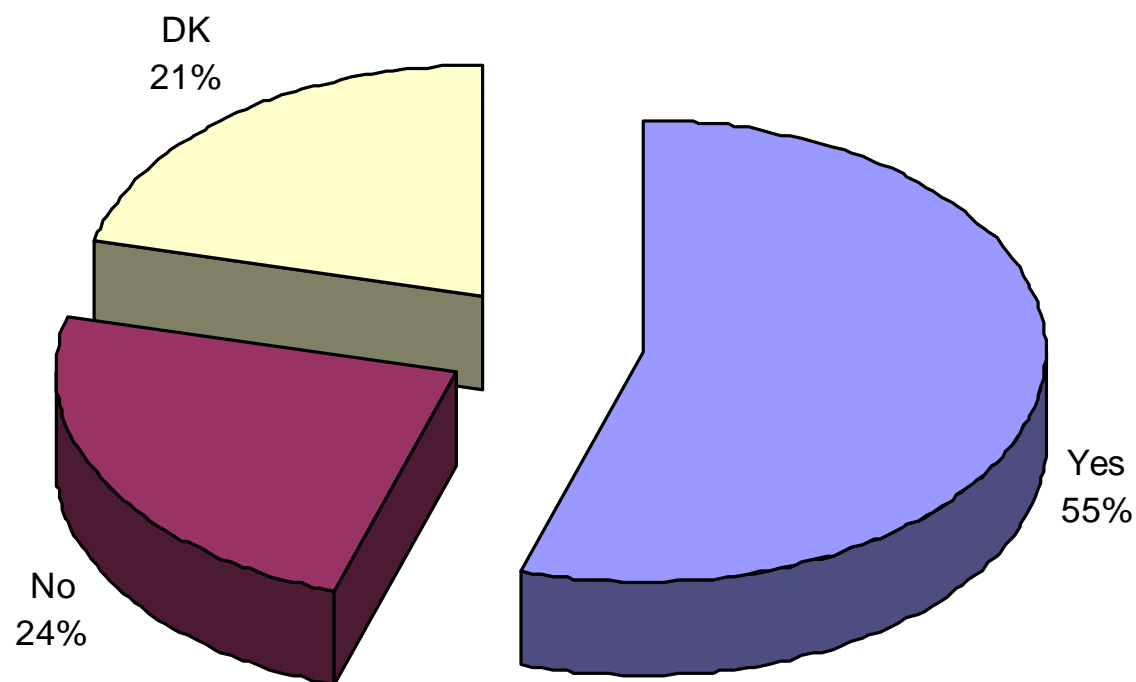
Q.6c Would you consider retaining employees over 60 years on reduced hours (whole timers with reduced hours) if they request it? Operational





## Q.7 Would you consider early retirement schemes for your employees if the pensionable age increases to 65?

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# Differences between Sectors

## *Retirement and Productivity*

<b>%</b>	<b>Yes</b>	<b>No</b>	<b>DK</b>
Manufacturing and Construction	61	25	14
Services	31	50	20

# Differences between Sectors

<i>Options for Retirement</i>			
<b>%</b>	<b><i>Raise – 65</i></b>	<b><i>Leave as is</i></b>	<b><i>Option to work till 65</i></b>
Manuf. & Constr.	15	31	54
Services	26	16	61

<i>Retirement Age</i>			
<b>%</b>	<b><i>Raised to 65 – immediate</i></b>	<b><i>Staggered</i></b>	<b><i>Staggered - longer</i></b>
Manuf. & Constr.	16	32	52
Services	3	70	27

# Recommendations for Pension Reform

Objectives to suggest measures to reform the pension system in Malta in a manner that:

- will be financially sustainable and conducive to intergenerational equality
- will introduce any reforms gradually to avoid unnecessary financial and social shocks
- will guarantee pensioners a decent basic standard of living throughout their retirement age while presenting them with options to save for their retirement
- will allow for more flexibility in the labour force through agreements between employers and employees
- ensures social inclusion for retired persons
- will not have an adverse effect on the country's competitiveness



# Recommendations

- Gradual increase in retirement age to 65
- Incentivise a higher female participation rate in the labour force.
- Pension funds must be accounted for separately from health and other benefits.
- Transition from the current system of total reliance on PAYG contributions to one which balances PAYG with Funded scheme
- Raise maximum Pensionable Income
- Introduce Fiscal Incentives for Private Pensions
- The Fourth Pillar
- Buffer Funds
- Generation of productive employment



# Flexible Retirement - 1

- § Increase the retirement age gradually to 65 for both male and female employees
- § Introduce the option whereby, upon agreement between the employer and the employee, the employee may work beyond the age of 61 on reduced hours and will have the status of 'whole timer with reduced hours'.
- Employees who will still work more than 30 hours per week beyond the age of 61 will still be entitled to the full pension when they retire at the age of 65. This makes sense because government would still be saving a pension, and they would be contributing to the GDP, and paying pro rata contributions in the meantime.

# Flexible Retirement - 2

- Employees may still opt to retire at the age of 61, but at a reduced pension, and provided that they have contributed a minimum number of years – 40 years - to PAYG. This will create a safeguard in cases where employees doing manual work may not be fit to continue with their duties beyond the age of 61.
- Employees who retire at age 65 will benefit from an enhanced pension.

# From PAYG to a Partially Funded Pension Scheme - 1

- The current cap for pension entitlement of LM6700 should be raised to an agreed maximum (say, LM12,000), subject to the following conditions:
  1. Social security contributions will remain compulsory up to an income of LM6700 by both employers and employees over thirty years of age;



# **From PAYG to a Partially Funded Pension Scheme - 2**

2. Employees over thirty years of age but less than fifty years will have an option of increasing their social security contributions to entitle them to a maximum pension higher than LM4,500 (the current maximum), but not exceeding the established cap. Employer contribution will remain at the maximum of 10% of LM6,500.
3. Employees under fifty years of age and earning less than LM6,500 will still be given the option of participating in the scheme.

# **From PAYG to a Partially Funded Pension Scheme - 3**

4. This scheme will be made mandatory to employees below thirty years of age.
5. The funds currently collected under the PAYG scheme will still finance PAYG. The funds collected from the supplementary scheme will be channeled into a separate fund that will be invested.
6. Tax breaks will be given to contributors of this scheme.



# Measures to Avoid

- Means testing
- Early retirement Schemes

# Contact details

Malta Employers' Association  
351, South Street  
Valletta VLT 11

Email: [jfarr@maltanet.net](mailto:jfarr@maltanet.net)

Tel No: 21237585 / 21222992