

IOPS COUNTRY PROFILE: MALTA



DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP	14.50 USD billion
GDP per capital	28500 USD
Population	516,000
Labour force	274,110
Employment rate	76.70%
Population over 65	21.8%

MALTA: COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- **Public pensions is a pension scheme that is provided to an individual by the state government. There are three categories of pensions an individual can receive:**
 - 1) TTP: two-thirds pension which is earnings related according to the social security contribution average;
 - 2) RP: retirement pension which is based on flat rates;
 - 3) NMP: national minimum pension which is paid to claimants paying a low rate of social security contributions.

Private pensions: Occupational Voluntary

- **Occupational retirement schemes which operate on a funded basis and is established separately from any sponsoring undertaking or trade for the purpose of providing retirement benefits in the context of an occupational activity on the basis of an agreement or a contract agreed:**
 - 1) Individually or collectively between the employer of employees and the employees or their respective representatives; or
 - 2) With self-employed persons, individually or collectively,
- **and which carries out activities directly arising therefrom.**

Private pensions: Personal Voluntary

- **Personal Retirement Scheme are those retirement schemes which are not an Occupational Scheme and to which contributions are made for the benefit of an individual.**

MALTA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The State Pension is the pension paid by the state government to any individual at retirement age who meets the necessary eligibility conditions. The Contributory Retirement Pension is paid every 4 weeks in advance.

There are three categories of pensions a person can receive:

- 1) Two-thirds Pension – this is the most common type of state pension in Malta, which is earnings related according to the social contribution average;
- 2) Retirement Pension, which is based on flat rates and is paid to claimants in receipt of a Service Pension;
- 3) National Minimum Pension, which is paid to claimants paying a low rate of social security contributions.

To be eligible for a full retirement pension, an individual requires to make a yearly average of at least 50 contributions from 1956, or from the age of 19 (whichever occurs latest) and/or from the age of 18 if born after 1958 up to the last full year prior to the year of retirement.

As per the Pensions Report of 2010, with effect from January 2014, the pension age has increased to 62 years for both males and females and the accumulation of contributions for a full two-thirds pension has increased to 35 years.

Statutory Pension age is as follows:

Born Between:	Pension Age
1952 and 1955	62
1956 and 1958	63
1959 and 1961	64
Born After:	Pension Age
1961	65

An individual who opts for an early pension opt-out (61 years of age) may have a gainful occupation after reaching their pension age.

The Government of Malta produced incentives for individuals keeping their employment beyond their retirement age, and these came into effect from 1st January 2016 for the private sector and self-occupied persons; and with effect from 1st January 2019, it was extended to public service/sector employees as well.

The below table shows the % increase for those individuals who opt to continue working for a year beyond their retirement age:

Retirement Pension Age	Opt to work till age:	% Increase in Pension Rate	Entitlement at Age
61	62	5	62
62	63	5.5	63
63	64	6	64
64	65	6.5	65

Table 3: % increase in Pension Rate for individuals who opt to continue working for a year beyond their retirement age

Individuals opting to postpone their Retirement Pension award for more than one year, will have their pension percentage increase accumulated as follows:

Retirement Pension Age	Opt to work till age:	% Increase in Pension Rate	Entitlement at Age
61	63	10.5	63
61	64	16.5	64
61	65	23	65
62	64	11.5	64
62	65	18	65
63	65	12.5	65

Table 4: % increase in Pension Rate for individuals who opt to continue working for more than a year beyond their retirement age

On 19th October 2020, the Government of Malta presented new incentives for the state pensions in the Budget for 2021 which are:

- Re-issuing of Savings Bonds for pensioners who are over 62 years of age
- An increase of between €70 – €108 per annum in the supplementary allowance to be granted to persons who are 65 years and over
- Increase of €50 per annum for persons who are not entitled to receive a pension
- Similar to previous years, the portion of any service pension which is not to be reduced from the social security pension is being increased by a further €200

- Extension of the grant scheme providing €300 for persons ages 75 years and over, and €350 for those aged 80 years and over.

Unemployed persons who reside in Malta and are over 60 years of age who do not qualify for a contributory retirement pension because they do not have the minimum number of contributions paid or credited, may be entitled to Non-Contributory Age Pension if they satisfy the capital and income means test. The means test is calculated based on the capital assets and income of the household members.

In addition to the general pension, the Government provides a Treasury Pension that is applicable to the following individuals:

- All government employees who started service with government before 15th January 1979 and the service rendered was continuous;
- Police, AFM personnel, Correctional Facilities officials, and members of the Civil Protection;
- Widows of public officers who held a pensionable post and who contributed to the widows pension scheme;
- Members of Parliament;
- Members of the Judiciary and the Attorney General.

THE OCCUPATIONAL VOLUNTARY

In 2015 the Malta Financial Services Authority (MFSA) introduced a regulatory framework for the provision of private pension retirement products in Malta. Private retirement pension products are governed by a number of rules which are established by the MFSA.

In Malta, the setting up of an Occupational Retirement Scheme and a Personal Retirement Scheme, including the contributions in such Schemes, are entirely voluntarily and there exist no restrictions as to whether an employee/individual can make voluntary additional contributions to his/her existing plan and/or any other plan.

A Personal and an Occupational Retirement Scheme may either be a Defined Benefit Scheme¹ or a Defined Contribution Scheme², and may be established in the following forms under Maltese law:

¹ A retirement scheme other than a defined contribution retirement scheme, which has as its primary purpose that of providing for the payment of fixed or determinable retirement benefits.

² A retirement scheme which has its primary purpose that of providing for the payment of retirement benefits which are established by reference to the contributions paid, the accumulation of profits, gains and other income, after the deduction of expenses and losses in relation thereto.

- (a) as a non-discretionary trust by trust deed under the Trusts and Trustees Act (Chapter 331 of the Laws of Malta);
- (b) by contract in terms of the Civil Code (Chapter 16 of the Laws of Malta); or
- (c) in any other legal form as may be approved by the MFSA.

A Personal Retirement Scheme shall be established exclusively as a non-member directed scheme or a member directed scheme. A non-member directed scheme is a Scheme which offers a selection of investment options for the Member to choose from subject to certain conditions. In addition, a non-member directed scheme shall have mandatory functions³ appointed at scheme level. Whereas a member directed scheme may permit a member to direct the investments of their individual accounts on certain requirements, that is the appointment of an investment advisor, a discretionary investment manager or subject to a set of criteria, the Member can be qualified as a professional Member.

An Occupational Retirement Scheme may be established either as a closed Retirement Scheme or as an open Retirement Scheme. A closed Occupational Retirement Scheme is a scheme that is established at the initiative of a single employer or a group of related employers or an association representing employers. Membership into the scheme is limited to such parties. On the other hand, membership in an open Occupational Retirement Scheme is open to a number of unrelated employers and self-employed persons. Both closed and open Retirement Schemes are required to appoint mandatory functions³ at scheme level.

Both Personal and Occupational Retirement Schemes are administered by a Retirement Scheme Administrator whose principal purpose is to perform duties in connection with the overall operation and the ordinary day-to-day operations of the Scheme in accordance with the Pension Rules.

³ The appointment of an Investment Manager and a Custodian.

REFERENCE INFORMATION

KEY LEGISLATION

- The Retirement Pensions Act, 2011(Chapter 514 of the Laws of Malta) (“RPA” or “the Act”) came into force on 1st January 2015 and its main aim is to provide regulation for Retirement Schemes, Retirement Funds and Service Providers.
- The Income Tax Act (Cap 123) came into force on 1st January 1949, and its main aim is to impose a tax upon income.
- The MFSA Act (Chapter 330 of the Laws of Malta) establishes the Malta Financial Services Authority (the ‘MFSA’) and lays down the powers and functions of the authority.
- The Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta) regulates the investigation and prosecution of offences related to any act of money laundering.
- The Arbiter for Financial Services Act (Chapter 555 of the Laws of Malta) came into force on the 18th of April 2016 to set up the Office of the Arbiter for Financial Services.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

- Malta Financial Services Authority - <https://www.mfsa.mt/>
- Ministry for Social Policy – <http://family.gov.mt/>
- Department of Social Security of the Ministry for Social Policy – <http://socialsecurity.gov.mt/>
- Ministry of Finance – <http://finance.gov.mt/>