

Malta

1. Session one: Informing on change

1.1 What do individuals know about the main aspects of the pension systems that are changing? (parameters, financing, retirement age, indexation)

On 1 June 2004 the Maltese Government set up a Pensions Working Group, to analyse and review work carried out on pensions and to submit recommendations on the way forward. This working group submitted its report on 5 November 2004. The report set out a number of principles amongst which was the gradual increase of the retirement age, the introduction of the first and second pillar pensions. This report was published. Any feedback was to be submitted to the working group by the end of March 2005.

Media publicity and information sessions by the members of the working group were the order of the day and the feedback received from all strata of the Maltese society was satisfactory. Individual members of the public also submitted their proposals. A second report was again submitted taking into consideration the various inputs by all stakeholders. This report was submitted on 30 June 2005.

By the end of 2006, the Social Security Act (Cap. 318) was amended to embrace the main changes considered necessary for the way forward.

This process of change in the pensions system does not start and stop with working groups, reviews and the submission of their findings and recommendations. The process of change has neither stopped with the promulgation of the legislative changes made in 2006.

The Maltese Government is moving on a number of fronts in parallel. The first relates to establishing a competent critical mass within the Ministry for Social Policy who will assume ownership for the strategic thinking on pensions.

1.2 What do individuals know of the different types of financial risks to which individuals are exposed and on which they can make choices (longevity, rates of returns guarantees)?

Although the legislative framework for the full pension system – first, second and third pillars is in place, given that the second and third pillar pensions have not yet been introduced, there is generally speaking a lack of awareness of the types of financial risks to which individuals are exposed and on which they can make choices. Once the second and third pillars are introduced, it will be necessary to assist individuals to learn how to make informed choices on such schemes.

1.3 How are people informed about these questions and how can the efficiency of this information be assessed? What are the main tools to provide information to individuals?

When the necessary amendments to the Social Security Act (Cap. 318) were made to accommodate the pension reform, one important aspect was the guarantee that there should be a strategic review every five years, with the first one to be submitted by the end of 2010.

The Minister for Social Policy has also indicated the need to set up a Pensions Strategic Unit, which will be tasked with such review as well as to ensure that the input from the constituted bodies voluntary organisations and citizens alike are dealt with as necessary.

2. Session two: Informing on choices

2.1 What are the actual main choices available to individuals (including portfolio profiles, etc...)? What are the choices of financial products individuals have: in the mandatory system (i.e. opt-out to the employers' scheme), in the second and third pillars?

There are no choices for the mandatory first pillar pension, whilst the supplementary second pillar is not yet functioning. The third pillar is at present a private voluntary arrangement.

2.2 What are the actual choices people take regarding their pensions (deferred pension, partial pension, different types of annuities, share of lump-sum...)?

There are no choices for the mandatory first pillar pension, whilst the supplementary second pillar is not yet functioning.

2.3 What is the population's ability to understand financial notions related to pensions? (for instance compound interests, ...)

Given that the second and third Pillar pension schemes have yet to be set-up, it is difficult to estimate the population's ability to understand financial notions related to pensions. However, given that in Malta the basic pension regime has for quite some time been dependant upon the first pillar which is a PAYG scheme, it is assumed that generally there is a lack of such ability to understand financial notions. However, one of the remits of the Pensions Strategic Unit will be to assess such ability and to address any shortfalls.

2.4 What are the main tools to provide information to individuals?

The main tools to provide this information apart from the media is through the network of area offices around the Island which fall within the remit of the Ministry for Social Policy.

3. Session three: Informing on rights

3.1 What do individuals know of their already accrued pensions including statutory pensions (unfunded and funded tiers)?

Generally speaking the individuals do have knowledge regarding their statutory pension rights. Knowledge is still lacking with regard to the second and third pillar pensions given that these are not yet functioning.

3.2 What do people know of the impact of different decisions on retirement age and transition from work to retirement on their potential future benefits?

With respect to the statutory pensions, people have a good idea of the impact of different decisions on retirement age and transition from work to retirement with respect to their statutory rights. However, as stated in 3.1, knowledge is still lacking with regard to the second and third pillar pensions given that these are not yet functioning.

3.3 What are the main tools to provide information to individuals?

Given the smallness of the island, the main tools to provide this information, apart from the media (T.V. newspapers, magazines, leaflets and Internet), is through the network of area offices falling under the remit of the Ministry for Social Policy.