respectively finalised in 2005, 2010 and 2015 are summarised in Box 5.1.[6] These reports have presented a thorough reassessment of pension design in Malta and put forward a host of recommendations which provided a strong basis for possible reform. The Government is not bound to accept such recommendations and indeed, over the years, whereas various recommendations have been implemented, others were not.

Box 5.1 Strategic reviews on the pension system in Malta (2005, 2010, 2015)

Main observations and recommendations of the 2005 Pensions Working Group:

- Maximum Pension Income: The Maximum Pension income was perceived as no longer adequate. Various ways of how this was to be changed were proposed.
- Pension indexation to wages: post-retirement pensions income should be automatically indexed to a mechanism that is constituted of 70% wages and 30% inflation.
- Increase in the statutory retirement age: A gradual increase in the statutory retirement age to 65 years was proposed, though there were concerns on the viability of such increment for manual workers.
- Changes to the accumulation and calculation parameters of the Two-Thirds Pension: departing from the final salary calculation to linking the calculation of the pension with the contributions paid over an individual's accumulation period.
- Private Pensions: The introduction of a Two-Tier Second Pillar Pension Scheme and a voluntary Third Pillar Pensions Scheme aimed at complimenting pension income.
- Channelling of Pensions Contributions to the Health Fund: The recommendation to channel part of the Two-Thirds Pensions contribution towards such fund needed to be reconsidered, despite acknowledging that health reform was necessary.

Main observations and recommendations of the 2010 Pensions Working Group:

- Age-longevity indexation: introducing an explicit link between retirement age and longevity though an indexation mechanism resulting in increases in retirement age whenever the longevity index rises.
- Notional Defined Contribution (NDC) Pension: appointing a working group to consider the possibility of transforming the Two-Third Pension into a NDC First Pension.
- Pension Pillars: recommended introducing the Third Pension framework as early as possible whilst introducing the mandatory introduction of the Second pillar which should be based on a national consensus.
- Regulated home equity release market: to examine the possibility of introducing Home Equity Release schemes for people who should they wish to, leverage their property investment into income during the retirement phase of their life cycle.
- Commission on Financial Literacy and Retirement Income: proposed that the Government establishes this Commission mandated to inculcate a culture of saving for retirement, to strengthen financial literacy and to disseminate within society information on how the State Pension works.

[6] Source: 2005 Report - https://socialsecurity.gov.mt/en/Pensions-Reform/Documents/2005-Pensions-Reform/frpensions.pdf; 2010 Report - http://family.gov.mt/financial-education/publications/Documents/Malta_Pensions_Strategic_Review_2010.pdf; 2015 Report - http://family.gov.mt/financial-education/publications/Documents/Pensions%20Report.pdf.

Main observations and recommendations of the 2015 Pensions Working Group:

- Incentivise the active participation of elderly: proposed the removal of the mandatory retirement age, removing the ceiling on payment of contributions beyond 65 years of age and provide economic incentives in terms of higher pensions for the extra years spent in the labour market.
- Does not reiterate the core recommendations in the 2010 report: considered it as risky to migrate to an NDC pensions architecture; rejected the introduction of an automatic indexation to longevity and did not recommend a second pillar of a mandatory nature.
- Guaranteed National Minimum Pension (GNMP): introducing it incrementally to all pensioners, with recommendations on how to do so. Recommended adjusting the minimum pension by the full Cost-of-Living Adjustment (COLA), also being in line with poverty threshold levels reflecting increases in wage growth and maintaining relativeness to other pensions and the maximum pension.
- Crediting contributions: recommend a series of reforms to strengthen the main supporting policies of fertility (demographics); interrupted career patterns (gender), life-long learning and retention in the labour market post retirement age and crediting higher education.
- Equity release schemes: The introduction of regulations with respect to home equity release schemes. The report provides proposals on the formalisation of such home equity market.

Types of pensions in Malta

The Maltese pension system is largely based on a Pay-As-You-Go system. The different types of pensions in Malta are outlined in Table 5.1.

Table 5.1 Pensions in Malta

Contributory retirement pension	Persons attaining their retirement age may be eligible to the contributory retirement pension, subject to satisfying a set of statutory conditions and contributory criteria during their working years. A two-thirds pension or a flat rate pension applies.
Contributory invalidity pension	This is granted to persons under retirement age who are no longer deemed as capable of performing full-time or part-time work. Applicants for this pension should have contributed at least 250 contributions and paid or been credited an average of 20 contributions per year from the age of 18 or 19 as the case may be, and who have been registering for work or been gainfully occupied over the previous year. With effect from 2018, applicants suffering from a terminally ill condition require a minimum of 50 contributions to qualify for the full rate. Different rates apply according to the yearly average of contributions paid and/or credited and the civil status of the claimant.