

FEEDBACK BY THE MALTA CHAMBER

Proposal for an Auto-Enrolment Occupational Pension Regime

Presented to : Ministry for Finance

Date : 08/08/2025

Version : FINAL

1. Introduction:

In **March 2022**, The Malta Chamber of Commerce, Enterprise and Industry (TMC) jointly with the **General Workers Union** positioned ourselves in favour of a properly designed workplace pension with the choice of opt-out, proposing that employer contributions remain voluntary but employers contributing should receive enhanced tax incentives. The joint statement was designed in a manner that creates no social tensions or adverse impacts on both employers and employees.

A comprehensive **second-pillar pension reform is, in our opinion, long overdue**. TMC sees this development as a positive and necessary step toward improving retirement adequacy and reducing the risk of future pension poverty. And therefore, this is why it is imperative that it is done in the right way.

Our workplace pension proposal aligned **with our broader pension reform agenda** ([presented on the same occasion](#)) to ensure adequacy, sustainability and improved pensions coupled with longer participation within our labour market. There is growing recognition that **occupational pensions are likely to become a standard component of remuneration packages in the years to come**, reflecting a shift in how both employers and employees view long-term financial wellbeing, however, having said that, TMC cautions that **overly complex or fee-heavy investment options should be excluded**. Annual disclosures, governance oversight, and simulated pension outcome statements must be standardised. Features such as **portability and clear employee ownership of contributions** must also be clear at the outset.

The ultimate result must be one that ensures clarity, protects outcomes, and balances safety with optional flexibility, aligning Malta with best international practice while addressing the specific realities of a small, emerging Auto-Enrolment (AE) market.

2. Reaction to the Consultation document

While The Malta Chamber (TMC) reiterates its **support for an auto-enrolment mechanism that strengthens long-term savings and retirement adequacy**; we underline several key concerns requiring immediate attention to ensure the proposal is fair, sustainable and reflective of market realities.

1. TMC notes that the current proposal **lacks structural tools that directly protect employers, placing an undue burden on the private sector**. We highly recommend limiting administrative burdens through collective schemes and clearer opt-out legal provisions. Fee transparency must be guaranteed, including examples of net investment value and cost capping processes.
2. TMC believes that **legacy schemes are not being adequately integrated, possibly penalising early auto-enrolment adopters**. Employers may end up managing multiple fragmented pension pots which may lead to inefficiencies and administrative burdens. TMC asks whether this circumstance (a) will create excessive administrative burden on the employer and (b) whether it makes business sense for the scheme operator to implement. TMC asks whether the adopted VOPS are now being penalised by having to set up an entirely separate scheme. TMC also asks whether it would be more logical—and administratively efficient—for the auto-enrolment regime to operate within the existing product framework. With reference to the

Multiple Schemes burden (at page 11 of the public consultation document), TMC notes that, if employees can retain an old pension scheme after changing jobs, this could result in employers managing multiple schemes, which translates into an unnecessary administrative burden. TMC therefore questions whether the proposal will truly create a lean framework allow for portability. Employers should be put in a position to simply auto-enrol eligible employees into their existing VOPS. In the absence of this clarity, TMC is worried that this could be an outcome of **regulatory inertia rather than design improvement**. Given the above considerations, TMC calls for a **robust pensions governance framework which should include mechanisms that allow for the seamless transfer of pension pots across personal pension plans, VOPS and Auto Enrolment schemes**. The absence of such transferability would not only hinder market development but also run counter to consumer protection principles and the goal of fostering a cohesive private pensions ecosystem.

3. The **transfer process between auto-enrolment providers¹ is also unclear**. Employees must be able to move their pots to their new employer's provider. Employers should not control pots from previous jobs. A strong transfer system, including international and cross-product transfers with limited exit fees, is essential. The regulator should also allow transfers between occupational and auto-enrolment schemes to improve market flexibility.
4. Although the consultation document addresses portability, it **focuses only on transferring contributions between employer schemes, not on true lifelong account continuity**. This risks fragmented pension pots amid increasing labour mobility and gig work. International best practice favours a single, worker-owned master account where all contributions accumulate regardless of employer or sector. Malta should legislate for such a model, supported by a national clearing system, integration with employment data, consolidation of existing accounts, and transparent member access. A worker-centric design ensures efficiency, fairness, and sustained confidence in AE by providing seamless, lifelong pension portability.
5. While digital access per provider is a step forward, **the absence of a unified pension dashboard limits transparency and undermines retirement planning**. Participants need a single, integrated platform to view all entitlements—state, AE and voluntary. Malta should follow international best practices by mandating a centralised dashboard with real-time data aggregation, common standards, and modelling tools. Integration with Social Security records is essential. This reform would enhance user engagement, financial literacy, and planning accuracy, while aligning Malta with emerging EU norms and multi-pillar realities. A fragmented system risks confusion, inefficiency and lost trust among savers with increasingly mobile careers.
6. Concerns are also noted on **fund outflows**, suggesting partial investment in domestic markets. Clarifications are also needed on **definitions**, like for example, "*habitually work in Malta*", contribution breaks, re-enrolment windows, tax benefit capping and fiduciary responsibilities.

¹ Consultation Document Section 5.6.1.

7. TMC **regrets the lack of a phased rollout across business sizes**². The UK's tiered approach, starting with large employers and gradually scaling to micro enterprises, is proven to be more inclusive and realistic. The current plan unfortunately ignores earlier recommendations by stakeholders for gradual onboarding and risks replicating Ireland's unsuccessful voluntary rollout model. As is, the proposal mandates all employers, regardless of size, to implement auto-enrolment by mid-2026. This poses risks to both consumers and the regulator. We strongly recommend a phased approach over a maximum total of 5 years, allowing time for system adjustment and regulatory fine-tuning.

8. TMC cautions that **scheme potential operators are unable to respond constructively due to a lack of clarity on fees, implementation timelines and administrative architecture**³. Starting with timelines, the proposed timeframes are very tight, and the policy uncertainty is freezing momentum built around VOPS, with employers now adopting a 'wait and see' approach. We regret that Government's communication on the practical implementation of the scheme remains hazy. Consultation was and largely informative rather than consultative. Limited engagement of pension experts or private sector operators by the legislator, is likely to lead to implementation problems. It is far from ideal to have a scenario where a consultation paper is published, yet the detailed framework of what an AE pension scheme should have has not yet been disclosed by the regulator. The system must ensure **full cost transparency and introduce a capped fee structure to safeguard saver outcomes**. Without clear disclosure, lower-income and part-time workers face disproportionate fee erosion, undermining trust and participation. Drawing on UK and EU best practices, the framework should enforce standardised reporting, cap charges, prohibit flat fees on small pots and require annual public disclosure of provider costs. MFSA must be empowered to enforce these standards and act on excessive charges. TMC believes that embedding transparency and cost control from the outset is critical to ensure consumer confidence, fairness, and the long-term success of the scheme.

9. TMC notes that the proposal states that the regime is open to any licensed Retirement Scheme Administrator (RSA) or authorised insurance undertaking (who must create a legally separate entity)⁴. The condition may be interpreted as an **exclusion of insurance providers**, who currently account for the majority of occupational pension products. TMC therefore asks whether the consultation document requires insurers to become trustees for the purpose of auto-enrolment pensions. Having said that, TMC asserts that due consideration should be given to the fact that the 2017 framework included insurance-led solutions. While we understand the government's rationale, given that the trust framework under the Retirement Pensions Act is well-suited for pensions, it would have been more effective had this approach been adopted from the outset, when tax incentives were first extended to insurers in 2017. Their exclusion today may create confusion, limit scheme bidders and possibly disrupt market

² Consultation Document, Section 8.

³ MFSA Consultation document Section 5.2.

⁴ Quoting "*ensures market competition, allowing employers to choose from different licensed pension providers based on value, service, fees and investment strategies*".

continuity. The potential exclusion of insurance-backed lifecycle product, in the eyes of employers, risks undermining both trust and return expectations. If clearly oversight standards are established by the regulator to the insurance sector, these providers would not be arbitrarily excluded, widening the choice for consumers⁵.

10. TMC is of the opinion that **consumer protection can be effectively addressed through enhanced regulatory requirements**. These could include rules on pension asset ringfencing, governance and transparency, ensuring alignment between Pension Schemes and Life Insurers without excluding the latter from participation. Proposal 6 in the Consultation Document risks a rush by providers before mid-2026 deadline, causing consumer confusion and increased administrative burdens for employers. MFSA should be able to achieve such alignment in line with the consultation undertaken with the insurance industry over the past years. Employers cannot manage employees on both qualifying and non-qualifying plans simultaneously. Moreover, this regulatory requirement must be coupled with engagement with DIER on employment rules, as employer obligations and technical knowledge lie within DIER and not with MFSA. A formal competition impact assessment and active oversight, potentially by MCCA or MFSA, should also monitor market dynamics. This approach will build trust, encourage provider investment and ensure sustainable, broad-based coverage across both public and private sector participants.
11. TMC notes that **the system lacks a dedicated safety net to protect workers' contributions from fraud, scheme failure, or RSA insolvency**. Unlike other countries with compensation funds or statutory guarantees, Malta offers no financial protection if pension funds are lost. This exposes savers, especially those without choice of scheme, to significant risk, undermining trust in the system. To ensure AE's success, Malta must urgently establish a statutory pension protection fund, enforce strict custodial segregation, enhance regulator powers, and provide clear legal safeguards to guarantee contributions are secure and recoverable.
12. The consultation document **requires employers to remit pension contributions but does not clarify protections if employers go bankrupt or fail to pay**. Unpaid contributions risk being lost or treated as unsecured debts, exposing employees to financial harm and undermining trust in AE. International best practices include holding contributions in trust, prioritising them in insolvency, centralised remittance and enforcement penalties. Malta must address this gap by legally securing contributions, elevating their insolvency priority, establishing a central remittance system and enhancing enforcement and transparency to protect employees and maintain confidence in the AE system.

⁵ 'Life insurance companies are already subject to rigorous regulatory oversight by the Malta Financial Services Authority, including capital adequacy, solvency, governance, and reporting requirements. These standards fully align with, and in many cases exceed, the criteria outlined in Section 5.2 of the Consultation Document. Therefore, their exclusion may create confusion, limit scheme participation, and disrupt market continuity.



13. TMC would also like to refer to the **Annuities Framework** (in page 15), noting that Malta still lacks a comprehensive regulatory framework for these products. This should, in our view, be noted and prioritised.
14. The scheme's design favours a tax credit approach. While effective for some, it limits benefits for SMEs with lower tax exposure. **A hybrid incentive model—credit and deduction—should be considered to ensure broader utility and fairness. Relying solely on non-refundable tax credits excludes companies and startups that may experience low or no taxable profits for a particular period of time from benefiting under the AE scheme.** This creates inequity, as only profitable firms receive support. To ensure inclusivity and fairness, the incentive mechanism should be revised. These adjustments would align incentives with Malta's SME-driven economy, enhance employer participation and strengthen the scheme's reach and policy credibility. Equal effort must yield equal reward, regardless of firm size or profitability, to drive meaningful adoption across all sectors.
15. **Taxing 70% of pension withdrawals at marginal income tax rates risks disincentivising long-term saving** under the AE system, particularly for middle-income earners. This creates an imbalance when compared to the flat, concessional tax rates applied to other investment income in Malta. To ensure fairness and uptake, it is recommended that **a flat 15% tax be applied to the taxable portion of pension withdrawals.** This would align with international best practices, improve tax neutrality, and enhance the net benefit to savers. Introducing income thresholds or caps could safeguard fiscal revenue while maintaining incentives for broad participation in the AE regime.
16. TMC believes that €100 monthly capped public sector contribution indirectly places a matching requirement for the private sector and a significant financial burden on employers. In a tight labour market with recurrent wage bill pressures and increasing turnover, such obligations risk compounding business costs. In this context, TMC highlights that the current 25% tax credit and €2,000 tax deduction on the employer's contribution are insufficient. Therefore, TMC proposes the following amendments for private sector incentives (a) **increasing the tax credit to 50% of the matched value and (b) raising the deductible limit to €3,000.** This would ease the pressure on employers while still ensuring an effective co-contribution framework.
17. As said, the government plans to implement the opt-out system for its own employees by December 2025, ahead of the private sector. TMC underlines that this would **pressure MFSA to license providers quickly and give the winning bidder a significant first-mover advantage.** It may also give the public sector a recruitment edge, offering opt-out pensions before private employers can. We therefore recommend splitting the public sector and public service into two tenders to encourage competition while rolling out government participation alongside large employers to ease pressure on the system and ensure a level playing field. TMC strongly suggests that the State should work with multiple pension providers for both the public sector and public service employees given this combined workforce accounts for circa 20% of the working population. Working with one provider, gives it an unparalleled edge of lowering its

charging structure, given the fixed costs as a proportion of the number of pension members will drop significantly. This would inherently allow this one provider to undercut the remaining providers when competing for the private workplace pensions. Moreover, having multiple providers, will allows employees to compare product performance and service and if dissatisfied change provider. Working with just one provider is a straight jacket approach, goes against the best interest of the employee and exposes all contributors to a significant amount of concentration risk.

18. Finally, with regards to the **public sector enrolment**, TMC requests clarification on whether Government will extend its auto-enrolment scheme to all public entities? Will these form part of one national scheme, or will each entity manage its own? How will entities with pre-existing schemes be treated? Will Government select one scheme operator through a central tender, or will multiple scheme providers be allowed within public structures?
19. **The AE scheme as proposed lacks explicit safeguards to ensure that investment decisions remain free from political influence.** While the Retirement Pensions Act and MFSA rules apply prudent person principles, the AE framework does not explicitly prohibit future governments from mandating pension fund allocations, risking fiduciary breaches and loss of member trust. International best practice and EU law demand that pension investments prioritise members' interests and remain independent of political objectives. Malta must codify these protections in AE legislation, explicitly prohibit political discretion over investments, ensuring transparent governance to maintain pension integrity and public confidence. It is important to ensure that the investment mandate and philosophy should be left up to the discretion of the provider, on the condition that it abides by the regulatory framework and applies the prudent person principle approach.
20. Finally, the AE scheme must be **paired with employer-supported financial education to ensure informed participation.** Without mandated guidance, AE risks promoting passive savings without understanding. International models show stronger outcomes when employers provide tools and training. Malta should legislate employer-linked financial education using the Gemma platform, targeting vulnerable groups and embedding monitoring mechanisms. This approach enhances scheme trust, reduces opt-outs, and supports sustainable retirement planning. AE without education risks disengagement, misinformation and poor long-term outcomes.

3. Conclusion

The Malta Chamber remains committed to constructive dialogue and urges Government to adopt a **more inclusive, phased and consultative approach**. Our objective remains a sustainable, employer-friendly auto-enrolment system that truly serves the interests of all stakeholders, because we do not afford to risk this system failing.

We believe that the **UK model** offers the most appropriate framework for what Malta is seeking to implement in its employment-based pension reforms. The UK's opt-out model has proven to be highly successful, with over 10 million individuals enrolled to date. Unlike the Irish model, the UK approach offers multiple providers, including NEST, a government-backed scheme, and various private options,

promoting flexibility and competition. Crucially, the system is supported by strong enforcement mechanisms, with penalties for employers who fail to comply, thereby safeguarding employee rights. Furthermore, tax relief is provided at source for employees, making participation financially attractive. This holistic structure, balancing compulsion with choice and supported by effective governance, aligns closely with Malta's socio-economic objectives and operational realities.

In this context, as explained above, there are **unclear elements in the proposed framework for Malta which need to be clarified**. Apart from those mentioned above, there are questions on:

- How will the scheme be subject to strict governance, minimum standards, cost caps and disclosure rules?
- How is MFSA expected to supervise compliance? Will non-compliance lead to disqualification of providers?

TMC is significantly concerned that **SMEs are likely to struggle administratively** to assess providers and negotiate terms.

TMC notes **lack of visibility on mitigation measures** regarding inconsistent service levels across providers unless standardised.

TMC reiterates that the **current proposal appears to exclude life insurers from offering Auto Enrolment Occupational Pensions**. Given that insurance companies are currently key players in both Personal and Voluntary Occupational Pension Schemes, this exclusion would dismantle the existing dual-provider model. Such also risks reducing competition, limiting consumer choice and ultimately weakening the reform's effectiveness. MFSA has issued a separate consultation document; however, it does not address the necessary regulatory provisions to enable insurance companies to apply for an RSA licence. MFSA should in fact issue guidelines in relation to a number of key considerations⁶ that applicants in this space would need to consider.

TMC is also concerned that **the proposal risks undermine investor confidence as it will introduce future policy uncertainty**. The effective unwinding of previous allowable group pension schemes introduces a dangerous precedent. Furthermore, this risks to raise consumer concerns not only in the insurance sector itself, which reputation will be seriously damaged, but also questions on the effectiveness of the very regulatory framework and supervisory authorities entrusted and empowered to safeguard the financial stability and consumer protection of our financial system.

Furthermore, government-backed contributions could **unintentionally draw talent away from the private sector**, whereby an incentive solution to private employers is being proposed. The lack of

⁶ Some questions. Can the same board members serve on both the insurance and RSA licences? Will MFSA require immediate compliance with the pension knowledge criteria outlined in Part 5 of the consultation paper? What level of operational separation is expected between insurance and pension functions when both are owned by the same shareholders? Must the RSA appoint a Custodian and Investment Manager who are entirely independent of the RSA? What level of independence is required between the insurance company and the pension provider? If investments are held in a single fund, can its Investment Manager also serve the RSA scheme? Can the application process be streamlined in view of the upcoming government tender expected in December? Is pension expertise required at board level within the RSA?



employer incentives and insufficient clarity around obligations—especially impacting SMEs and family-run businesses – remains an uptake concern.

Finally, TMC calls for a **robust communications campaign to build trust and ensure widespread understanding.**

TMC remains at the government’s disposal to further enhance the proposed auto-enrolment pension scheme.

We believe that with the right safeguards and incentives, the scheme can contribute meaningfully to long-term retirement adequacy while preserving flexibility and minimising administrative burdens.



THE MALTA CHAMBER

www.maltachamber.org.mt

+356 2203 2304

The Malta Chamber of Commerce,
Enterprise and Industry 64, Republic
Street Valletta, VLT 1117