

FEEDBACK BY THE MALTA CHAMBER

Consultation Feedback by The Malta Chamber - Strategic Review on the Adequacy, Sustainability, and Solidarity of Malta's Pension System

Presented to : Ministry for Social Policy and Children's Rights (MSPC)

Date : 03/04/2026

1. Introduction

The Malta Chamber of Commerce, Enterprise and Industry (TMC), considers that a comprehensive second-pillar pension reform to be long overdue. Since March 2022, TMC advocated for a workplace pension system characterised by voluntary opt-in and opt-out provisions.

It is increasingly clear that state pension cannot provide adequate retirement income on its own, particularly for mid-to-high earners. TMC therefore emphasises that a properly structured occupational pension system is critical to improving retirement adequacy, reducing future pension poverty and supporting longer labour market participation.

To ensure long-term trust, any new framework must prioritise simplicity, transparency and cost-efficiency, aligning with international best practices, like for example, the UK 'opt-out' model, while remaining sensitive to Malta's specific economic realities.

As explained below, overall, the report is directionally constructive but requires stronger fiscal modelling, governance safeguards and labour market alignment to ensure reforms enhance adequacy without compromising competitiveness or sustainability.

2. Response to the Consultation questions

Q1. Should cost-of-living adjustments (COLA) be regularly reassessed using a new framework? TMC maintains that COLA should remain predictable. Any reassessment should ensure that the framework continues to protect the purchasing power of pensioners without creating unsustainable volatility for the employers who fund the contributory base.

Q2. Should pension adequacy be measured using full household income and living circumstances? Yes both should be taken into consideration jointly. For clarity, with respect to "*household income*" we are understanding that it refers only to direct financial income. Measuring adequacy through full household income and living circumstances provides a more realistic picture of a retiree's then current state of play and standard of living. This approach helps identify specific vulnerabilities, such as households where only one partner was a contributor or where housing costs (e.g.: renting vs. owning) significantly impact disposable income.

Q3. Should an investment vehicle for pension contributions be introduced to strengthen long-term returns? Yes. This could work, particularly for occupational and private pensions. These should include multi-provider participation (including insurers) to maintain competition and should be governed by life-cycle default funds that de-risk as a member approaches retirement.

Q4. Should limitations on non-basic wages be considered to enhance fairness and predictability? TMC acknowledges that basing calculations solely on basic wages currently exacerbates the gap between pre-retirement earnings and pension income. Pensions should be calculated on full income received not just the basic monthly wages (i.e., bonuses, allowances and perks should be calculated as well). While expanding the base may increase adequacy, any such move must be balanced against the increased cost to both employers and employees. Clearer parameters around non-basic wages could reduce potential inconsistencies and promote fairness in contribution calculations, particularly regarding bonuses and irregular income.

Q5. Would analysing full contribution records help identify gaps that should guide reform? Yes. A systematic analysis of contribution records is essential for evidence-based policy. It allows the government to identify specific cohorts (such as those with frequent career breaks) who are at higher risk of poverty and tailor credits or incentives accordingly.

Q6. Should further attention be given to how child-rearing affects lifetime income and pensions? TMC recognises that career interruptions for child-rearing are a primary driver of the gender pension gap. Child-rearing can significantly affect labour-market participation and long-term contribution patterns, particularly for women. This area warrants further evaluation within the broader review of contribution gaps. While the 2026 Budget measures are positive, ongoing attention is needed to ensure these credits effectively offset the long-term impact on women's retirement wealth.

Q7. Should current tax incentives for private pensions be extended? Yes, particularly given that the current voluntary schemes (PPP and VORPS) have had limited success, often acting as substitute savings for those already inclined to save. Tax incentives should be redesigned to act as an aggressive 'nudge' for a broader demographic, particularly younger savers.

Q8. What considerations should be taken into account for the planned auto-enrolment (AE) system? Our [position](#) dated August 2025 refers. The system must be built on the following pillars:

- **Simplicity and Transparency** based on standardised annual disclosures and simulated outcome statements.
- **Portability** should be ensured, with seamless movement of funds between employers.
- **Governance** with an independent oversight to protect against political influence or mismanagement.
- **Employee Ownership** with clear legal framework confirming the employee owns all contributions.

Public education, clear regulatory guidance, accessible contribution structures and appropriate incentives for both employers and employees are essential to ensure a smooth and inclusive implementation.

Q9. Should government prioritise the harmonisation of the pre-62 and post-62 maximum pensionable income levels? TMC is in favour of harmonisation while highlighting that the more immediate challenge is the 'adequacy gap' for all cohorts. For example, a person earning €35,000 currently faces a 50% income drop upon retirement regardless of their cohort category.

Q10. Should the Guaranteed National Minimum Pension level be linked to the at-risk-of-poverty level? TMC supports measures that protect the most vulnerable with a much better public spending recalibration, however, the primary focus should be on structural reforms that move people away from relying on minimum pensions toward adequate, earned retirement income.

Q11. Should the current distinction between single and married GNML rates be widened further? TMC believes any changes to these rates must be data-driven, ensuring they reflect the actual living costs of different household compositions without discouraging labour market participation of spouses.

Q12. Should the 42-year contribution requirement be revisited to ensure it remains fair? The 42-year requirement is a vital component of sustainability, however, TMC suggests that ‘Active Ageing’ policies, such as the proposed [Flexi-Employment approach proposed to MCESD](#) by TMC and General Workers Union (GWU) is more effective than simply adjusting years of service. This allows workers to transition into retirement gradually rather than exiting the workforce entirely.

Q13. Should study credits be extended to part-time students to better fill contribution gaps? TMC supports incentives for lifelong learning. Defining ‘part-time student’ clearly would be important for consistent application. Extending credits to part-time students would recognise the changing nature of education and work, helping to fill contribution gaps for those upskilling while employed.

Q14. Should a long-term strategic framework for continuous pension evaluation be developed? Absolutely. TMC calls for a permanent, data-driven framework. This should include a ‘centralised dashboard’ for transparency, allowing for the continuous monitoring of participation rates, fund performance and the evolving needs of the Maltese workforce.

3. Critical Analyses

Based on the replies above, TMC notes that whereas the consultation report presents a socially responsive reform agenda, The Malta Chamber believes that, from our perspective, several structural and economic considerations require sharper calibration to ensure long-term sustainability, labour market competitiveness and fiscal prudence.

On COLA (**Q1**), while reassessment mechanisms may improve adequacy targeting, the report underestimates the macroeconomic transmission risks of volatility into wage settlements and employer contribution burdens. Predictability remains critical to business planning and the stability of the contributory base.

The proposal to measure adequacy through full household income (**Q2**) is analytically sound and aligns with modern social policy metrics, however, the report should more explicitly differentiate between structural poverty risk and asset-rich, income-poor households, particularly in a high homeownership economy like Malta.

Regarding investment vehicles (**Q3**), the report rightly identifies the need for higher long-term returns, yet governance architecture is insufficiently detailed. Multi-provider competition, life cycle de-risking, and strict ring-fencing from political influence are essential safeguards. Without these, auto-enrolment risks eroding trust before maturity.

Expanding pensionable income calculations beyond basic wages (**Q4**) may improve adequacy, but the report does not adequately quantify the cumulative cost impact on labour-intensive sectors. Any recalibration must be preceded by adequate modelling of employer cost absorption capacity.

The emphasis on analysing full contribution records (**Q5**) is one of the report’s strongest elements. Having said that, the data strategy should be institutionalised through a permanent monitoring dashboard rather than episodic reviews. This connects directly to the need for a long-term evaluation framework (**Q14**), which should be embedded in a systematic statute rather than remain policy guidance.

On gender gaps and child-rearing credits (**Q6**), the direction is appropriate. Nonetheless, child-rearing credits should be financially balanced, so they do not unfairly shift pension costs onto younger future generations. It is better to fix the system so more people can stay in or return to work, rather than trying to compensate them later through pension top-ups. In other words, helping people earn and contribute during their careers is more sustainable than correcting income gaps after retirement.

The limited success of PPP and VORPS schemes (**Q7**) is correctly noted, however, behavioural economics tools are insufficiently explored. If people are automatically enrolled and their savings increase gradually over time, unless they choose to reduce or leave, more people will stay in the system. It is easier to keep people in by default than to expect them to actively sign up.

The auto-enrolment framework (**Q8**) requires rigorous governance. Lessons from jurisdictions with centralised schemes demonstrate that transparency, portability and clear ownership are key design pillars. Independent oversight, potentially under a strengthened regulatory authority function, must be explicitly codified in the regulation.

On harmonising pre- and post-62 pensionable ceilings (**Q9**), the report overemphasises equity between cohorts while underplaying the broader adequacy gap affecting middle-income earners. Addressing replacement rate erosion should precede harmonisation debates.

Linking the Guaranteed National Minimum Pension to the at-risk-of-poverty threshold (**Q10–Q11**) risks institutionalising dependency if not accompanied by active ageing measures. The 42-year contribution rule (**Q12**) remains vital for sustainability. Rather than shortening contribution periods, policies such as the Flexi-Employment model proposed at MCESD by TMC and GWU provide a more economically rational pathway.

Finally, extending study credits to part-time learners (**Q13**) reflects evolving work-education patterns and is aligned with productivity-led growth.

3. Conclusion

The Malta Chamber remains committed to a sustainable, employer-friendly pension architecture. The path forward requires moving away from the current ‘all or nothing’ retirement model toward a flexible system that incentivises senior citizens to remain active.

Key to this success will be the phased implementation of a workplace pension system over five years and the introduction of positive actuarial incentives for those deferring retirement.

By adopting a structured framework tailored to Malta’s realities, we can enhance retirement adequacy, protect future savers from poverty and ensure long-term trust in the national pension system.



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