



**PENSION REFORM
&
BUDGET MEASURES 2008
(affecting employers)**

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2008**

Overview of presentation

- **Pension Reform – the changes envisaged**
- **Some Budget Measures 2008**

Pension Reform

- Changes to Pension age
- Earlier Retirement Opt out
- Extension of contribution period
- Extension of Pensionable Income period

Pension Reform

- Changes to the Maximum Pensionable Income
- The Guaranteed National Minimum Pension
- Crediting of Contributions for Parents
- Introduction of a 2nd Pillar Pension

Pension Reform

- Payment of Contributions
- Five-year review of the pension system

Pension Age (from 1/01/2007)

65 years of age except for persons: -

- Born on or before 31st December 1951 – 61 years of age
- Born during calendar years 1952 to 1955 --62 years of age

Pension Age (from 1/01/2007)

65 years of age except for persons: -

- Born during calendar years 1956 to 1958, 63 years of age
- Born during calendar years 1959 to 1961, 64 years of age

Opt out for earlier retirement

A person over 61 years of age can opt out for earlier retirement as follows: -

1. Having paid or been credited with 2080 contributions in the case of a person born on or after 1st January 1962, or
2. 1,820 paid or credited contributions in the case of a person born during calendar years 1952 to 1961

In the event of such an opt out the person cannot work before the age of 65 years.

Contribution periods

- **The full rate of a two-thirds pension under the Reform will be calculated over a period of: -**
 1. 30 years in the case of a person born on or before the 31st December 1951
 2. 35 years in the case of a person born during the calendar years 1952 to 1961
 3. 40 years in the case of a person born on or after the 1st January 1962

Pensionable Income 1.

- For persons born before the 1st January 1962 the current calculations will continue (i.e. best of 3 years in the last 10 calendar years for employed and average of last 10 calendar years in the case of self occupied/Self Employed)
- For persons born on or after the 1st January 1962, the best 10 years in the last 40 years for both employed and self occupied/self employed.

Pensionable Income 2.

Maximum Pensionable Income

Exempt

**€16601.44 (Lm7127) 01.01.2008
to be increased by COLA up to a
maximum of €17470.30 (Lm7500)**

Transitional

**€16601.44 (Lm7127) 01.01.2008
to be increased by COLA up to a
maximum of €20964.36 (Lm9000)**

Pensionable Income 3.

Maximum Pensionable Income

- Switchers**
- a) **€16601.44 (Lm7127) 01.01.2008
to be increased by COLA up to 2011**
 - b) **between 2011 & 2014 MPI will be
increased in three steps up to
€20964.36 (Lm9000)**
 - c) **from 2014 onwards the MPI will be
increased to the equivalent of
70% wages: 30% inflation**

Crediting of Contributions

Applicable to: -

- Parents (including adoptive parents) born on or after 1st January 1962; and
- Having legal care and custody of children less than 6 years or 10 years (for severely disabled children; and
- Who have stopped working to look after child.

Crediting of Contributions

Entitlement -

- 2 years' credits per child extended to 4 years in the case of a severely disabled child, as long as
- The parent returns to work and works for an equivalent to the period of credits claimed

Guaranteed National Minimum Pension

- Currently National Minimum Pension is equivalent to 4/5ths of the National Minimum Wage for married persons and 2/3rds of the NM Wage for single
- For persons born on or after 1st January 1962, a guaranteed National Minimum Pension will be equivalent to 60% of the median National Income.
- Applicable from 2011

Second Pillar Pension

The Social Security Act (Cap 318) amended to include a provisions for the second and third pension so that these will not be considered as service pensions

Pension Review

The Minister for Social Policy will within intervals not exceeding five years prepare a report reviewing the working regarding the retirement pensions together with recommendations for achieving adequacy, sustainability and social solidarity.

The first report is due in 2011

Budget Measures 2008

- 1. Cost of living adjustment***
- 2. Cost of living – All pensioners***
- 3. Social Security Contributions Credits for the Unemployed over 45 yrs***
- 4. Social Security Contributions Credits for the employment of persons with Disability***
- 5. Exemption from all the employment fees and the social security contributions***
- 6. Social Security Contribution Credits for temporary Work***

Budget Measures 2008

- 7. Maternity Leave - Maternity Benefit***
- 8. Children Allowance***
- 9. Child in care Benefit***
- 10. Child Disability Allowance***
- 11. Supplementary Allowance***
- 12. Possibility to receive Retirement Pension whilst employed***
- 13. Pensioners with a service pension***
- 14. Orphan's Allowance***

1. Cost of living adjustment

**Cost of living increase awarded to workers –
Lm1.50 NMW Lm61.130**

In general, beneficiaries will receive Lm1.00 per week increase in the majority of pensions and allowances

Other benefits will be increased by the percentage increase in the National Minimum Wage.

2. Cost of Living –All Pensioners

As from January 2008 the cost of living increase will be paid in full to all pensioners. Two thirds of the said increase as usual and the remaining one third as a cost of living bonus – separate from the normal pension rate.

All pensioners will be covered by this measure – Retirement, Invalidity, Widows, Age, Disability, Blind & Carers' Pension

3. Crediting of Social Security Contributions for the Unemployed aged 45 yrs

52 credited social security contributions shall be given to persons over 45 years of age, who have been registering for work for at least 5 years and acquire a trading license to become self – occupied persons

4. Crediting of Social Security Contributions for the employment of Persons with disability

- Any employer who engages a disabled person will be exempted from paying the social security contributions for the first three years of employment as long as the employee was registered with ETC.**
- This measure will be over and above any other scheme that is being adopted by the same Employment and Training Corporation and any other schemes financed by the European Social Fund.**

5. Exemption of Soc. Sec. Conts. & employment fees.

Persons with disability employing an assistant will be exempted from all the employment fees (ETC fee: Lm30) and Social Security Contributions that they have to pay as an employer. The assistant has to pay his/her Social Security Contributions

6. Social Security Contribution Credits for Temporary Employment

A registration system whereby it encourages unemployed people to take up temporary work (up to a maximum of 13 weeks) but do not lose the contribution credits

7. Maternity Leave & Benefit

- As from 1st January 2008 Maternity Leave will be increased by one week. The one week extra will be covered by a credited social security contribution
- Also the Maternity Benefit will be increased by another week

8. Children's Allowance

- **2 children – 12% of the difference between Lm10,270 and the income of the previous year**
- **3 children – 18% of the difference between Lm10,270 and the income of the previous year**
- **4 children – 24% of the difference between Lm10,270 and the income of the previous year**
- **5 children – 30% of the difference between Lm10,270 and the income of the previous year**

8. Children Allowance cont

- **The minimum income shall change from Lm2770 to Lm2000**
- **Those who were receiving a flat rate of Lm1 per week or Lm 52 per annum shall be receiving Lm107 per annum.**
- **This shall be extended to all those having children under 16 years and exceeding the income of Lm10,270**

8 Children Allowance cont.

- Children who are between 16 – 21 and are receiving students or special allowance at 2% will also be entitled to the minimum of Lm107 per annum**
- As is the situation to day this shall continue to be payable to all those whose income does not exceed Lm10,270 in the preceding year.**

9. Child in Care Benefit

This benefit shall increase from Lm12 to Lm17 per week

10 . Disability Child Allowance

The Disability Child Allowance shall increase from Lm5.00 to Lm7.00 per week. As from January 2008 this allowance will no longer be means tested.

11. Supplementary Allowance

The ceiling for the supplementary allowance shall be increased by the cost of living from the first week of July 2008:

Married from Lm 4200 to Lm 4278

Single from Lm 3270 to Lm 3348

12. Retirement Pensioners may opt to work after attaining the retirement age in 2008.

- Retirement pensioners can continue in employment or self occupation whilst they continue to receive their full pension.
- The pension section should be informed so that the statutory bonuses will not be paid by the department but by the employer.
- This does not mean that the employer is obliged to keep these pensioners in employment after the retirement age.

12. Retirement Pensioners may opt to work after attaining the retirement age in 2008.

The social security contribution is due from these pensioners

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12 cont. Retirement Pensioners opting to work after attaining the retirement age.

- Pre 2008 pensioners who were earning less than the NMW and therefore not paying any social security contributions, will continue to enjoy the same right from January 2008
- But the same pensioners will be obliged to pay the Soc. Sec. Conts., if they have a change their employment within a period of more than fifteen days from one engagement to the other, even if they earn up to the minimum wage or less.

12 cont. Retirement Pensioners opting to work after attaining the retirement age.

Q. Can an employer terminate employment when the employee reaches retirement age?

A. The second proviso in article 36(14) of EIRA provides that the employer can terminate the employment of an employee when the employee reaches pension age as defined in the Social Security Act.

12 cont. Retirement Pensioners opting to work after attaining the retirement age.

Q. Can an employer terminate employment at any time if a retired employee is retained in employment?

A. DIER considers that if an employee who has reached pension age is retained in employment, the employer may at any time thereafter terminate the employee's employment for the same reason referred to in the previous answer.

12 cont. Retirement Pensioners opting to work after attaining the retirement age.

Q. Does the “last in first out” rule include pensioners in case of redundancies?

A. Yes, all employees are effected, including those receiving a pension.

12 cont. Retirement Pensioners opting to work after attaining the retirement age.

Q. Is a definite period contract offered to a retiree previously employed with the same company valid?

A. If the indefinite employment is terminated upon retirement age of the employee, a new employment on definite basis can be entered into once both parties agree.

12 cont. Retirement Pensioners opting to work after attaining the retirement age.

Q. If yes, does the person automatically becomes employed on an indefinite period after a four year period?

A. If a definite contract does not provide an objective reason for remaining on definite duration exceeding 4 years, the contract of employment changes to indefinite duration after 4 years of continuous employment under definite contract/s.

12 cont. Retirement Pensioners opting to work after attaining the retirement age.

Q. Are pensioners eligible for pro rata benefits?

A. The Social Security Act precludes the payment of two benefits concurrently, but only the more beneficial, in this case it would be the retirement pension.

12 cont. Retirement Pensioners opting to work after attaining the retirement age.

Q. Are pensioners eligible for sick leave entitlements?

A. Those pensioners who are employed are entitled sick leave entitlement like the rest of the work force

12 cont. Retirement Pensioners opting to work after attaining the retirement age.

Q. Are pensioners entitled to the statutory bonuses?

A. Pensioners are entitled to the statutory bonuses from their employer. If on a part time basis, these are paid pro-rata and the DSS should be informed to pay the balance.

12 cont. Retirement Pensioners opting to work after attaining the retirement age.

Q. Is there a distinction between pensioners who are over 65 and those under?

A. Pensioners who are over the age of 65 are not obliged to pay social security contributions and there is no limit to the amount they earn.

Thank you for your attention

Any questions?

