

# PENSIONS IN MALTA

NEW OPPORTUNITIES FOR  
MULTINATIONALS AND  
INDIVIDUALS



# Bethell Codrington

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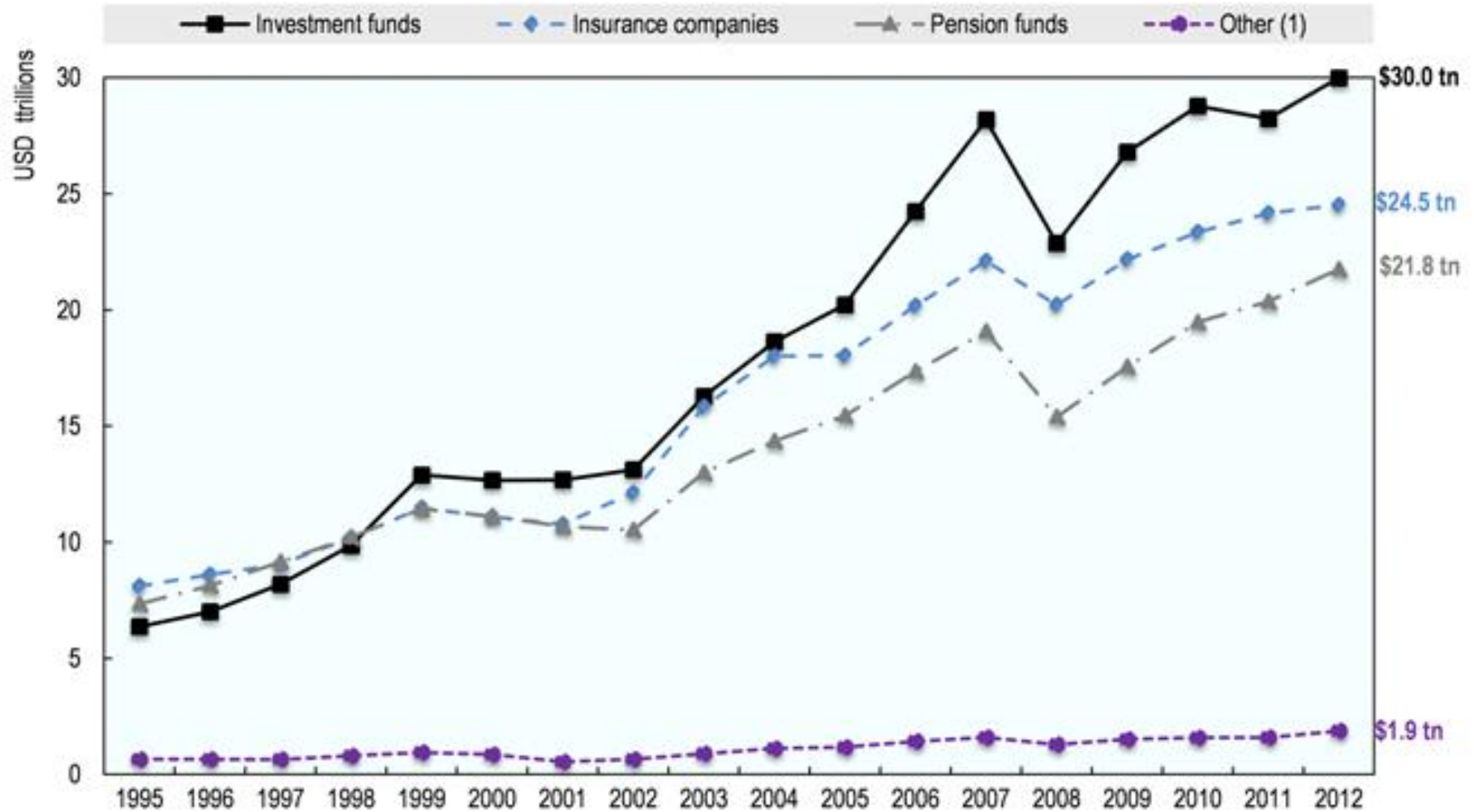
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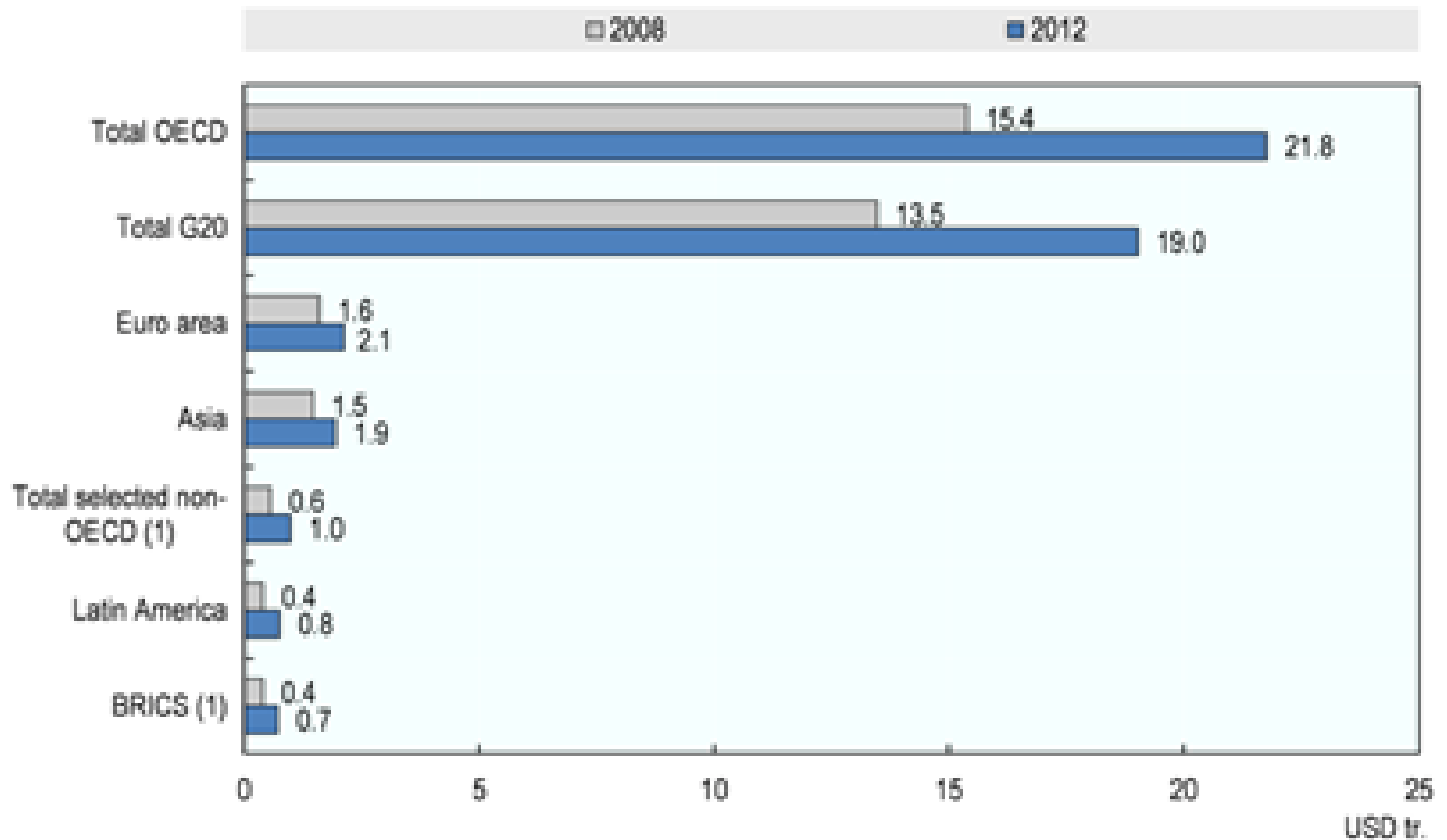
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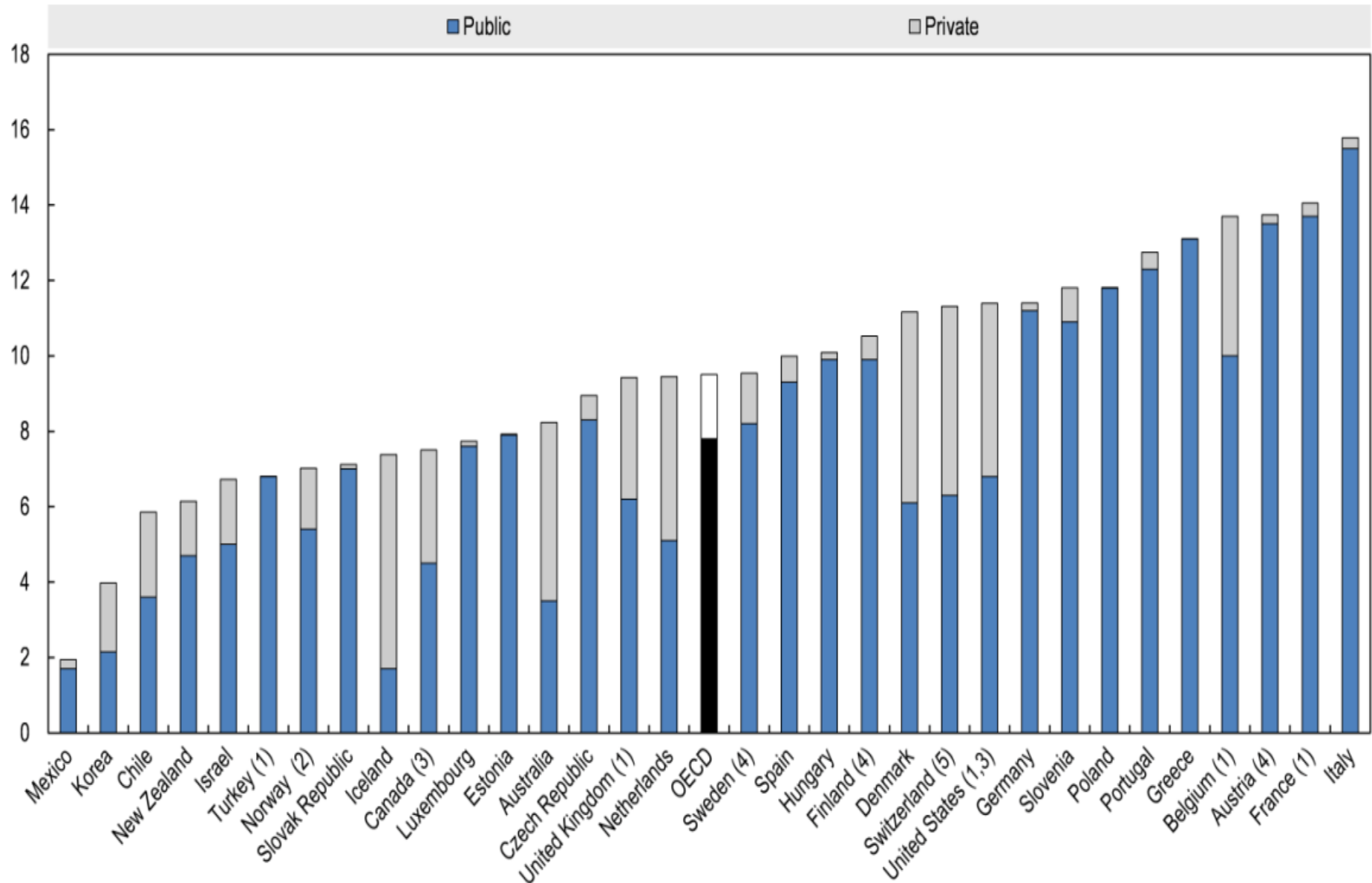
# Total assets by type of institutional investors in the OECD



# Pension fund assets by selected regions



# Public and private expenditure on pensions in selected OECD countries, 2012 as a % of GDP



# PENSIONS IN MALTA

## Defined Benefit/Final Salary

Benefits are accrued with employer and employee contributions, and the pension is worked out based on years of service, with the underlying funding guarantee provided by the employer.

Typical 60<sup>th</sup> scheme would have a benefit structure of  $n/60$ ths of final pensionable salary ( $n$ =number of years service). Maximum commutation  $3n/80$ ths (max 1.5x final pensionable salary)

Primarily large corporates and government backed schemes. Decreasing in number due to:

Costs

Solvency

Protection

# PENSIONS IN MALTA

## Defined Contribution/Money Purchase

Benefits are accrued with employer and employee contributions, and the pension is worked out based on the value of the accrued fund.

More popular with employers due to:

- Predictable Costs

- Flexibility

- Member Participation

Less attractive than DB as members are unlikely to accrue similar benefit levels



# OPTIONS IN MALTA

Pension Market is split into :

Domestic

International (IORPS)

International (Global IPPs)

International (QROPS/Personal)

# Institutions for Occupational Retirement Provisions

## IORPS

- Occupational pension funds in the EU benefit from the principles of free movement of capital and free provision of services. This means, for example, that:
- pension funds can manage occupational pension schemes for companies established in another EU country
- pan-European companies can have a single pension fund for all their subsidiaries throughout Europe
- This freedom is counterbalanced by rigorous prudential standards, ensuring that pension fund members and beneficiaries are properly protected.
- The rules governing the activities of institutions providing occupational pensions (IORPS) in all EU countries are set out in [Directive 2003/41/EC](#).

# IORPS Continued

## L.N. 9 of 2015 RETIREMENT PENSIONS ACT (CAP. 514)

Retirement Pensions (European Passport Rights for Institutions for Occupational Retirement Provision) Regulations, 2015

A Maltese IORP may accept sponsorship in terms of the Occupational Pensions Directive from sponsoring undertakings located within territories of Member States or EEA States other than Malta.

Before the Maltese IORP starts to operate an occupational retirement plan for a sponsoring undertaking in a Member State or EEA State other than Malta, the European regulatory authority shall within two months of receiving the information referred to in regulation 4, inform the competent authority, if appropriate, of the requirements of social and labour law relevant to the field of occupational pensions under which the occupational retirement plan sponsored by the sponsoring undertaking in the host Member State must be operated and any rules that are to be applied in accordance with Article 18(7) of the Occupational Pensions Directive and with regulation 9. The competent authority shall communicate this information to the Maltese IORP.

# International Global IPP

## International Pension Plan

To all intents and purposes, an Occupational Pension Scheme for employees of Corporates where the domestic pension industry is either non-existent, where there is political risk of nationalisation, or no hard currency alternative.

Drivers tend not to be tax driven from the employer, but the need to provide a strong, well structured and regulated vehicle in a hard currency.

Regions:

Africa

South America

Asia

Eastern Europe

## Benefit to Malta?

**RSAs** There are currently 14=/- Retirement Scheme/Fund Administrators registered and licenced with MFSA since 2010

Local Employment and Taxes

**Banks** – we have €25-30m at any one time in cash in the Trustees Bank Account

**Investment Managers** – There is approximately €3bn within Maltese Pension Schemes/Funds, very little of which is managed in Malta



Benefit to Malta? (cont.)

## **Corporate Service Providers/IFAs**

HR & Payroll outsourcing

Group Life, Medical & PHI Contracts

***(Infrastructure Investments)***

# Recognised Overseas Pension Schemes

## 'ROPS' ('QROPS')

SI2006/2006 (and subsequent legislation) in UK allowed self-certified overseas pensions to receive UK Tax relieved funds without the member incurring tax penalties.

Those emigrating or intending to emigrate can move their pension fund outside of the UK to a number of different jurisdictions that comply with the UK rules.

These are the equivalent of Group Personal Pension Schemes.

Segregated accounts set up within a Group structure, licensed and regulated by MFSA

Malta entered the market in April 2010 following detailed discussions with relevant parties.

# Recognised Overseas Pension Schemes

## UK Pensions

Since 1984 there have been 18 major changes in pensions legislation in UK

- Contributions were originally limited to an age based % of salary
- Contribution limit £250,000 and a Fund Cap of £1.8m
- Contribution cap of £40,000 with a fund cap of £1.2m
- Future cap £1m with restrictions on tax relief on contributions
- S226, Personal Pensions, Stakeholder, SERPS, S2P, Auto –enrolment etc ...
- Tax Treatment on death ??

# Recognised Overseas Pension Schemes

## Why Malta

- Simplicity
- Certainty
- Tax
- Succession Planning
- SI673/2015 Flexible Drawdown

# Recognised Overseas Pension Schemes

## Advantages

- Regulation – Schemes and Administrators
- Compliance – Independent annual Audit
- Tax – Income Tax Act
- Benefit Structure
- Succession Planning – no tax on death
- Legislation close to UK



# WHY MALTA

The “Jurisdiction of Choice”

Full EU & Commonwealth Membership

Political Economic and Social Stability

OECD 'White List'

60 tax treaties but retains strong professional secrecy and confidentiality laws

English speaking, highly educated workforce

Fast growing financial services industry

Incorporates both English Common Law and Roman Civil Law



**Global reach**  
Local knowledge

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# What is money?

- \$100 dollar bill. Currently the largest U.S. denomination in general circulation. Most everyone has seen them, slightly fewer have owned them. Guaranteed to make you friends wherever they go.
- A packet of one hundred \$100 bills is less than 1/2" thick and contains \$10,000. Fits in your pocket easily and is more than enough for week or two of shamefully decadent fun.
- Believe it or not, this next little pile is \$1 million dollars (100 packets of \$10,000). You could stuff that into a grocery bag and walk around with it.

# What is money?

- While a measly \$1 million looked a little unimpressive, \$100 million is a little more respectable. It fits neatly on a standard pallet...
- And \$1 BILLION dollars... now we're really getting somewhere... 10 pallets
- What does \$1 Trillion look like

Imagine this x 21 ??

