

# STM MALTA OCCUPATIONAL RETIREMENT PENSION SCHEME

## FREQUENTLY ASKED QUESTIONS



### WHY SHOULD I BUILD UP MY OWN RETIREMENT SAVINGS POT?

€300,000 is the pot of money that you would need, on average, to provide yourself with an income of €1,000 per month for life if you retire at age 65. Admittedly that assumes that you are in normal health and that you invest cautiously. But for most working people that sort of fund must be built up through regular savings over a working life.

Unfortunately, the state pension is unlikely to be enough to provide the income you need to maintain a comfortable standard of living once you've stopped working. The amount you will receive is actually a little bit shy of €1,000 per month, as an absolute maximum, regardless of how long you have worked and how much you earned. So it's a good idea to build up your own retirement savings pot throughout your working life.

The Maltese Government introduced tax incentives to encourage employers and employees to make retirement provision and the STM Malta Occupational Retirement Pension Scheme is designed specifically to allow firms and their workers to take maximum advantage of the incentives that are available.

### WHAT ARE THE TAX INCENTIVES INTRODUCED BY THE MALTESE GOVERNMENT?

An employer may contribute up to €3,000 per year and receive a tax credit of 25% of the contribution up to a maximum €750.

The employer may also receive a 35% deduction against taxable income, in respect of the actual contributions made. An employee may further contribute up to €3,000 per year and receive a tax credit of 25% of the contribution up to the maximum of €750.

### CAN I DECIDE TO STOP THE MONTHLY CONTRIBUTIONS?

Yes, you can stop the contributions at any point in time. Your pension will continue to be invested as per the selected investment model. You may subsequently decide to restart the contributions as long as you are working below the retirement age.

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### WHAT PENSION CAN I EXPECT TO RECEIVE?

The scheme will collect the funds of all employees who make contributions together with those made by their employers and invest the money in a pool of investments. The scheme will record the current value of the investments and keep track of each employee's personal valuation.

An employee may decide to retire at any time between the age of 61 and 70. At that point in time, the scheme will work out the proportion that belongs to that member. 30% of this amount may be paid to the employee as a tax-free lump sum. The remaining 70% is used to pay a regular monthly income. The amount of the regular income will be recalculated every three years.

The size of the pension depends on the total amount of contributions made by the employer and the employee, and how well the investments of the scheme perform.

### HOW WILL I RECEIVE MY PENSION?

You will be able to decide on the payment intervals, be it monthly, quarterly or annually. These amounts will be repaid out of the remaining 70% of your pension should you decide to take the 30% lump sum at retirement. These regular payments will be distributed upon retirement and will be subject to income tax at your marginal rate.

### HOW WILL THE INVESTMENTS PERFORM?

The scheme will categorise members by reference to their expected retirement date and adopt a strategy tailored to the Target Retirement Date with regard in having an equitable spread of risks and benefits between different generations. Where there is a long-time horizon, there is greater capacity to hold risk assets. Where the time horizon is short, less volatile assets will make up a larger proportion of the investment portfolio.

The usual risk warnings about investments apply and the value of investments can go up as well as down. The assets shall be properly diversified to avoid accumulation of risks in the portfolio as a whole. The investments will be of a conservative nature and we will always keep an eye on how much could be lost as well as the growth that can be made. We do not want to invest in things that take off like a rocket only to burn out and plummet just as spectacularly.

We will invest in a range of liquid assets including safe government bonds and shares in listed companies. Shares in companies tend to be riskier than government bonds, but you expect that in the longer term, shares will perform better than government bonds. Our ethos is to change the strategy over time so that your investment in riskier investments falls as you get closer to retirement so that your gains over time are protected.

Upon retirement, your pension income will be paid from Malta.

### WHAT HAPPENS IF I LEAVE MALTA?

If you choose, you may transfer your accumulated fund to another similar pension scheme.

### WHO IS STM MALTA?

STM Malta Pension Services Limited (STM Malta) is the scheme administrator and trustee. It is responsible to make sure that your contributions are received and allocated correctly. It devises the investment strategy, employs the investment manager, ensures that benefits are paid when they are due and provides the periodic reporting to members and regulators.

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### WHO IS STM MALTA? (CONTINUED)

In addition to obligations to the members, STM Malta is regulated by the Malta Financial Services Authority (MFSA), and is required to ensure compliance with all relevant laws and regulations, and to report from time to time in respect of all the activities of the scheme.

STM Malta administers approximately €1.8 billion of client assets and employs around 50 staff, making it one of the major pensions specialists and administrators in the country.

STM Malta is a wholly owned subsidiary of STM Group Plc, a multi-jurisdictional financial services group listed on the AIM, a market operated by the London Stock Exchange. Today, the Group has operations in the UK, Gibraltar, Malta, Jersey and Spain. STM has developed a range of pension products for internationally domiciled clients and has two life assurance companies which provide life insurance bonds – wrappers in which a variety of investments, including investment funds, can be held.

### WHO ELSE IS INVOLVED?

The investments are managed by Curmi and Partners, a Malta regulated investment manager. They will select the appropriate investments, monitor and change them as necessary. As a Maltese investment manager, they are perfectly positioned to understand the needs of the local market.

STM Malta and the investment manager are independent of each other, minimising the risk that conflicts of interest will act against the interests of the members of the scheme.

### ARE THERE ANY OTHER PEOPLE OVERSEEING THE SCHEME?

The scheme is required to be audited each year. STM Malta has appointed Deloitte, a major international audit firm to audit the scheme. The audited accounts are available to members once they have been published each year.

### WHAT ABOUT THE SCHEME'S GREEN CREDENTIALS?

We recognise that it is increasingly important that a firm's environmental, social and corporate governance impact are taken into account in the investment policy. For this reason, and to the best of our abilities, we will invest in assets that have a transparent ESG policy.

### WHAT IF I STOP WORKING FOR MY EMPLOYER?

The scheme is very flexible and there are several options.

If you cease to work for your employer within 3 years of joining, you will be entitled to a refund of your contributions.

The scheme is a Multi-employer scheme. This means that if your new employer already provides for an Occupational Retirement Scheme, you will be entitled to change employer within the scheme and have contributions from your new employer added to your existing savings pot.

In case your new employer does not already use our scheme, we will be delighted to have them apply to join.

You are also entitled to transfer your fund to another scheme. Alternatively, you can cease contributions and leave your fund invested until you retire and then draw a pension.

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### WHAT IF I BECOME TOO ILL TO WORK?

It is a sad fact that some people become ill or are involved in an accident which prevents them from continuing to work in their chosen profession. In these circumstances you could elect to retire early on ill health grounds and begin your pension before the age of 61.

Rarely, but tragically, some people are diagnosed with a terminal illness. In these circumstances the scheme may liquidate the fund and pay you in the form of a *terminal illness lump sum*.

### WHAT HAPPENS TO MY FUND WHEN I DIE?

You can elect for the scheme to pay a regular pension or the entire balance of your fund to your dependants. You can also choose which of your dependants benefit and in what proportion.

### HOW DO I SIGN UP?

You sign up through your employer. Once your employer has joined the scheme, we will work with their HR team to ensure that all eligible employees who wish to contribute are enrolled.

### HOW DO I CONTRIBUTE?

Your employer will make deductions from payroll each month, add any employee contributions, and send the money to the scheme bank account. The scheme will ensure that these contributions are added to your fund and will arrange for the money to be invested in line with the scheme's investment policy.

### FOR MORE INFORMATION, PLEASE CONTACT:

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STM Malta Pension Services Limited is registered as a Retirement Scheme Administrator with the Malta Financial Services Authority. It is also authorised to act as trustee or co-trustee to provide fiduciary services in terms of the Trusts and Trustees Act. STM Malta Pension Services Limited is part of STM Group PLC, a multi-jurisdictional financial services group listed on AIM, a market operated by the London Stock Exchange.