



# An Outline of Ireland's Proposed Automatic Enrolment Scheme

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# Outline

- Current Pensions Landscape
- Purpose of Auto-enrolment
- Countries with Auto-enrolment
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- Key Design Features
- Auto-enrolment Process
- Timeline or Delivery
- Scope for Evolution
- Summary

# Current Pensions Landscape

## Multi-pillar approach

- Pillar 1 – State (expected to cover just 34% of average earnings)
- Pillar 2 – Occupational pension schemes (35% of private sector)
- Pillar 3 – Personal pension savings
  
- ‘...quite a number of people may not be saving sufficiently to provide an adequate pension in retirement’ (Government of Ireland, 2022, p. 14)

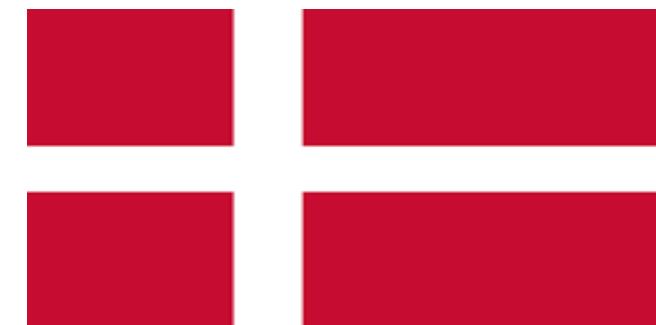
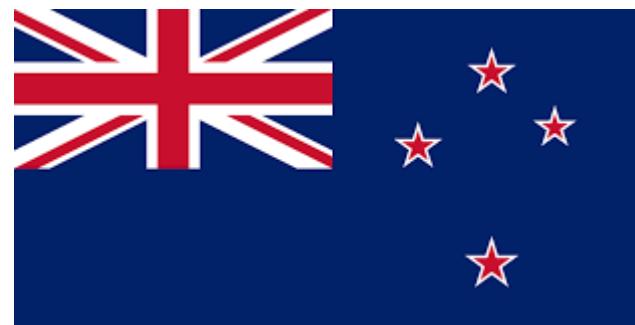
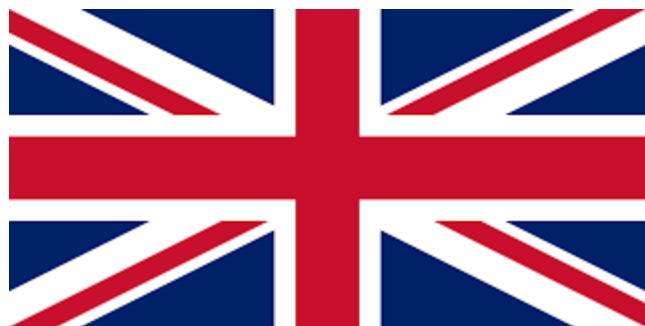
# Purpose of Auto-enrolment

- To address the low level of supplementary pension coverage
- A means of improving retirement income adequacy for future pensioners

## Key points

- All employees have the right to be enrolled
- All employees will benefit from an employer and state contribution
- Pot-follows-member approach
- Administrative burden will be eliminated for the employer
- A cap on management fees will be imposed to ensure that returns are not eroded

# Countries with Automatic Enrolment



# Auto-enrolment in Numbers

- 750k workers enrolled by 2023
- Worker = €1 -> Employer = €1 -> State = €0.33 = €2.33 in pension savings
- Range of four fund options
- E.g. A worker earning €35k p.a. saving 6% of their salary will accumulate a fund of €293k (excluding investment returns)
- AE will exist in addition to the State Pension of 13k
- State = €3bn, Savers = €9bn, Employers = €9bn= €21bn total savings

# Key Design Features

## Eligible Population

- Employees from 23-60, earning €20k+ gross per annum to be automatically enrolled
- Opt-in option for those outside eligibility criteria
- Existing members of an OPS sponsored by their employer will not be automatically enrolled for the employment to which that pension relates

## Employee/Employer Matching

- Contributions match 1 for 1 basis
- Deductible for Corporation Tax purposes
- Capped at, up to 80% of employee earnings

Year	1	3	6	9/10
Contribution	1.5%	3%	4.5%	6%

# Key Design Features

## State Top-Up

- State = €1 for every Employee = €3
- Top-up capped at €80k
- Tax relief system still active to those using private or occupational pension contributions outside AE

## Central Processing Authority (CPA)

- Operate, co-ordinate, supervise and develop the system
- Four investment managers
- Pooled contributions
- Online portal
- Management charge capped at 0.5% of assets
- Facilitate admin. between employers and employees

# Key Design Features

## Role of Registered Providers

- Tender for 4 commercial investment companies.
- 5-7 year contracts
- Provide investment options and managers
- Invest on behalf of CPA

## Opt-outs and suspension

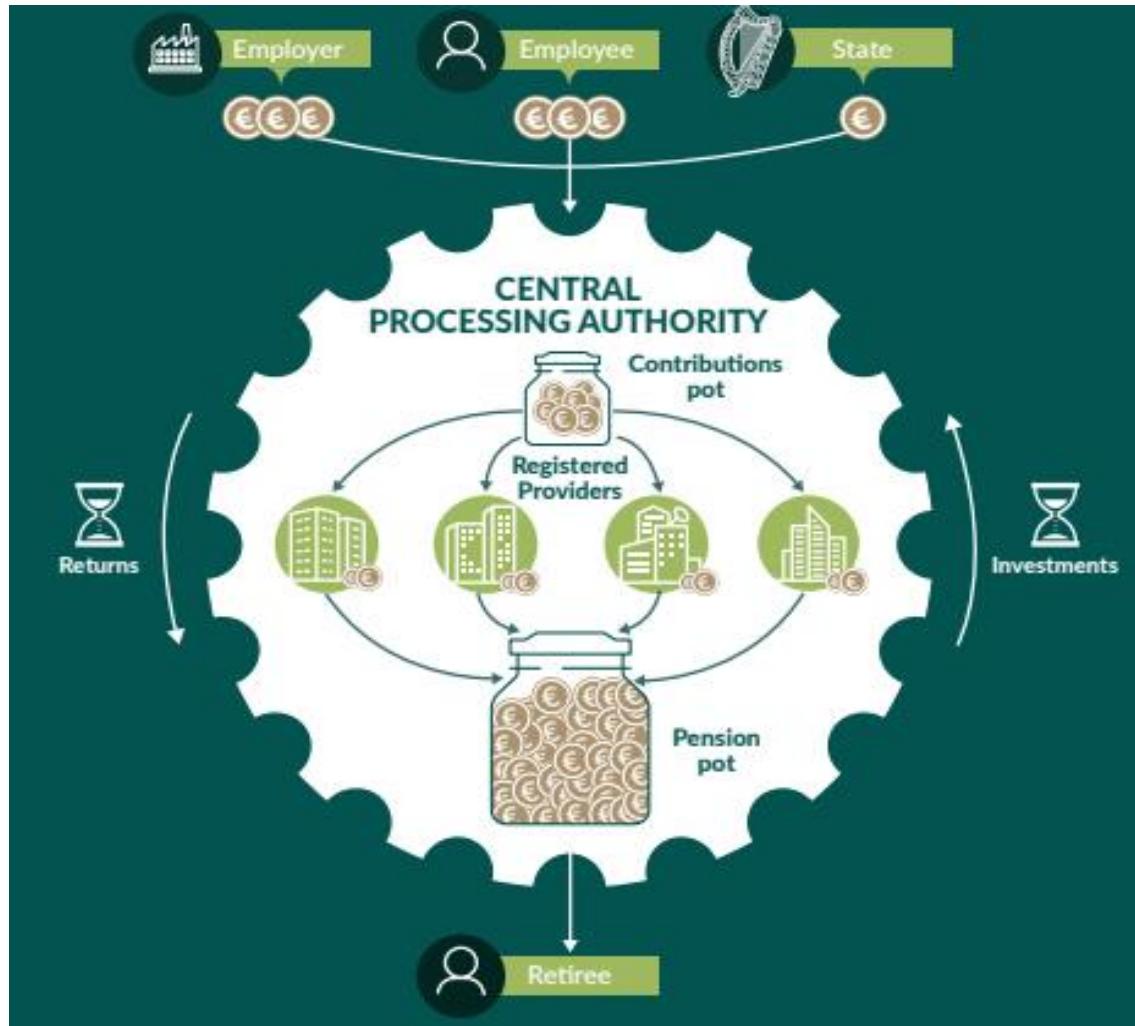
- Voluntary system
- Opt-out basis
- Savings suspension facility
- Opt-out option reversed after 2 years. AE will re-enrol and option to exit can be exercised

# Key Design Features

## Pension Drawdown

- Drawdown aligned with State Pension arrangements (currently age 66)
- Access to accumulated fund in accordance with prevailing pension and tax regulations at retirement (e.g a lump sum, an annuity or ARF)
- Members will be free to select a pension product from the open market, however the CPA may, if there is demand, tender for a set of pension drawdown options that will make it available to members

# Auto-enrolment Process



Source: (Government of Ireland, 2022)

# Timeline for Delivery

Establish CPA on administrative basis within Department of Social Protection	Q2-Q3 2022
Legislative Heads of Bill drafted and Government approval	Q3-Q4 2022
Legislation enacted	Q3 2023
CPA organisation established on statutorily independent basis	Q4 2023
Completed development/procurement of initial IT system/infrastructure	Q4 2023
Procurement of investment managers completed	Q4 2023
Commencement of automatic enrolments	Q1 2024

Source: (Government of Ireland, 2022)

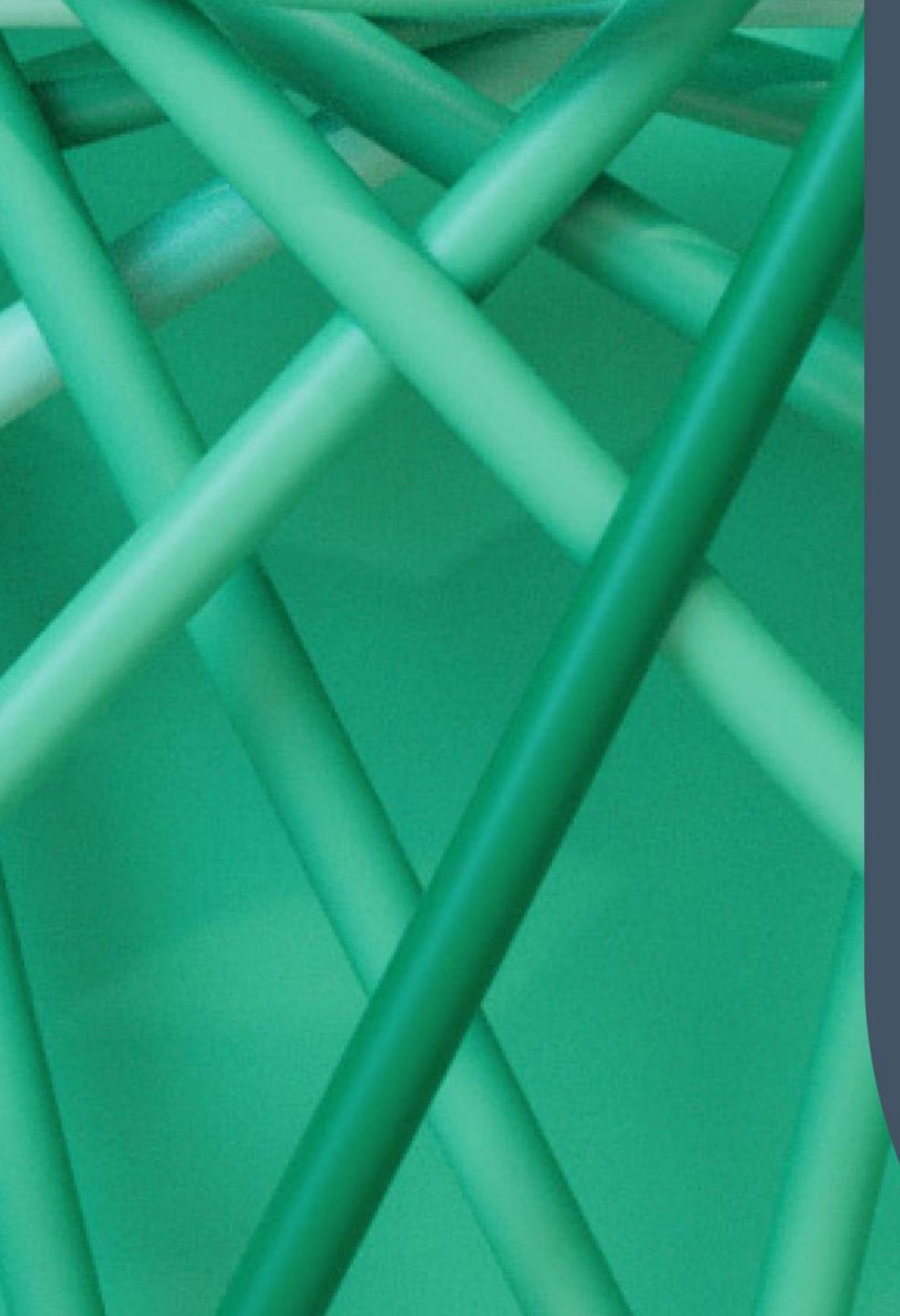
# Scope for Evolution

Options to be addressed after first phase (est. 10-15 years):

- More investment funds
- More complex range of savings products and drawdown options
- Introduction of secondary benefits such as survivor/ injury/ disablement benefits
- Review of eligibility and thresholds
- Inclusion of self-employed and the non-working
- Portability of pension pots between traditional pension systems and AE

# Summary

- The proposed system reflects choices about a phased approach, coverage, eligibility, management & administration, investment architecture, elective nature, costs, fiscal support, risks, competition, articulation with existing provision, gender impact, data collection & information provision, and ring fencing.
- The initiative is a policy intervention of long term significance.
- There is some provision for a system review and reshaping after an experience interval has elapsed.



Go raibh míle  
maith agaibh.

# Reference

- Department of Social Protection, 2022. *The Design Principles for Ireland's Automatic Enrolment Retirement Savings System*. Dublin: Government of Ireland, pp.1-48.