



NUI Galway  
OÉ Gaillimh

# An Examination of 'The Design Principles for Ireland's Automatic Enrolment Retirement Savings System'

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# Outline

- Good ideas
- Points for clarification
- Concerns



# Good ideas

- Supplementing the State Pension with the auto-enrolment (AE) scheme
- ‘Guaranteeing an income replacement rate in Ireland of about 34% of average earnings’ for the State Pension
- Gradual roll-out of AE over a 10-year period
- Small number of investment fund choices
- Pooling returns across four pension providers



# Points for clarification

Question	UK (AE)	DC plan (case studies)	Suggestion
When are new employees automatically enrolled?	60 days	<ul style="list-style-type: none"><li>• 6 months (2 organisations)</li><li>• 1 year (2 organisations)</li></ul>	Immediately
Can employees lose more than they save?	Unclear	Yes	No
Will employers with DC plans have to show that their plan is at least as generous as AE? (14% at full implementation)	Yes	<ul style="list-style-type: none"><li>• 1 organisation's scheme was 15% at full match</li><li>• 3 organisations were <math>\leq 10\%</math></li></ul>	Yes



# Points for clarification

<b>Question</b>	<b>UK (AE)</b>	<b>DC plans (case studies)</b>
Are employee contributions to AE taxed as income?	EET	EET



# Concerns

- The addition of AE means that the Irish occupational pension system will feature “**a dual financial incentive**” meaning “tax relief for existing/traditional pension arrangement in parallel with a State top-up for AE”
- “The two systems are not expected to interact or overlap in the short-to medium-term.” (presentation by the Department of Social Protection to the IAPF in May 2022)
  - This is unlikely to be true for any employee working for multiple organisations throughout their career



# Concerns

- DC schemes and AE are not easily compared.
- Increasing complexity appears to be part of the natural product life cycle for pensions that should be **resisted** for auto-enrolment.
- AE will ‘encourage’ people to opt for higher risk options during both the saving and withdrawal period.
- Providing choice will not distance future governments from the outcomes.

