Auto-enrolment

Auto-enrolment ("AE") is a retirement savings system for employees that is being introduced by the Irish Government. The scheme is aimed at individuals who do not already have a workplace pension arrangement. If an employee meets the eligibility requirements for enrolment then both an employee and the employer will be required to contribute into the savings scheme - which will be known as My Future Fund.

Who is in scope

Any *Employee* who:

- is not a member of a pension scheme (that is, no employer or employee pension contributions are being paid);
- earns more than €20,000 per year; and
- is aged between 23 and 60

will be automatically enrolled into the new system.

The definition of *Employee* includes anyone who is directly employed, including variable hours staff, seasonal workers and short-term contract workers.

It's also important to note that any employees earning less than €20,000 per year and/or who are aged outside the 23-60 bracket will be able to opt in, as long as they aren't already in a pension scheme provided by their employer.

Contribution rates

The contribution rates for auto-enrolment are to be phased in over a period of ten years:

Years from launch	Employee contribution	Employer contribution	Government Top-up	Total Contributions
1-3	1.5%	1.5%	0.5%	3.5%
4-6	3%	3%	1%	7.0%
7-9	4.5%	4.5%	1.5%	10.5%
10+	6%	6%	2%	14.0%

All employee contributions will be matched by the employer and topped up by the State. The legislation sets out that an upper threshold of €80,000 applies to earnings for the calculation of contributions. Contributions will be fixed and employees won't be able to contribute more or less than the set rate.

Tax relief

Contributions to the Automatic Enrolment scheme will not be subject to tax relief via payroll. Instead the State will provide a top up of €1 for every €3 an employee contributes. In practice this is equivalent to 25% tax relief.

This approach means that the auto-enrolment scheme will be most attractive to those in the standard rate tax bracket. Employees who are paying tax at the marginal rate would benefit more from the tax relief available on an occupational pension scheme.

Why introduce Auto-enrolment?

The scheme is being introduced with the aim of significantly increasing the number of employees who are actively saving towards their retirement. By ensuring that more individuals have access to a pension scheme, the government is seeking to reduce the reliance on the State Retirement pension and increase the standard of living in retirement.

When will it be introduced?

The Auto Enrolment savings scheme is currently scheduled to go live on 30 September 2025, albeit this mid-year date is understood to create complications with payroll providers. Progress on the administration and wider implementation steps are continuing.

Key issues to consider

There are a number of aspects that organisations will need to consider in the short term:

Who is in scope - an immediate first step is identifying who is impacted by auto-enrolment. Understanding which employees will be affected is a key first step to determining the impact that the scheme may have on your workforce. It is important to consider both employees that are currently employed and those who may be employed in the future.

Budgeting - it is important to assess the potential additional costs for current employees who are not members of a pension scheme. Understanding how much AE will cost is a key consideration when putting any plan together.

Implementation practicalities - you will need to consider implementation practicalities such as payroll integration and employee communications.

Ultimately, as an employer you will need to make a decision between using the State's My Future Fund system, using a traditional occupational pension scheme or using a combination of the two approaches.

The table on the following page includes key considerations which may help to guide your thinking in relation to fulfilling your auto-enrolment obligations

Option	Considerations
Using AE system only	• Using the central system may be appropriate for employers with smaller workforces - it provides an effective way to meet your AE obligations without needing to set up an employer scheme • There is a lack of control of the benefits provided to employees • Employees at marginal rates of tax may be worse off than in a traditional occupational pension scheme • There is no ability for employees to make additional pension contributions, albeit that option may be introduced in the future
Using the AE system in tandem with an occupational scheme	• The majority of administration work for the AE system will fall to the new body, the National Automatic Enrolment Retirement Savings Authority, who will operate AE • Limited flexibility and control of benefits provided to employees who end up in the AE system • Different pension arrangements provided to employees who may be working side by side • Running two schemes may lead to additional communication and administrative complexities e.g. two separate payroll runs will be required each month and contributions remitted to two different entities
Using your existing scheme only / setting up an occupational pension scheme	• Will allow you to retain a greater level of control and flexibility over the benefits provided to your employees • Employment contracts and pension scheme eligibility conditions may need to be reviewed e.g. employees may unintentionally end up in the AE system if no changes are made to waiting periods in the existing scheme • The contribution design structure may need to be reviewed in order to manage costs • The ability to opt-out of your current scheme and any periods where pension contributions may be ceased should be reviewed to ensure no unintended AE consequences. • Administration and employee communications should be more straightforward as everyone will be in the same scheme treated in the same manner

It is important to recognise that it may be difficult to avoid Auto Enrolment entirely. Therefore it is important that you are prepared for Auto Enrolment even if you believe it will only impact you in a limited capacity.