



EMPLOYMENT, PENSIONS AND EMPLOYEE BENEFITS

Launch of Consultation Process for Automatic Enrolment Retirement Savings System

by **Jennifer O'Neill, Gillian Dully**

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On 22nd August, the Minister for Employment Affairs and Social Protection launched a public consultation on pensions automatic enrolment.

It is estimated that two-thirds of all private sector employees in Ireland do not have a workplace pension scheme and are not saving for their retirement.

Minister Regina Doherty TD recently commented "It is increasingly evident that most Irish workers are not saving enough, or indeed at all, for their retirement years. Many people will be faced with a serious reduction in their living standards when they retire."

In order to address this concern, the Irish Government recently published the Roadmap for Pensions Reform 2018-2023 paper ("**The Roadmap**"). The Roadmap proposes to introduce a wide range of measures designed to protect the future living standards of citizens post-retirement.

As part of the Roadmap, the Government proposes to introduce Automatic Enrolment ("**AE**") by 2022.

Automatic Enrolment

AE is a state sponsored employment related retirement system which, if implemented, would require employers to automatically enrol employees who do not have a private pension scheme into a retirement savings scheme.

It is envisioned that employees enrolled in the AE system will make certain minimum contributions into their pension as will their employer. The employee and employer contributions will also be topped up by the State.

Although employees will be automatically enrolled in this proposed system, employees are free to opt out at any time. There will be no such equivalent opt out for employers though existing private pension arrangements may be retained. Employers who fail to enrol their eligible employees will be subject to an as yet undefined penalty.

Ireland is one of only two countries in the Organisation for Economic Co-operation and Development without a mandatory earnings-related element to retirement savings. An AE system is already established in the UK, Australia and New Zealand. The average opt out rate in the UK as of 2017 was 9%, with an average rate of 12% for small and 10% for micro employers. The introduction of AE has increased rates of pension participation in the UK from 55% in 2012 to 80% in 2018.

It is proposed that a new State body will be established called the Central Processing Authority ("**CPA**"). This body will be responsible for contracting and licensing up to four service providers (a "**Registered Provider**") who will offer a range of retirement savings products to choose from. Employees will select their

own Registered Provider. Employee and employer contributions to the AE scheme will be collected by the CPA through payroll and transferred to the relevant Registered Provider.

It is currently proposed that employees aged 23 to 60 who earn a minimum of €20,000 will be eligible for AE. It is proposed that employees will initially make contributions of 1% of their gross earnings, increasing to 6% by 2028. The State will contribute €1 for every €3 contributed by employees.

Obligations Imposed on Employers

Employers will be required to enrol their eligible employees in an AE scheme, organise the transfer of contributions to the CPA, and match their employee's contributions up to a maximum of 6% of the employee's gross earnings. In respect of employer contributions, it is proposed that there will be an upper earning limit capped at €75,000 annual gross earnings.

The proposed introduction of AE has been broadly welcomed although there has been a call for a clear roadmap and realistic lead in time to ease the administrative burden as the introduction of AE will undoubtedly have cost and administrative implications on employers.

Public Consultation Process

On 22 August 2018, Minister Doherty launched a public consultation process and a high level draft of the AE proposal. The public consultation process invites private individuals, employers and representative groups to share their feedback on the draft proposal.

The draft proposal for a new Automatic Enrolment Retirement Savings System together with other support documents is available on www.welfare.ie/consultations.

The consultation period will remain open until **4th November 2018** and responses should be forwarded by email to autoenrolment@welfare.ie.

The Government will also be hosting consultation fora in Dublin, Cork and Galway for interested parties to contribute views and ideas. These dates have yet to be announced.

If you are interested in obtaining more information regarding Auto Enrolment proposals or pensions generally please contact [Gillian Dully](#) or [Jennifer O'Neill](#).

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