

Pensions – Automatic Enrolment



- A Government proposal for a new auto enrolment pension scheme has been made by Minister Regina Doherty. This is to provide a supplementary system alongside existing pension arrangements.
- The Scheme is to be introduced by the end of 2022. There will be a phased roll out over 2 years.
- The proposal is subject to a consultation process.
- Details of the impact for employees and employers are summarised below.

When?	The Scheme is to be introduced by the end of 2022.
Who is included?	All employees aged between 23 and 60. Those employees earning over €20,000 per annum. Those employees not already contributing to pension scheme.
Anyone else?	Any other employee, or self-employed person can elect to join the scheme if not automatically included.
Opting Out:	Those automatically enrolled can opt out after 6 months membership. There is a 2 month window to exercise their opt-out. After opting out the Employee contributions are to be refunded. Employer contributions are to be kept by Central Processing Authority. Employees who opt out will automatically be re-enrolled after 3 years with the same opt-out procedure.
Administration of the Scheme:	There will be a new State body set up, entitled Central Processing Authority (CPA). The CPA will select a small number of pension providers (approximately four) from a tender process who will offer pension services to the CPA. The CPA will collect pension contributions from Employers, and then remit these to the pension provider selected.
Contributions:	Pension Contributions will start at 1% of salary for both Employee contributions <i>and</i> Employer contributions. Contributions will increase each year by 1% until 6% of salary is reached by both. Employer and State contributions will be limited to a qualifying earnings limit of €75,000. The State will contribute €1 for every €3 employee contribution (this incentive is effectively a tax relief rate of 25%). The limit on State aid is 2% of salary, with a qualifying salary cap of €75,000.
Investments:	A range of funds are to be offered (similar to Defined Contribution schemes). A Default fund selection is to be put in place.
Benefits/Options:	Retirement benefit options are to be provided by the pension provider, as part of the tender process to be an approved provider. A standard suite of options is expected to be provided and also some compulsory annuity purchase options.