



Rialtas na hÉireann  
Government of Ireland

Plain English summary

**Consultation Paper:  
A summary of the Automatic Enrolment (AE)  
proposal for employees into a retirement  
savings system**

**Department of Employment Affairs  
and Social Protection**





**Consultation Paper:  
Automatic Enrolment (AE)  
for employees into a retirement savings system**

Strawman Proposal - a 'strawman' proposal is a draft proposal designed to generate discussion of a policy idea, in this instance an Automatic Enrolment retirement savings system. It looks at the pros and cons of an idea.

When we get responses from the public and representative groups, we may have to change parts of this proposal or perhaps even radically alter it.

**We invite your views on this consultation paper.  
We need them by 4 November 2018.**

**Send your views to:  
[autoenrolment@welfare.ie](mailto:autoenrolment@welfare.ie)**

## What is this consultation paper about?

Two-thirds of all private sector employees in this country have no workplace pension and are not saving for their retirement. This means that many of these people will see an unwanted drop in their living standards when they retire.

This paper is about introducing an Automatic Enrolment (AE) retirement savings system into workplaces to address this issue. We want to get the opinions of as many people as possible before we design such a system.

We ask you to read this consultation paper and submit your views in writing by 4 November 2018 – see contact details on page 11 at the end of this document.

The Government will also be organising a number of consultative events before and after the closing date for submissions. You will see details of the dates, venues and how to register for these events on [our website](#).

You can find a more detailed overview of the proposal, as well as the reasons we are proposing this particular design, in the [full-length Strawman AE document](#). This document also sets out a number of questions in relation to each of the features of the proposal to prompt your comments and feedback.

## What is in this paper?

This paper tells you what an automatic enrolment retirement savings system is, why it is being proposed and why it is important that we get the design correct. The paper then tells you about the proposed structure for AE (see page 6).

It also includes information about how an Automatic Enrolment retirement savings system would affect:

- employees (see page 7);
- employers (see page 9); and
- retirement savings scheme providers (see page 10).

## What Automatic Enrolment (AE) is

Automatic Enrolment (AE) is a system where employees who do not have a private pension are automatically enrolled into a retirement savings scheme. They can leave the scheme or 'opt out' under certain conditions if they wish to do so.

These conditions are set out in the key features for employees section on page 7.

## Why AE is being proposed

There have been large increases in the number of people saving for retirement in countries (like the UK and New Zealand) that have brought in AE.

The Irish Government wants to bring AE into Ireland to:

- improve the financial position of future generations of retirees; and
- support individuals as they save for their retirement.

## The importance of the AE design

### Enrol the right people

AE needs to be designed correctly so that it can work well. We need to make sure that we enrol only those who really need it.

For some people, the State pension and other State benefits, such as the Household Benefits Package, may provide enough income in retirement. If we enrol these people in AE, they may be at risk of saving money for their retirement that they could better use now.

We need to make sure that those enrolled in AE are not overburdened with the contributions they will be asked to make from their wages. At the same time, people need to contribute enough if they really want to benefit in their retirement.

### Employers' role

The employer will also play a role. However, we don't want to push up business costs too much, and we want to make it easy for them to manage AE for their employees. AE will have to be as simple as possible for both the employee and employer.

### State's role

The State will also do its part by contributing towards people's savings. (See page 8).

## Value for money

We need to make sure that employees get the best possible value for their contribution. Fees and charges that are usually imposed to pay to provide services can considerably reduce the money people have when they retire.

We think the best way to keep these costs down is by having larger, more efficient retirement savings schemes that have many members. The larger the scheme is, the less it costs per person to run it. It is also easier to make sure large schemes are well run and that they provide secure sustainable investment returns in the long term.

We also know that many employees want to take little or no risk with their savings and we have to make sure that any savings options provided are right for them.

## The importance of consulting with you

We want to design the best system possible to:

- make it easy for employees to save;
- make it easy for employers to provide for workplace savings; and
- make sure that the saver gets the best possible value for money.

To do this, we think it's important that we talk to relevant people to get their views – people like:

- employees
- employers
- the general public
- pension experts
- anybody with an interest in this area.

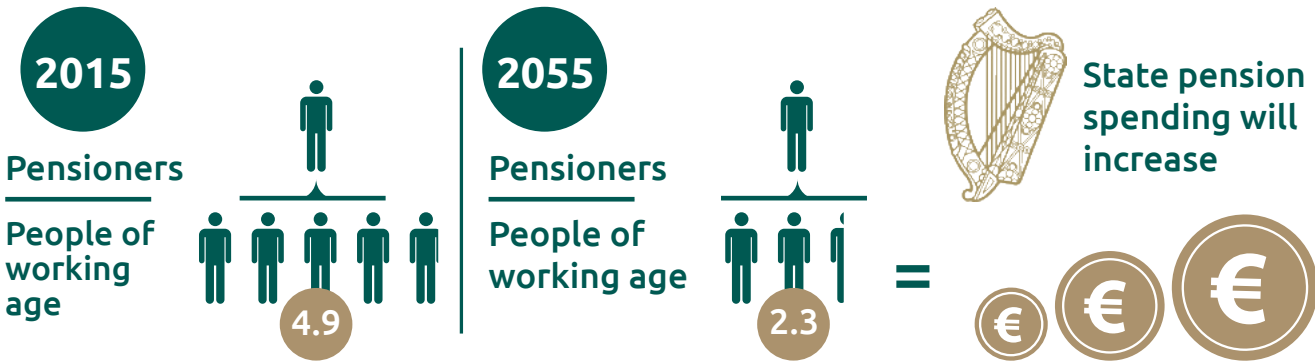
To make a significant reform like AE work in the long term, there should be as much agreement as possible about how it is designed.

So, to get this debate started, this Strawman AE proposal says how we **think** this system could be designed. However, we need to consult and do more work before we can confirm what AE will look like.

In summary, the proposed structure and key features of the Strawman AE proposal for employees, employers and the providers are set out on the following pages.

# Automatic Enrolment Why and who

## An aging population



## Individual retirement savings are too low



## A partnership approach to saving for retirement



## **Strawman: Proposed structure**

### **Central Processing Authority**

A new State-provided Central Processing Authority (CPA) will be responsible for contracting and licensing up to four AE 'Registered Providers' to offer a range of savings products. This will make sure it is a quality-assured service with low charges.

### **Registered Providers**

Registered Providers will provide retirement savings services including retirement savings account administration, investment management and communication with members.

### **Defined contribution basis**

The AE Registered Providers will provide options on a defined contribution basis where each member has their own individual retirement savings account.

The ultimate value of the savings at retirement will depend on:

- how much money the employee has paid into the system; and
- the investment return achieved less any fees and charges.

### **Employee choice**

If an employee does not pick a Registered Provider or fund they want their savings to go to, the system will allocate their contributions to one of the funds provided by a Registered Provider on their behalf.

### **Collecting employee contributions**

The CPA will collect employee and employer contributions through payroll and transfer them to the Registered Providers.

### **Employees can use website to make choices**

A web-based CPA Portal will allow employees, and other members, to access and select from the available saving scheme options. These will be presented in plain English, so they can easily be compared.

### **Registered Providers must provide service to all**

Registered Providers must deliver services to all of those eligible for Automatic Enrolment including those who can opt-in to the system.



## Strawman: Key features for employees

### Who could be automatically enrolled?

Employees aged between 23 and 60, who earn more than €20,000 a year and are not already contributing to a workplace pension, could be automatically enrolled.

### Self-employed people and employees outside the age range

Rather than being automatically enrolled, self-employed people and employees outside the age and earnings-band thresholds for automatic enrolment will be able to 'opt-in' to the system.

### Can employees opt out?

Yes, employees will be free to opt out of the system at the end of a minimum membership period (during months seven and eight of membership). Employees can't opt-out after this period, **but** they may be able to suspend or temporarily stop their payment of contributions. This will be decided at a later stage.

### Can employees choose which scheme to join?

Yes, employees will be free to choose from a range of retirement savings fund options from Registered Providers.

### What happens if an employee does not pick a scheme?

If an employee does not pick which Registered Provider or fund they want their savings to go to, the system will allocate their payments to one of the funds on their behalf.

### How much will employees have to pay?

Employees who are members of the system will initially contribute a minimum of 1% of gross earnings – that is, earnings before tax and PRSI deductions.

The member's minimum contributions will be increased on a phased basis as the AE system is rolled out as follows:

- 1% from the system's launch in 2022;
- increasing each year by 1% up to 6% from the beginning of year six.

Those enrolled in the AE system in the years after 2022 would invest the same per cent as everyone else. For example, in 2024 all members, including new entrants, would make 3% contributions.

### **Will there be any State incentives?**

Yes, the State will provide an incentive to save. The level of this incentive and how it might be paid will be finalised after the consultation process. At the moment, we suggest the State contributes €1 for every €3 saved by the member.

### **How will the system be run?**

Registered Providers will deliver services on a defined contribution basis. People will be able to begin to draw down benefits from the system when they reach State pension age.

### **Will the system charge administration fees?**

Yes, but administrative fees for all Registered Providers and funds will be kept as low as possible. The most that can be charged for the yearly management of the funds will be 0.5% (half of one per cent) a year of a member's savings fund.

### **Can people take their account with them if they change jobs?**

Yes, each member would be able to take their account or 'retirement pot' when they move jobs. The system will operate on a 'pot-follows-member' approach.

## Strawman: Key features for employers

### Will employers get any support to run the scheme?

Yes, supports would be introduced for employers in delivering on their duties in the roll-out of AE.

### What will employers have to do?

Employers will have to enrol employees and organise the transfer of contributions to the CPA. However, they will not have to select a Registered Provider or savings fund option for their employees. With AE, employees will select their own Registered Provider.

### Will employers contribute to the funds?

Yes, employers will match the member's contributions up to an eventual maximum of 6% (initially limited to 1% of the member's earnings to a ceiling of €75,000, increasing at 1% a year to a maximum of 6% from year six).

### Will employers' contributions be deductible?

Yes, as in the case at present, employer contributions will continue to be deductible for corporation tax purposes.

### Will it be compulsory for employers to enrol their employees for AE?

Yes, if employers don't enrol their employees, or deduct and transfer contributions as required, they will have to pay a penalty.

## **Strawman: key features for retirement saving scheme providers**

### **Will people already paying into a private scheme be enrolled in AE?**

No, existing customers of pension providers will not be enrolled in the AE system (but may opt-in if they so choose).

### **Can any provider join the scheme?**

Private pension providers will be invited to tender to become an 'AE Registered Provider' as part of the AE system.

### **How many Registered Providers will be chosen?**

A shortlist of up to four Registered Providers will be selected to deliver services to members. After the Government does further analysis of the target population and appropriate investment strategies, each provider will be required to offer a limited number of savings options.

### **What types of funds will be provided?**

Each Registered Provider would be required to offer three 'standard choice' savings fund options. These funds will have an appropriate risk profile - low, moderate and medium. This also means that the potential for the investment returns will be low, moderate and medium. Each of these options may incorporate changing investment approaches over the course of the savings phase. They may reduce any investment risk the member is taking in the years closer to retirement.

### **Who is the contract with?**

Contracts for the retirement savings fund account will be completed between the member and the Registered Provider.

The new State-provided Central Processing Authority (CPA) and the Registered Providers will complete the contracts to provide retirement saving funds services.

### **How long will a provider be contracted for?**

Registration for providers will cover about 5 to 10 years, after which a new tender competition will be held.

### **What happens to funds if a provider loses a contract?**

Providers who are not successful in keeping their place following any tender process will transfer member accounts to existing or incoming providers.

**Let us know your views**

We invite you to submit your views in writing by the 4 November 2018 by either emailing **or** writing to us.

**Email:**

autoenrolment@welfare.ie

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