



The new Automatic Enrolment Retirement Savings Act – Five key takeaways

08 August 2024

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The [Automatic Enrolment Retirement Savings Act 2024](#) (the **AE Act**) has now been signed into law. The AE Act is expected to result in approximately 800,000 employees, who don't currently have a pension arrangement, saving towards their retirement. While the AE Act is yet to be commenced, it is expected that the first enrolments will be in early 2025.

The AE Act provides that employees who meet specified criteria will be automatically enrolled in a new State-operated retirement savings system (**AE Scheme**). Employees, employers and the State will make contributions to the AE Scheme, which will be overseen by a newly established State body (the *National Automatic Enrolment Retirement Savings Authority* or **NAERSA**).

1. **Who will be automatically enrolled?**

All employees between the age of 23 and 60, who earn at least €20000 across all employments and who are not in exempt employment will be automatically enrolled in the AE Scheme.

Employees aged between 18 and the State pension age (currently 66) who do not meet the criteria can opt in to the scheme provided they are not in exempt employment.

Employees who join the AE Scheme will have the option to opt out at various stages during their employment. However, unless they are then in exempt employment, they will be automatically re-enrolled two years after opting out.

2. **Who is in exempt employment?**

An employee will be in *exempt employment* if they and/or their employer contribute to a “qualifying pension arrangement”. These arrangements include occupational pension schemes and personal retirement savings accounts (**PRSA**). Minimum standards will be published by NAERSA by the beginning of year seven which will specify minimum contributions that must be paid to a qualifying pension arrangement at that time for the employment to continue to be *exempt employment*.

For the moment, an employer and/or employee contribution to a qualifying pension arrangement of any amount will mean that the employee concerned is in *exempt employment*.

3. **Who will be required to pay contributions and at what level?**

Employers, employees and the State will be required to make contributions based on a percentage of an employee's total remuneration (capped at €80000 per annum) into the AE Scheme. The contributions will increase on a phased basis as follows:

Year	Employer %	Employee %	State %	Total %
Year 1 - 3	1.5	1.5	0.5	3.5
Year 4 - 6	3	3	1	7
Year 7 - 9	4.5	4.5	1.5	10.5
Year 10 onwards	6	6	2	14

4. **Is tax relief available on contributions to the AE Scheme?**

Employers will be able to claim tax relief on contributions they make to the AE Scheme. No tax relief is available on employee contributions; instead, the State top-up contribution is paid. According to the Department of Social Protection, the State's contribution equates to tax relief on employee contributions of 25%.

5. **Are there consequences for failure to comply with the AE Act?**

Breaches of the AE Act are criminal offences, with sanctions ranging from fines of €5000 to €25000 and imprisonment, depending on the offence committed.

Preparing for the AE Act

The AE Act will impact all employers in Ireland one way or another. It will be important that all employers are familiar with the legislation and its specific impact on them.

Our pensions law and employment law specialists are currently advising employers on the AE Act and what steps to take to prepare for its commencement. We are providing strategic and practical advice on a wide range of matters, including:

- the appropriateness of the AE Scheme for an employer's workforce relative to other pension options
- what constitutes exempt employment
- the application of the AE Act to atypical workers
- what changes can/need to be made to existing pension schemes and employment contracts to take account of the AE Act and/or to ensure it does not apply to employers with existing occupational pension arrangements

If you would like to find out more about how we can help you prepare for the commencement of auto-enrolment, please email our auto-enrolment team at autoenrolment@algoodbody.com or contact [Chris Comerford](#), pensions partner, [Michael Doyle](#), employment partner or your usual contact on the [Employment](#) or [Pensions](#) teams.

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