Countdown to pension auto-enrolment in Ireland

19 November 2024

The most significant reform of pensions in Ireland in a century, the Automatic Enrolment Retirement Saving System Act 2024, will come into effect on 20 September 2025.

While that may seem like some time away, employers are encouraged to start preparations now to ensure that auto-enrolment, also known as "My Future Fund," is seamlessly integrated into their businesses. According to the Minister for Social Protection, "Auto-enrolment is the single most significant reform of the pensions landscape in Ireland since the introduction of the State Pension in 1908."

Ogier's Employment experts in Ireland can assist with any questions in relation to auto-enrolment.

Auto-enrolment - what are an employer's obligations?

Auto-enrolment is a new mandatory retirement savings scheme for employees under the Automatic Enrolment Retirement Saving System Act 2024 (**the Act**). It is for employees who do not already have a workplace pension scheme or, a personal pension arrangement such as a Personal Retirement Savings Account (**PRSA**) and meet the eligibility requirements below. The purpose behind auto-enrolment is to ensure that employees save and invest for their future, but this purpose obliges an employer to also contribute. This means that there are cost and compliance implications to consider.

Which employees are eligible for auto-enrolment?

Employees will be automatically enrolled if they meet the following conditions:

- aged between 23 and 60
- earning €20,000 or more per annum across all employments
- do not have existing supplementary pension coverage

If employees are a member of an occupational pension scheme or trust Retirement Annuity Contract (**RAC**) or PRSA, or there is a Pan-European Personal Pension Product (**PEPP**) recorded in their payroll, they will not be automatically enrolled.

How will auto-enrolment work?

The National Automatic Enrolment Retirement Savings Authority (**NAERSA**) established under the Act will administer the auto-enrolment scheme and have appointed an external IT solutions company to provide administration services. The NAERSA will determine if employees are eligible for auto-enrolment using Revenue payroll data and will collect employee, employer and State contributions. NAERSA will invest the contributions and allocate investment returns to the employee's investment pot. This investment pot / future fund will follow an employee to their next job.

Under the Section 9(2) of the Act, NAERSA shall perform its functions in a way that provides a high-quality retirement savings system that operates in the best interests of participants, is digital by default, and provides for the management of participants' retirement savings with appropriate care and judgement.

Employees will have access to an online portal to manage opt-outs, opt-ins, suspension of contributions and re-enrolment. There will also be an online portal for employers to document and facilitate payment of contributions. Employees will receive their "future fund" at State Pension age. It is intended that there will be a highly automated process in place that will keep administration to a minimum for employers.

It may take up to 13 weeks for NAERSA to determine eligibility for auto-enrolment and contributions will not be backdated during this time.

What are the contribution rates?

Contribution rates for auto-enrolment will be phased in over the first 10 years of the operation of the scheme:

- employee contributions will start at 1.5% of gross pay
- by year four contributions will increase to 3%
- by year seven contributions will increase to 4.5%
- by year 10 contributions will increase to the maximum rate of 6%

	Employee	Employer	State
Year one to three	1.5%	1.5%	0.5%
Year four to six	3%	3%	1%
Year seven to nine	4.5%	4.5%	1%
Year 10+	6%	6%	2%

Contributions will not be collected on any gross pay over €80,000 and contributions will not be deducted during periods of unpaid leave.

The cap of €80,000 may be amended in the future by the Minister for Social Protection with the agreement of the Minister for Public Expenditure, National Development Plan Delivery and Reform.

Contributions will be detailed on an employee's payslip and placed in a default investment strategy. Alternative investment options will be available and employees who wish to elect a strategy may choose one of the three strategies.

The auto-enrolment scheme will be in addition to any State Pension entitlements and PRSI contributions will continue.

Opting out / suspending auto-enrolment

Employers must provide information to employees about the auto-enrolment process. This includes that after six months of being enrolled, employees will be able to opt-out of the scheme and the contributions they made will be refunded. Employer and State contributions will be retained for the benefit of the employee. Employees can also suspend contributions after the initial six-month period. Employees who opt-out or suspend contributions will be automatically re-enrolled after two years, provided they are eligible.

Potential issues for employers

Employee refuses to join occupational scheme

Should an eligible employee not wish to join an employer's occupational scheme for any reason, then issues may arise. Under the Automatic Enrolment Retirement Saving System Act, there is no provision for employers to auto-enrol eligible employees into the existing pension. If, for example, the contribution rates required under the occupational scheme are more than an employee wishes to contribute, then employers may have to face the prospect of running both a traditional occupational scheme and complying with the auto-enrolment. Arguably, an employer could enrol an eligible employee into the occupational scheme without a contribution from the employee, but this would be subject to the rules of the pension.

Prohibition of penalisation

Under Section 127 of the Act, an employer shall not penalise an employee or permit any other person to penalise an employee, for participating in, or proposing to participate in, the automatic enrolment retirement savings system.

Penalisation can include, among other things, suspension, lay-off or dismissal, the threat of demotion or loss of opportunity for promotion, transfer of duties, change of location of place of work, reduction in wages or change in working hours, and the imposition or the administering of any discipline, reprimand or other penalty. Furthermore, it is a criminal offence if an employer hinders or attempts to hinder an employee from participating in auto-enrolment.

Should an employee believe that they have been penalised or hindered in some way, they may make a claim to the Workplace Relations Commission (**WRC**) seeking to seek directions. These can include directions to facilitate auto-enrolment, pay the appropriate contributions and make an award of compensation in the employee's favour up to four weeks' remuneration.

Compliance

In addition to the offence of hindering or attempting to hinder an employee from participating in auto-enrolment, section 131 of the Act provides that if an employer fails to pay any contribution of which they are required or who makes a deduction in respect of any contribution that they are obliged to make, will be found to be guilty of an offence. Furthermore, an employer who makes a false statement or falsifies documents in order to evade or reduce the amount of contribution they are required to make to an employee's pension fund will also be found guilty of an offence.

To ensure compliance with the Act, the NAERSA will issue a statement of compliance to the Pensions Authority not later than one month after the end of each financial year. The statement shall ensure the maintenance of records of employers who are obligated to engage in auto enrolment.

A person who is found to be not compliant with the Automatic Enrolment Retirement Saving System Act or guilty of an offence under certain sections of the Act shall be liable on summary conviction, to a class A fine or imprisonment for a term not exceeding six months or both. Other sections within the Act, such as failing to comply with a compliance notice or forgery of documents, may face a fine of up to €50,000 or imprisonment for a term not exceeding three years or both. The Court shall also award costs against the person convicted of an offence.

Conclusion

Although auto-enrolment is not yet in place, the countdown has begun and employers should start planning implementation now to avoid potential issues in the future.