



## IIPM May Webinar | Auto Enrolment | Questions & Answers

The following questions and answers are observations only, based on our interpretation of the questions submitted and how we anticipate that the system will work when finalised.

These are opinions for the purpose of debate, and may be challenged. Things may also change before the Bill becomes law, and subsequently with the introduction of Regulations/practices.

They are categorically not pensions or legal advice. Talk to your consultant if you want professional advice.

Responses provided by:

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Does the Bill now allow someone who wants to join their company scheme to opt out of the AE system at any time. This point was missing in the first draft of the Bill but the Dept said this would be addressed.

*If the person joins the pension scheme and a contribution is paid by them (through payroll) or on their behalf, their remuneration from that employment ceases to count for AE purposes, so their AE contribution automatically goes to nil for the duration.*

*However, it is likely there would be at least one pay period of overlap. Provision is being made in the Bill to facilitate refunds where errors occur.*

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Make it compulsory for all new employees and you've a close group of AE staff who will disappear overtime.

*And invite current non members the opportunity to join.*

Employees on higher incomes looking at starting a PRSA now but employer will not contribute, they will be within scope for AE contributions.....can they continue paying into PRSA and get tax relief along with AE inclusion or will they need to stop PRSA payment.....same for existing PRSA members where no contribution from employer what is the status quo.....

*Any PRSA contribution by an employer to a PRSA will exclude that employment from AE. A contribution by the employee will have the same effect, but only if it is made by deduction from payroll. At present a person should be able to get tax relief on their own PRSA contributions (not by deduction from payroll) and participate in AE, but this may need to be addressed from a Revenue perspective. I deliberately didn't want to speculate on aspects of tax treatment.*

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Studying a system and putting into actual operations are 2 entirely different things Tim. NI, UK and now Ireland are and will be problematic from an operations point of view. Its not that easy to "just run 2 plans' as you have suggested.

*I never said it was "easy to run 2 plans". I said that nobody is being asked to run 2 plans. In AE in both NI and UK, employers are required to choose a DC pension provider with all that that entails - and so it is admin heavy for employers. In Ireland, there is no such requirement. AE is a simple payroll deduction - similar to a contribution to health insurance or a union subscription, etc. That payroll instruction (which we are calling an AE Payroll Notification - AEPN) will be issued digitally (similar to a Revenue Payroll Notification - RPN) and consumed by the payroll application with no requirement for human intervention. NAERSA will provide all of the information required by employers and employees through portals.*

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Employer will not contribute to both systems

*I don't see any way that the employer will be able to contribute to both systems on behalf of the same employee*

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Clearly members of certain employer sponsored contributory schemes will be exempt. What about members of generous non-contributory schemes.

*If either employer or employee is contributing (in the latter case through payroll), the individual will not be auto enrolled, or if they are already auto enrolled, their earnings from that employment will not count and their AE contribution rate for that employment will be reduced to 0% through an AEPN. In general, it is intended that the Authority will accept evidence of participation in a scheme where it isn't obvious from contribution details that will be available to NAERSA.*

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On the 6-month lock in. Some employers may operate the dual approach i.e. AE to NAERSA, but offer access to their own plan (due to legislative/contractual issues). If an employee 'accidentally' AEs, how easy will it be to leave AE so as to join the employers OPS? Do they need to wait the 6 months to opt out/suspend?

*If the employee chooses to join, either they or the employer will start contributing, which will render that employment exempt and result in the contribution rate being reduced to 0% through an AEPN. Until they decide to leave the scheme, if that's possible, which would reactivate AE contributions again.*

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Do we know yet how employers will be notified as to what employees will be auto enrolled? There was talks of it coming down like an RPN?

*Lots of detail to be filled in but, yes, it will be like an RPN - likely to be called an AEPN (see Question at Row 5 above). See section 50(6).*

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Are shareholder directors in scope?

*It's all based on who gets employments under Chapter 4 of Part 42 of TCA, which deals with PAYE. So if the shareholding director receives remuneration subject to PAYE they would be in scope. Refer to tax adviser and /or payroll provider for further information.*

If an individual have a PRSA or a personal pension can they keep it going?

*Yes to personal pension plan (RAC). PRSA can be continued if it's not being contributed to by the company, or if the individual contributions are not being deducted through payroll. Otherwise the person is not eligible for AE.*

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Is there any information available yet on the investment strategies proposed under AE?

*Section 64 is pretty prescriptive as to three risk levels and how they will be rated.*

*The Department highlighted in the session how it is currently developing the procurement exercise for investment management services which it hopes to issue in the coming months.*

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Is a refund of contributions the gross contributions made or will it be the investment value of those contributions. eg could either be higher or lower depending on investment return

*It's the amount paid by the member without adjustment either way. Provision for regulations don't apply here.*

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Confusion over whether an individual can establish their own PRSA (outside of payroll) and make pension contributions through the tax relief system. AE is only looking at payroll contributions so is it possible to set up a PRSA outside of payroll while also in AE?

*Yes. Under the legislation as it exists and is to be enacted this time. There may be need to amend the Taxes Acts to limit or prevent double counting, but it's not my job to prompt it.*

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How could I suspend from AE before 6 months has elapsed? Thinking of a scenario where I am auto-enrolled on day 1, and join the OPS next month

*That would mean your employment for AE purposes would become an exempt employment and an AEPN of 0% would issue reducing your AE contributions to nil.*

*But overlaps may occur - see answer above.*

Just a comment. We have had some queries from members of existing schemes asking whether they can leave their existing scheme and join the AE arrangement they're hearing about. It's worrying that there's a perception out there that the AE system is superior to their employer's scheme, which is unlikely to be the case (although it will be true for some). Employees may be suspicious of their employer's pension scheme to their detriment if they are able to leave the scheme while employed. They may be won over by the contribution structure of AE which is more intuitive. The communication material needs to be carefully managed by AERSA.

*I agree, and I have some serious concerns about what to do if people want to jump ship. It may be true that AE would be better for lower tax band people, particularly if the cost is kept at less than an Occupational Scheme can manage. I heard what Tim said, however, about being able to devote time and resources to communication, so I have faith in their ability to get a clear message out there.*

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Is the admin system tender decision due to be announced by the end of May as guided by the DSP?

*I'd love to know too - the Department doesn't comment on live procurement exercises*

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Is there a timeline for when the investment manager tender is expected to be issued and completed by?

*Development of the procurement exercise is underway and it is expected to commence within the next 2-3 months.*

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Sounds like if you are in AE you can't join DC without suspending AE first, is that right?

*No. If you join DC your employment becomes an exempt employment (as long as you or the employer is paying any DC contribution) so you effectively cease AE contributions*

What happens if they join a DC plan

*See above*

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What if member joins DC without suspending AE do they stay in AE?

*Their contributions stay, unless they joined the DC within 6 months of auto enrolment and exercise the opt out option and get a refund*

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Can I confirm that an employee can opt out of AE ANYTIME after 6 months?

*No. Only in months 7 and 8 after enrolment, a rate change or re-enrolment. Opt-out means an employee gets their 6 months of contributions refunded or their 6 months of increased contributions refunded. An employee can "suspend" their participation in AE at any time after the mandatory participation period (6 months). Refunds do not follow a suspension.*

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At the recent IAPF conference Tim Duggan commented that if an employee is in the State auto enrolment scheme and subsequently joins their company DC scheme, that the employee will need to provide evidence of membership of the DC scheme to the Department of Social Protection before being allowed to opt out/suspend their state AE contributions. Otherwise, pension contributions would continue to be deducted in respect of both the state AE scheme and the individual's DC scheme.

Is this the case and if so, what evidence would need to be supplied by the member?

*I think the legislation is framed so that the person's reckonable earnings will automatically be discounted for AE purposes once either that or the employer begins to contribute to the occupational scheme. It makes sense, however, to require some evidence so that people just don't lie their way out of AE.*

The definition of employee is very broad - section 47 of the Bill says “employee” means a person in receipt of emoluments. There will be instances where say a person does a-hoc work for a business and under tax law would be regarded as an employee and not self-employed. However, under workplace legislation, wouldn’t normally be brought into the net of pension, bonuses, sick leave, annual leave etc because while they are payrolled, the workplace wouldn’t consider them as employees per se. eg. Directors of Boards. How will these people be treated?

Similar question in relation pensioner payments from an insurance company. Will they be caught by AE?

*People who are treated as employees for tax purposes will be automatically enrolled if they fulfill the eligibility criteria. Pensioner payments from insurance companies (operated through payroll-type mechanisms) are being examined by the Department. Section 64 of the Bill is designed to provide for Regulations where errors occur - including the possibility of refunds where appropriate.*

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But you can’t suspend your contributions to AE before 6 months so if you join DC scheme in first 6 months, they'll end up double paying!!

*Not really. For the reasons above. But at the end of 6 months from your enrolment in AE you will have the decision of whether to opt out of AE and get a refund of whatever you have already paid*

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Q for Tim- Any clear idea of when the admin & investment manager proposal will be issued & finalised?

*These are two separate procurement exercises. The administration procurement has been underway for considerable time and is nearing completion. The investment management procurement is in preparation with a view to going to market in the next 2-3 months.*

Could Tim explain why it's too difficult to change the legislation to leave employers automatically enrol their employees in their existing scheme?

*I know you asked Tim, but I reckon it's to do with statutory interference in contract of employment, should the employer seek to make scheme membership mandatory. If the employer offers membership to employees and they do, as a matter of fact, join, then their emoluments would be exempt from AE calculation and they would not be subject to AE contributions.*

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If an employee is a member of a mandatory Plan, but wishes to join the AE scheme and opt out of the company scheme, is the mandatory nature of the Plan considered "hindering" if the employer refuses the employee to opt out of the employer scheme and join the AE system?

*A mandatory plan is presumably part of the contract of employment. The AE Bill does not propose any interference in such contracts. Accordingly, pressing a contractual obligation could not be construed as "hindering". However, perhaps it would be wise to consider such an approach in the round in terms of other legal challenges or IR implications.*

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Q for Tim, is 1st January 2025 go live date, realistic at this stage?

*This was dealt with during the session.*

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Do we have a general consensus in terms of employers being able to use their current DC schemes to "auto enrol" their existing employees?

*As I understand it, the position of each person will be monitored through payroll data submissions to Revenue.*

*Starting with someone who has just one employment:*

*Assuming an individual meets the age and (total) earnings criteria, they will be automatically enrolled unless they or their employer are making a qualifying pension contribution in any pay period. There is no mechanism for de-enrolment, so they stay enrolled.*

*If, subsequently, they or their employer makes a qualifying pension contribution, they are still enrolled, but the employment becomes exempt and the AE contribution reduces to 0%.*



*If, at the commencement of AE, the individual or employer is making a qualifying contribution, they will not be auto-enrolled. But, if that subsequently ceases or is suspended, they will be immediately eligible to be automatically enrolled. Later on, any employer or employee qualifying contribution will again exempt that employment and reduce the AE contribution to 0%.*

*Where there are two or more employers:*

*The whole of a person's emoluments from all employments is looked at to determine whether they meet the €20k limit. But contributions are only payable in respect of any earnings from an employment where there is no qualifying contribution being paid.*

*Qualifying contributions are any contributions paid by the employer or employee to a scheme, PRSA, Trust RAC or PEPP, in the case of employee contributions that are made by deduction from pay. This is until the minimum standards are imposed.*

*So, if you open your current DC scheme to all employees and they all do, as a matter of fact join, then it would mean that they would be in Exempt Employment, for as long as they or the employer was paying any qualifying contribution.*

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A Scheme with a number of different categories in it and for some employees, there is no employer contribution at the moment (due to the level that they are at) but they have decided to contribute themselves personally (which is effectively an AVC). Does the Employer now have to contribute 1.50% salary for these employees to meet AE obligations?

*I'm taking it that there are no Revenue issues with AVCs only for the time being?*

*Until the standards are introduced, any contribution by an employee made by deduction from pay would meet the criteria. No need for employer to pay anything. What you describe would be an Exempt Employment and would even prevent the employee from choosing to opt in.*

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Did other countries who brought in AE only allow access from state pension age like what the Irish Government is proposing, or did other countries ( the UK in particular) allow for earlier access from age 60 or 65, or for early retirement ( outside of ill health early retirement)? **UK allows from 55**  
**Australia can be accessed from 60. They used to allow earlier but this has been gradually increased to 60**

**NZ: 65**

*Age thresholds and limits can be changed over time. There is provision in the Bill for reviews of various age parameters or for an overall review every 5 years.*

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While it's good to see that the equivalency test for existing schemes has been pushed out to year-7 from year-4, it would be good to have an early understanding of what the equivalency test is likely to be as this will have a bearing on any scheme design changes that will need to be made by Employers in the context of AE. While accepting that the basis of equivalency has yet to be determined all discussions to date seem to assume that the test will be based on future service contribution levels. This would, in my view, be somewhat perverse in the context of those Employers that have operated pension schemes for many decades and who have employees with accumulated DB benefits and/or DC assets.

On the basis that the AE contribution structure of 14% of Gross Earnings was arrived at on the basis of providing AE members with an adequate pension in retirement shouldn't it follow that any equivalency test should also be based on pension adequacy in retirement, as were this not to be the case the accrued entitlements that employees, who are members of existing pension schemes, have built up prior to the introduction of AE would effectively be disregarded and their Employers would end up "paying on the double" for retirement provision.

In this context will consideration be given to basing the equivalency test on pension adequacy at the point of retirement rather than future service contribution levels?

*The standards have not yet been determined but it is clear that they cannot be based on contribution levels alone. Schemes differ considerably in terms of contributions, wage/salary levels on which contributions are based, facilities for additional contributions, secondary benefits, projections, etc. The Department also considers that ABS and SoRPs may be a factor in setting the standard. Accordingly, setting a standard is not a trivial matter and will take some time and consultation.*