IRISH CONGRESS OF TRADE UNIONS, WINTER 2018

YOUR QUICK GUIDE TO THE NEW AUTO-ENROLMENT PENSION SCHEME

Government is introducing a new automatic enrolment pension scheme to get low and middle income earners saving towards a financially secure retirement. Employers will, for the first time, be legally obliged to include workers in a pension and to make a minimum contribution. Workers and the State will also contribute in to a worker's pension savings fund.

This new pension scheme will be in addition to, and is not to replace, the State pension. It will be rolled out 2022 - 2027.

Congress agrees in principle with the move to auto-enrolment but rejects a number of the proposed features and we are actively campaigning for amendments*.

Government's Proposal	Congress's Response
Target membership Auto-enrolment will apply to all employees who are: - aged between 23 and 60 years; and - earning €20,000 or above; and - not a member of a pension scheme.	- Include self-employed with no employees. - Set lower age threshold same as PRSI,16 years. - Raise upper age threshold above 60 for new entrants. - No lower income threshold.
Contribution rates - Workers will contribute a minimum 6% gross earnings. - Employers will match workers' contribution. - State will contribute €1 for every €3 a worker saves. Contributions to be phased in 2022 – 2027.	- Workers contribution graduated from 1% to 4% on first €20,000. A flat 5% contribution on remaining earnings. - Employers contribute a flat 7% on all earnings. - State contributes €1 for every €2.50 a worker saves.
Opting out, re-enrolment & saving suspension - Participation compulsory for 6 months. - Workers who opt out re-enrolled every 3 years. - Workers can suspend contributions in limited circumstances. - Employer and State contributions wil stop if a worker suspends savings.	- Merge the opt-out, re-enrolment and saving suspension features into a time-limited 'contribution holiday', which can be claimed as a single continuous period or any number of separate periods. - Employer and State to continue contributing during a worker's contribution holiday
Operational model - Workers will have access to a range of retirement saving products from approved pension providers via a newly established Central Processing Authority (CPA). - Workers' contributions will be deducted by employers directly from wages and transferred to the CPA. The CPA remit contributions to the pension provider.	- Collect contributions in the same way as social insurance: the employer deducts the worker's contributions at source, the employer and worker contributions are then collected by Revenue and all contributions noted on pay slip. - Revenue to remit the contributions to a State fund.
Service providers - CPA will tender every 5-10 years for 4 commercial providers for provision of pension saving products. - Workers will be responsible for selecting one of the 4 providers and a saving option. - A maximum management fee of 0.5% p.a.	- One provider, a public fund e.g. the NTMA. - The NTMA to contract out management and investment of proportions of the fund. - The 0.5% maximum management fee is excessive.
Draw-down arrangements - Workers will draw-down their fund at State pension age as a lump sum, annuity or other retirement products permitted under pension and tax law.	- State provision of annuities that take the form of top-up payment on State pension, similar to an earnings related pension. The more contributions made by and on behalf of the worker, the higher their State pension.

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* Congress's submission to the consultation on Auto Enrolment is available at www.ictu.ie