



THE AUTO ENROLMENT (AE) PENSION SCHEME – COMING IN 2025 !

INFORMATION FOR EMPLOYERS

THE BASICS

Following the announcement of Budget for 2025 in October, there was finally a confirmation of the date of introduction of the pension auto enrolment (AE) scheme – which will now be on 30th September 2025 !

It was also announced that the scheme will be formally called the **'My Future Fund'**.

To recap, there are two main reasons why the government is introducing the pension auto-enrolment scheme i.e.

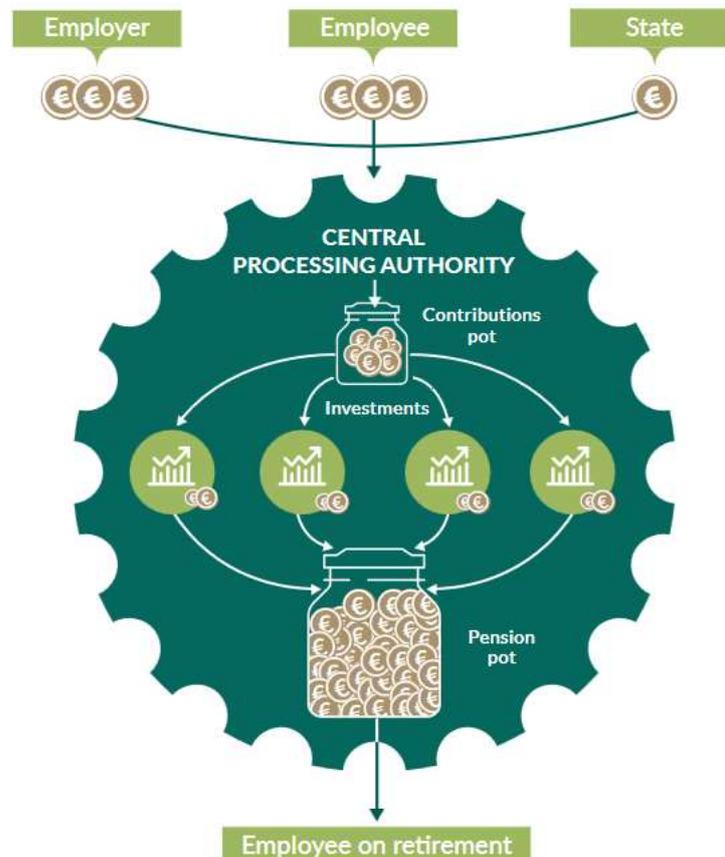
1. Firstly, it will supplement the state pension, which is currently only about €277 a week.

For a person relying solely on the state pension when they retire, this can mean a significant drop in income, so the new pension scheme should help close the gap.

2. Secondly, there is a loudly ticking pension time bomb i.e. with people living longer, this means pensioners will make up a higher proportion of the population in the coming years, putting enormous pressure on the exchequer.

Essentially the auto enrolment scheme is designed to encourage workers to save for retirement, while also making it as straightforward as possible for businesses

How it works





Auto-enrolment will be run and managed by a new independent body set up by the **Department of Social Protection**, called the **National Automatic Enrolment Retirement Savings Authority (NAERSA)**.

It will be supervised by the Pension Authority, with any complaints being dealt with by The Financial Services and Pensions Ombudsman service.

NAERSA will determine if an Employer is eligible for auto-enrolment using Revenue payroll data, and it will collect all employee, employer and State contributions, and invest the money on the employees behalf.

[Unlike in the UK, it is expected that the responsibility for determining the eligibility of each employee for enrolment within an Employers AE pension scheme will be by NAERSA - and NOT the Employer themselves !]

It will also operate an online portal

- **for employees** : to manage employee opt-outs, opt-ins, suspension of contributions and re-enrolment
- **for Employers** : to record and facilitate payment of contributions.

Remember that the pension auto enrolment is a legal requirement and as an Employer, if you do not fulfil your obligations, you will be subject to penalties and possibly to prosecution !!

HOW DOES THE PENSION AUTO ENROLMENT (AE) SCHEME WORK ?

Employees in Ireland who:



The key criteria for automatic enrolment of an employee into the AE pension scheme of an Employer will be as follows:

- You must be an Employee
- You must be aged between 23 and 60
- You must be earning in excess of €20,000 or more from all employments
- You must be NOT already be included in a workplace pension arrangement

What this means is that :

- an employee joining a new Employer **after 30th September 2025**, will be automatically enrolled in the AE scheme - once they meet the key criteria
- an employee already with an Employer, will be automatically enrolled into the AE **scheme on 30th September 2025 - where they meet the key criteria**

There are no waiting periods for the auto-enrolment scheme, with new employees who have an earnings record with Revenue of €20,000 or more in a year automatically enrolled.

However for new employees with no previous earnings record, or a gap between their previous and new employment, then enrolment may take up to 13 weeks.

WHAT ARE THE CONTRIBUTION RATES ?

The 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
- in year four they will increase to 3%
- in year seven they will increase to 4.5%
- in year 10 they will increase to the maximum rate of 6%
-

This table shows the rates you, your employer and the Government will pay**:

Year of auto-enrolment scheme	Employee contribution	Employer contribution	Government contribution
1-3 years	1.5%	1.5%	0.5%
4-6 years	3%	3%	1%
7-9 years	4.5%	4.5%	1.5%
10+ years	6%	6%	2%

The phased approach of the scheme will mean that contribution requirements will increase every three years by 1.5% for employer and employee, reaching a total contribution of 14% in year 10 - made up of 6% each for employer and employee and 2% from the State.

Pension contributions under the auto enrolment scheme will apply to Gross earnings up to a maximum of €80,000. However, if the employee earns over €80,000, they can still contribute, but the employer or the Government will NOT match contributions for any income over €80,000.

The employee pension deductions that are made from salary will be based on the Gross salary of the employee, but are deducted from net salary i.e. instead of tax relief for on employee's contributions, the Government will provide a top-up contribution at a rate of €1 for every €3 paid in.



HOW THE 'OPT OUT' OPTION WORKS FOR EMPLOYEES

While the auto enrolment pension scheme is voluntary, the approach is opt-out rather than opt-in i.e. with employees able to '**opt out**' after six months following commencement.

Employees will automatically be enrolled again into the auto enrolment scheme two years after they have originally '**opted out**', with the option to '**opt out**' once again after another six months.

Please note that employees opting out will receive a refund of **ONLY** their own contributions e.g. the contributions that are not refunded (employer and Government contributions) will stay in the savings pot, and will continue to be invested.

Therefore even if an employee '**opts out**', there will still be a pension pot to drawdown or access at the retirement age of 66.

Also any employees that do NOT meet the criteria for automatic enrolment i.e. are under 23 or are earning less than €20,000, can choose to opt in to their Employer's scheme.

FREQUENTLY ASKED QUESTIONS (FAQ's)

EMPLOYEES

Q - Why is it beneficial for employees to keep and contribute to the auto-enrolment pension scheme?

Pension auto-enrolment offers several significant benefits to employees:

Increased savings: Automatically enrolling into a pension scheme ensures that if you are an employee, you can start saving for retirement early in your career, leading to potentially larger retirement funds due to compound interest over time.

Ease and convenience: Auto-enrolment simplifies the process for employees, eliminating the need to manually sign up for a pension plan.

Employer and government contributions: Auto-enrolment schemes include contributions from employers and the government, which can significantly boost an employee's retirement savings.

Financial planning: Having a pension plan in place provides employees with greater financial peace of mind. It can also encourage people to think about their retirement and whether or not their pension will be enough to fund the lifestyle they would like to have when they retire.

Simplicity: Pension funds in the auto-enrolment pension scheme will allow for a 'pot follows member' approach meaning employee's savings will be held in the same place if the employee changes jobs and the new employer also uses the auto-enrolment system for their workplace pension.

Reduced risk of inaction: Some employees neglect to enrol in a pension plan voluntarily, but auto-enrolment mitigates this risk by making enrolment the default option.

Overall, auto-enrolment is designed to help employees build a secure financial future with minimal effort on their part, leveraging both employer and government support and tax advantages.

Q – How does the Auto enrolment pension compare with a private pension ?

The structure is different.

Under the auto-enrolment scheme, there is no tax relief, but the government tops up the contribution by 33%. This means if a single person earns €42,000 or less, and thus pays only 20% tax, the auto-enrolment pension will be more beneficial.

However for the most part, a private pension will be more beneficial e.g. in a private pension, although there are limits to the amount of pension contributions an employee can get tax relief on in any one year, it is significantly more generous than the auto-enrolment pension.

Therefore, considering factors such as tax relief and also age-related tax relief, auto-enrolment will only be more beneficial than a private pension when the employee's income is low

Q - How will the employee's salary be assessed for eligibility?

Any income reported in the gross pay field on payroll will be assessed.

For some employments, it will be clear on 'Day 1' that an employee meets the minimum earnings criterion.

For others, it might take up to 13 weeks for NAERSA to apply a 'look back' at an employee's earnings in a pay reference period.

Q - What happens if an employee moves job?

The scheme is designed on a "pot follows member" basis, meaning the retirement savings pot will follow the employee to their next job. This will happen automatically and will be managed through the new governing authority, NAERSA.

Q - What if an employee has more than one job?

If an employee has more than one job, their gross pay from all their jobs will be considered for the eligibility assessment of the scheme. If it is over €20,000, the employee will be enrolled in respect of any jobs where they do not make pension contributions through payroll

Q - If my earnings go below €20,000 a year will I stay in the scheme?

If you have been enrolled and your earnings subsequently go below €20,000 per year, you will stay in the scheme.

NAERSA will not be able to tell if you have a private pension plan that you are contributing to outside of payroll. Therefore if you meet the eligibility criteria, you will be automatically enrolled and it is up to you to decide whether to continue contributing to both.

Q – What happens if your employer doesn't pay the contributions ?

There are protections in the legislation to ensure that your employer must make contributions on your behalf. If they do not, they may be subject to fines and repayments with interest.

All companies with employees in Ireland, regardless of size or structure, will have to facilitate the auto-enrolment scheme for **employees** who meet the eligibility criteria and for those who wish to opt in.

Employers who prevent their employees from joining the scheme, or who force their employees to opt out or suspend contributions, may be prosecuted and will be subject to fines and penalties.

Q – Is there more information on the Employee portal

An employee will be able to use your [MyGovID](#) credentials to log in to the employee portal.

You can register for a verified MyGovID account on the website, www.mygovid.ie, or by downloading the [MyGovID app](#) for free in app stores.

Through the portal, you will be able to view your savings, including the contributions from you, your employer and the State, and any investment returns. You will also be able to view administration fees deducted from your account.

You will be able to manage your investment strategy and change from the default to the high, medium or low risk options.

Finally you will also be able to use the portal to exercise your right to

- opt out
- suspend contributions, or
- opt in to the scheme.

EMPLOYERS

Q - Will there be extra costs for employers?

As an employer, you will be obliged to sign up to the scheme if any of your employees do not have a pension and there will be costs – based on the contributions rates above.

Q - Do family or small companies have to implement Auto-enrolment

All companies with employees in Ireland, regardless of size or structure, will have to facilitate the auto-enrolment scheme for **employees** who meet the eligibility criteria and for those who wish to opt in.

Remember - Employers who prevent their employees from joining the scheme, or who force their employees to opt out or suspend contributions, may be prosecuted and will be subject to fines and penalties. Withheld or underpaid contributions will attract interest payments.

Q - What is included in the definition of salary or earnings for auto-enrolment?

An employee's gross earnings will be assessed for the income threshold and for the calculation of contributions. This means that anything that's included in the gross pay field on payroll will be assessable.

Q - If an employee opts out do employers still need to pay their contribution?

You won't have to keep paying employer contributions if your employee opts out of the scheme. When the employee is re-enrolled, a new payroll notification will be available and all contributions will start again.

Q - If an employee is earning over €80,000 across multiple employments (for example two employers paying €50,000 each), how does each employer know how much to pay?

NAERSA will issue the Automatic Enrolment Payroll Notification (AEPN) through payroll software to both employers as normal.

When the employee reaches the income threshold of €80,000 within the tax year, the payroll notification to both employers will be updated to reflect that no further contributions are to be paid.

A new payroll notification will issue at the start of the next tax year to restart contributions if the employee still meets the eligibility criteria.

Q - Do employers have to also pay contributions for employees who choose to opt in?

Yes, employees who choose to opt in will be treated the same as those who are automatically enrolled, and that means the employee, employer and State will contribute the set rates as outlined above.

Q - How will contributions be paid?

Employers will pay employee and employer contributions directly to NAERSA. It is anticipated that different methods will be available, including variable direct debit.

Employers will be able to set this up on the employer portal.

More information will be made available closer to launch date.

Q - Will there be additional employer returns to be made by employers or will all the pension deduction information be processed through existing Revenue PAYE returns?

As an employer you will need to make a separate return through payroll directly to the National Automatic Enrolment Retirement Savings Authority (NAERSA).

Information on how this process will work will be made available to employers closer to go-live in September 2025.

The calculation of contributions will be made through your existing payroll software.



Q - Do we need a broker to manage auto-enrolment for us?

No, auto-enrolment will be administered by a central body, the National Automatic Enrolment Retirement Savings Authority (NAERSA), so there is no need to engage the services of a broker.

More information will follow throughout 2025 on the progress of the setup of the auto enrolment scheme for Employers, and we can also be contacted at payroll@sakurabusiness.ie or alternatively at accounts@sakurabusiness.ie