



An Roinn Gnóthaí Fostaíochta
agus Coimirce Sóisialaí
Department of Employment Affairs
and Social Protection

A Public Consultation on an Automatic Enrolment Retirement Savings System

Findings of the Written Submissions



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Executive Summary

This report presents an overview of the written submissions received in response to the national public consultation on the Strawman Proposal for an Automatic Enrolment (AE) Retirement Savings System in Ireland.

The written consultation process ran from August 2018 and closed on November 4th 2018.¹ Several regional consultation fora, chaired by the Minister of Employment Affairs and Social Protection, Regina Doherty TD, took place during October 2018 and provided a platform for the Department of Employment affairs and Social Protection to present on the Strawman proposals and receive feedback and questions from engaged audiences. The fora included two in Dublin due to the level of demand, and one each in Galway and Cork. Additionally, an online survey was established for all of those who had registered to attend one of the consultation fora. The consultation process concluded in March 2019 with a series of focus group meetings with people that would likely be in the AE target population. Separate reports have been prepared on the outcomes and results from the online survey, the consultation for a and focus groups.

There was significant interest and engagement throughout the course of the consultation process and this was reflected in the level of detail in the submissions received. In total 107 written responses were received from a diverse range of stakeholders including employer and employee representatives, pensions industry bodies, advocacy groups, and interested individuals (See Appendix for a list of those organisations which made submissions). A breakdown of the various stakeholders who responded to the consultation by type of group/organisation is set out in Table 1.

Table 1: Breakdown of Submissions Received (as of 15th February 2019)

Type of Group/Organisation ²	Number of Submissions Received
Pensions (& associated) Industry	30
Employer Group/Employee Trade Union	19
Advocacy Group – C&V	8
Political Party	2
Individual	35
Other	13
Total	107

The submissions received displayed an overwhelming acknowledgement that reform of the current purely voluntary nature of Irish supplementary pensions is necessary. The case for

¹ A number of submissions were received after the official closing date, and all submissions received were taken into consideration when drafting the consultation report.

² This should be taken as a general indicator only of the category of submissions.

reform pointed to Ireland's projected demographic challenge as the population ages; the strain on public finances including pressures on the State pension; and the stubbornly low levels of existing supplementary private pension coverage. Based on these arguments, there was almost universal support for the implementation of AE. However, there were many diverging views on how exactly an AE system should be structured and delivered. These ranged from a fully State managed and delivered system to one that fully utilises market providers to deliver AE. A broad overview of some of these opposing arguments is described in subsequent sections.

Broad support for the thrust of the AE Strawman proposals and many of the specific suggestions outlined was evident in responses to the consultation process. However, diverging views were also evident on almost every policy question. There was particularly lively discussion in a number of areas such as the optimum scope of a 'Central Processing Agency' (CPA); the proposed State incentive for AE; and the appropriate levels of employer and employee contributions. There were wide-ranging calls for increased communication and education in relation to AE and pensions more generally. Many submissions called for AE to be the signal of reduced complexity within the pensions' landscape, and to lead to a greater level of engagement by individuals with saving for their future retirement. Alluding to the need for greater levels of understanding and education around savings and finances, some submissions called for financial education to be incorporated in school systems and curricula.³

As mentioned above, both the volume and detailed nature of the submissions received in response to the AE Strawman consultation process indicate the significant level of interest in the implementation of this policy. While the submissions advance a diverse and often conflicting range of views around the manner in which the system should operate and its interaction with current pension provision, one area where there was general agreement was that the proposed timeframe for the introduction of AE is ambitious and aggressive. As outlined in the 'Roadmap for Pensions Reform 2018-2023', it is envisaged that Government will deliver AE by 2022. The submissions made as part of the consultation process provide a significant contribution to achieving this goal.

³ The [OECD \(2018\)](#) highlights the importance and benefits of effective financial education and literacy.

1. Introduction

The consultation process invited respondents to comment on a Strawman proposal for how an AE system may be structured and designed in Ireland.⁴ At the consultation process launch, Minister Doherty confirmed the Strawman proposal is a high level draft designed to prompt and generate discussion and improve ideas. It was emphasised that the Strawman should not, in any way, be construed as Government's confirmation of what form AE will ultimately take. In working to achieve the overall objective of improved income adequacy for future retirees, the goal in preparing the Strawman was to help interested parties conceptualise possible approaches to AE and facilitate a focused debate around key design issues.

This document summarises the main themes emerging in submissions received under sections corresponding to the component elements in the Strawman as follows;

- I. Administrative Arrangements and Organisational Approach;
- II. Target Membership;
- III. Employer and Employee Contribution Rates;
- IV. Financial Incentives Provided by the State;
- V. Investment Options;
- VI. Policy for Opt-out and Re-enrolment;
- VII. Arrangements for Benefits and the Pay-out Phase.

Given the number and depth of submissions received, it is not possible to capture the full breadth of all the submissions received. As such, this document is limited to highlighting the overall tone of responses, and to emphasising the key points made.⁵ Readers are invited to review the full list of submissions.⁶ It is also important to note that the viewpoints contained in the submissions are generally a function of the types of organisations and individuals that responded to the consultation.






⁴ [Strawman Proposal for an Automatic Enrolment Retirement Savings System](#)

⁵ Several submissions raised points which were not directly linked to the Strawman proposal, focusing on wider pensions reform or broader issues related to pensions or the Social Welfare system.

⁶ Submissions received during the consultation will be made available at www.welfare.ie

1.1 Colour Coding System

At the end of each section, a snapshot is presented which is intended to provide the aggregate response to key policy proposals. The Strawman posed 50 specific questions on the various proposals it outlined, and responses received to the questions posed form the basis for the colour coding format and the views and issues highlighted in subsequent sections. A colour code format (detailed below) is utilised to provide an impression of the level of support for a particular proposal as outlined in the Strawman. Reading from top to bottom the colour coding system ranges from almost universal support for the particular Strawman proposal made to almost universal opposition to the proposal. Where there was no consensus on an issue, cells are denoted as yellow. While every attempt has been made to accurately indicate the aggregate level of support for each area, this should be interpreted as illustrative and as summarised below some submissions expressed different views to the aggregate presented in the colour coding system.

Almost universally in favour	
Majority in favour	
No consensus	
Majority against	
Almost universally against	

2. Overview of Feedback to the Consultation Process

An important fact which was borne in mind when analysing the submissions received is their consistency (or otherwise) with the Government's stated objectives for the AE system. The stated policy objective for AE is twofold:

- *To supplement the first pillar (State Pension) and enable people to maintain, to a reasonable degree, the standard of living enjoyed whilst working, for the duration of their retirement years.*
- *The AE system should be designed in best interests of members, and members alone, to maximise retirement incomes for individuals.*

One should be cognisant of this policy objective when reading through the alternative views outlined below which were expressed in consultation submissions. The feasibility of these alternate views has to be judged in the context of how well they deliver on the stated aims of each section in the Strawman, and how they could potentially impact upon the delivery of an AE system designed in the best interests of members.

A common thread running through many of the submissions received was the need for education/communication and potential awareness campaigns. It was suggested that such events would be beneficial from the point of view of both employers and employees. There were also calls for careful consideration on how any proposed AE system will interact with the current market for pension provision (e.g., what could potentially happen to Personal Retirement Savings Accounts (PRSAs)⁷ which do not require an employer contribution?). There were also calls that guarantees should be provided that the intent of the 2011 pension levy provision will never apply to AE.

To provide an initial and illustrative synopsis of the range of both positive and negative views elicited during the consultation process, a subset of the sentiments conveyed in the submissions received are presented below.

2.1 Extracts from submissions to the Strawman Consultation Process

Extracts from the consultation process are outlined below, containing generally positive views on the need for AE and the thrust of the Strawman proposals with some key concerns highlighted by various stakeholder bodies.

Bank of Ireland Group – “Bank of Ireland Group, with New Ireland as its corporate and individual pension provider, would like to thank and congratulate Minister Doherty, and her colleagues in the Department of Employment Affairs and Social Protection, for their considerable efforts in producing what is a very comprehensive and high quality consultation document ... The Strawman is a significant step towards the overdue roll out of Automatic Enrolment (AE) in Ireland. It should be well placed to achieve the objectives of coverage and adequacy”

⁷ See the [Pensions Authority](#) for further information on PRSAs.

Chambers Ireland – *“Given the low level of workers currently saving into a pension scheme, Chambers Ireland is supportive of an auto-enrolment pension scheme with a realistic lead-in time for businesses”*

HC Financial – *“As an overarching comment we believe that the proposed autoenrollment model outlined in the proposal is to be welcomed and is badly needed in order to increase the level of retirement saving in Ireland”*

Ibec – *“Ibec welcomes publication of the so-called ‘Strawman’ as a move in the right direction. While we have serious concerns on some of the detail of the proposals, the parameters of the consultations and the basic principles are sound”*

ICTU – *“Congress recognises that the current voluntary approach to supplementary pension provision has failed to achieve widespread coverage, and agrees in principle with a move to auto-enrolment as a means of increasing income adequacy in retirement and ensuring employers fulfil their moral and social responsibility to contribute to their workers’ living standards in old age”*

Irish Hotels Federation – *“While Automatic enrolment will be the biggest change to pension provision in Ireland for generations, in principle, the IHF is in favour of automatic enrolment (AE) as a retirement savings system for employees that are not covered by supplementary pensions. This will ensure proper pension provision upon retirement as a supplement to State Pension provision. However, it must not become a huge administration or cost burden for employers”*

Irish Life – *“The implementation of an Auto Enrolment scheme should be the impetus to drive a cultural change within Ireland for generations to come, enabling better pension provision and retirement outcomes for all”*

Mercer – *“Mercer strongly supports the introduction of automatic enrolment into pensions: taken together, the Savings Gap and the ageing of our population indicate a very difficult financial future for the country and many of its people unless radical steps are taken”*

Pascal Software – *“We appreciate that the ambition of achieving equality varies considerably depending on one’s personal political outlook, but we trust that this submission’s content will be viewed as proposing positive changes to what is an excellent initial draft”*

UPS – *“UPS in general supports the proposal of an auto enrolment process for pensions and does believe this is an important way to introduce employees, especially early in their career, into a pension scheme. However, we do have some concerns and would like more detail and clarity in regards to how the system would work, the level of control employers have and additional administrative costs as well as a re-examination of the opt-in/out period”*

2.2 Snapshot of Concerns Raised

Askaboutmoney – *“The strawman proposal is fundamentally flawed. It fails to consider the integration of pensions and home ownership. Questions to consider such as those about age and earnings thresholds are irrelevant until the strawman is revised to consider the main issue affecting people who want to provide for their current needs and for their retirement – how can I afford to buy a home for my family?”*

Brokers Ireland – *“Without advice, some employer and consumers alike may ill advisably wind up their current arrangements and transfer to the AE scheme, causing possible loss of valuable benefits to consumers. The AE scheme should therefore be redesigned to provide the opportunity for payment of advice, particularly for those who already have accumulated private pension benefits and for those with higher earnings. It cannot be assumed that the AE scheme is the best option for all; it will not be. As a ‘one size fits all’ scheme design it will not be suitable for many consumers”*

Convenience Stores and Newsagents Association (CSNA) – *“Our members have a very real concern that increasing gross wage costs by 6% will not be sustainable and will threaten the future viability of the business. We cannot and do not accept that employers should be forced to match fund with their employee for a Pension unless they (the employer) volunteers to do so. This is the existing situation in the country, and is subject to Revenue rules regarding maximum contributions, etc.”*

Dublin Chamber – *“Dublin Chamber wishes to highlight three concerns in respect of the Strawman Proposal: the respective proportions of State/employer/employee contributions; the potential implications of the proposal for the tax treatment of pension contributions; and the position of self-employed earners”*

Early Childhood Ireland – *“In principle, we support the introduction of an auto enrolment scheme, to form part of a system to ensure income adequacy in retirement and sustainability of the pension system. Further we understand that Ireland is one of only two OECD countries that does not operate any form of mandatory retirement savings plan. However, we are concerned that the scheme could worsen the staffing crisis in the sector and impede the professionalisation of the sector under the Affordable Childcare Scheme ... We are concerned that a large cohort of employees will be excluded from the pension scheme based on the proposed income, employment status and age limits. The auto-enrolment scheme needs to be equitable, support low-income employees and low-income employers”*

IAPF – *“We are concerned that the development of the CPA will become very costly and time-consuming and has the potential to delay the introduction of auto-enrolment. There is no indication in the consultation document of the likely cost of establishing the CPA, the envisaged ongoing costs or the timetable for getting it established. It is difficult, without this, to make a judgment on the overall benefit of it and the likelihood of success. The experience in the UK of NEST is that, while its impact has been very positive, it was set up at a significant cost that will take some time to be paid back”*

ICMSA – *“The imposition of further costs on farmer employers could damage this competitiveness and therefore ICMSA are asking for this Strawman consultation process to be cognisant of the frailties of an export driven sector of domestic policy no matter how good the intentions of that policy”*

ISME – *“ISME welcomes this consultation by the DEASP in addressing the massive pensions shortfall among workers in the private sector. It is a welcome start, but does not go far enough, in that it fails to tackle the issue of the unfunded liabilities for public service and social protection pensions”*

National Women’s Council – *“We have consistently argued that a universal pension system which gives both women and men equal access to a comprehensive pension guarantee is*

the best way to support equality in older age. It would be the best solution to addressing low coverage and income adequacy. NWCI argues against an employment based second tier as such a system will compound inequalities between men and women”

Pensions Policy Research Group – “The Automatic Enrolment Programme Management team at the DEASP are to be congratulated on the extent of their groundwork and research on pensions, evident in both the public consultation document and the regional consultation fora. However, we question the way parameters for consultation have been determined, as they effectively take key questions off the reform agenda. Consequently, fundamental reform decisions do not form part of the consultation. The key issue we raise in this regard is the elimination of a larger role for the state within the pension system”

3. Administrative Arrangements and Organisational Approach

The Strawman put forward the following potential administrative structure for AE;

- *A new Central Processing Authority (CPA) will be established for sourcing, on a competitive basis via an open tender, a limited number of AE Registered Providers (maximum of four) to provide a defined suite of retirement savings options;*
- *The CPA will establish minimum standards for service delivery and product features required of all providers, e.g. the number of investment fund options for members, service response times, etc.;*
- *Registered Providers will be expected to deliver retirement savings services, potentially on a 'Master Trust' or other multi-employer basis, at low unit cost via an online portal to be provided by the CPA. This will encompass the full range of scheme services including account administration, investment management, and member communication;*
- *The CPA will establish and operate a web-based 'AE Provider Information and Administration Portal'. This will provide access to AE services and a central repository of key AE information;*
- *Contributions will be collected by the employer via payroll systems and transferred to the CPA. The CPA will remit contributions thereafter to the selected AE Registered Providers;*
- *The member will be able to keep track of their contributions, and the contributions remitted to the provider on their behalf, via the CPA Portal. The portal will also provide access to online account statements to be populated by the providers;*
- *Employers will be responsible for the initial enrolment of employees via the CPA portal;*
- *Employees will be responsible for selecting a provider and savings fund option. In the absence of any savings decision, the enrolled employee will be automatically allocated to the default fund of one of the AE Registered Providers on a carousel basis;*
- *As the CPA will be publicly operated, each employee's PPSN will be used as a unique identifier to support service transactions and to facilitate the pot-follows-member approach;*
- *The contract for service will be between the selected AE Registered Provider and the member (not the CPA). All regulated communications relating to the member's retirement savings account, including annual member benefit statements and other administrative material, will issue from the Registered Provider (Trustee or Board) to the AE member;*
- *Employees will be able to exercise their opt-out via the CPA portal. Re-enrolment will be processed, via the employer, for any new employment;*
- *The CPA will tender for service delivery by AE Registered Providers out to the open market on a periodic basis – most likely every 5 to 10 years. Where existing Registered Providers are not successful in each new round of tenders, responsibility for member accounts will be passed to incoming providers and the unsuccessful provider will not be allocated any new AE members;*

- *The CPA will be statutorily independent in the exercise of its functions and will either form part of an existing agency or be established as an agency in its own right;*
- *The CPA will not assume any of the functions of the national pensions regulator.*

Consultation responses demonstrated a broad range of (often conflicting) opinions on what exact organisational structure AE should take. An overview of these views is presented in the subsections below, and weighed up against the policy aims of AE as set out in the Strawman.

3.1 Central Processing Authority (CPA)

A significant majority of responses supported the idea of a CPA as a State body which would have overall responsibility for ensuring the system operated and services were provided in the best interests of members and members alone. A majority favoured the concept of the CPA acting as a link between employers and Registered Providers. Here the potential for the CPA to help bridge the information gap, or information asymmetry between provider and consumer, which currently exists in Ireland's pensions' landscape was referenced. It was generally highlighted, particularly in a number of submissions from overseas, that the system needs to harness the benefits to members of technological innovations and 'Digital First' options (registration and data processing software, apps and online services, paperless, etc.).

However, the exact structure of the CPA was the subject of extensive debate. Views differed greatly on the optimum form and scope of responsibilities of any CPA (e.g. whether the CPA should process data/member contributions/administer member accounts/manage investments/etc.). Various concerns were raised that the scope of the CPA was too far reaching for a State body or not far reaching enough.

Whilst the broad policy approach of a CPA as a facilitating and oversight structure for AE was widely endorsed, it was recognised that further detailed evidence building will be required to determine the optimum role and scope of a CPA and the required human, financial and infrastructural costs attached. The need for a detailed organisation scope, specification and costings for the CPA was raised in a proportion of responses.

Submissions from payroll providers called for employer and CPA obligations to be linked as closely as possible to Revenue's real-time system and the online registration of all new employees. These submissions asserted that employers should not have to make a separate submission to the CPA and Revenue in respect of the same employee. These views echoed the wider sentiment which related to a number of areas of the Strawman, that employers require support and engagement and are not simply tasked with administratively burdensome compliance obligations.

As highlighted above, the consultation process and submissions recognised that further evidence building and scoping analyses were necessary before the full benefits of establishing a CPA structure could be evaluated.⁸

⁸ In February 2019, the Automatic Enrolment Programme Management Office (AE PMO) secured funding from the European Commission to commence work on; *scoping and building an evidence base for the optimal scope and design of any 'Central Processing Authority' (CPA)*.⁸ The findings of these exercises will play an important role in determining

The diverse range of views and alternative structures proposed for the CPA indicate the need for a greater consensus to be reached on what exact form such a structure will ultimately take.

3.2 AE Registered Providers

In terms of the potential governance structure for Registered Providers, whilst a clear consensus did not emerge, with submissions advocating for the merits of Master Trusts over Contract based or vice versa, there was unanimity that whichever structure is chosen should be applicable to all providers (i.e. for the purposes of consistency all Registered Providers should operate under the same governance structure).

Those in favour of the Strawman proposal to limit the number of Registered Providers to four noted that it could potentially deliver the necessary scale to ensure the AE system works in the best interest of members and also deliver on low member charges. Additionally, some submissions suggested the limit should be lower (i.e. 1/2/3 Registered Providers).

However, pension industry responses tended to favour an open/free market approach. Those submissions which opposed limitations on the number of AE Registered Providers highlighted variously that Ireland is a small market and there are unlikely to be many providers who have the scale to deliver such services in any event, and that the need to deliver to specified minimum standards and criteria would naturally limit the number who would qualify as an AE Registered Provider.⁹

It could be said that whilst views differed on the manner in which it should be achieved, there was general acceptance of the need to structure the system to engineer in a number of sufficiently large schemes to deliver economies of scale and better member outcomes.

As highlighted above, further work is required to establish the optimal scale of any proposed CPA. Submissions noted that the ultimate design of the CPA will impact on the roles and responsibilities assigned to Registered Providers. These design decisions will help inform the appropriate number of Registered Providers and other areas of the Strawman, such as the timeframe for re-tender periods, or the suitable level of maximum fees.

3.3 Implementation Timeframe and Tender Process

It was almost universally accepted that the timeline proposed for the implementation date of AE by 2022 is very ambitious. Nevertheless, many submissions supported this ambitious target, citing the fundamental need to increase pension provision in Ireland and previous attempts to initiate AE type reform which have never materialised. Several submissions called for more developed ideas around the likely parameters of AE before any final

whether it would be in the best interests of potential savers to establish a CPA, and what form the structure of such a body should take.

⁹ The AE Registered Providers would provide options on a Defined Contribution (or potentially target benefit) basis with personal accounts where the value of the ultimate benefits payable from the scheme depends on the amount of contributions paid, the investment return achieved less any fees and charges, and the cost of buying the benefits. Private pension providers will be invited to tender to become an AE Registered Provider as part of the AE system. All providers will, in turn, deliver account administration and fund management services.

decisions are made, and advocated for additional consultation events (potentially specific consultation fora for employer/employee issues, for payroll provider issues, etc.).¹⁰

A number of submissions highlighted that, in the early years, AE may be loss-making for Registered Providers and there will likely be a very significant capital investment required for providers to establish the necessary systems and infrastructure to deliver AE. Alluding to these points, these submissions demonstrated a preference for an extended tender period (such as 10 years), at least initially, with the potential scope to reduce or review the frequency of tender periods. Some submissions also pointed toward the potential cost and time involved in running tender processes at too frequent an interval.

3.4 Employee versus Employer Choice and Carousel Approach

In general, the Strawman proposal of employee (rather than employer) choice was accepted, with many advocating that it is the employee's income. Alternative suggestions around this area included; the potential for an employer to nominate a default fund and the employee to be enrolled in this fund in the case of no choice. However, other submissions advocated against any employer involvement, on the basis of the administration and specialist knowledge burden that would be placed on employers, and in acknowledgement of complications involving employees changing jobs.

The carousel approach of allocating participants to Registered Providers, as proposed in the Strawman, was broadly supported. This is a system whereby those unwilling or feeling unable to make a choice of Registered Provider/Fund would be automatically allocated on a carousel basis. Many submissions agreed it was the best approach in a case where an employee elected not to choose a particular registered provider.¹¹ However, many submissions stressed that employees should be encouraged to generally engage in understanding and making decisions around their own financial future, and there were alternative mechanisms for allocation of members advanced in submissions. For example, some submissions called for employer choice to serve as the default in the case of no employee choice, citing potential concerns arising from employees in the same company comparing returns from two different provider/funds.

¹⁰ The Minister for Employment Affairs and Social Protection, Regina Doherty TD, has been clear that consultation will remain a central tenant of the AE planning and development process.

¹¹ As outlined in the Strawman the carousel approach will see members who do not exercise choice allocated in turn between Registered Providers. This form of allocation of members to the Registered Providers should support the achievement of scale and the reduction in management and other fees.

Administrative Arrangements and Organisational Approach

Use of a State CPA ¹²	
Use of commercial Registered Providers	
Limiting number of AE Registered Providers to four ¹³	
Timeline delivery of 2022	
Private pension providers invited to tender to become an AE Registered Provider as part of the AE system	
Employees choose their preferred provider rather than employers selecting a Registered Provider on their behalf	
Carousel Approach to allocating those not making a choice of Registered Provider/fund	

¹² With the caveat that while most agreed with the concept of a CPA, there was a large degree of disparity about what functions the CPA should undertake depending on how the CPA structure was envisaged by the respondent.

¹³ Whilst there was no consensus on 4 being the optimum number of Registered Providers, there was broad consensus on the need to ensure a number of sufficiently large providers to deliver economies of scale.

4. Target Membership

In terms of a potential target membership for AE, the Strawman proposed the following parameters;

- *Current and new employees aged between 23 and 60 years of age and earning €20,000 or above per annum would be automatically enrolled;*
- *Those earning under €20,000 per annum and those employees aged under 23 and over 60 will be able to 'opt-in' to the system;*
- *Rather than being automatically enrolled, self-employed individuals will be able to 'opt-in' to the system;*
- *An opt-in facility will also be considered for those outside of the paid workforce.*

While there was a good degree of support for the Strawman proposals as approximates, alternative views were advanced and these are summarised in subsequent subsections. Alternative suggestions ranged from the removal of age or earnings thresholds (citing potential exclusion from the system of those on particularly low incomes), to lower or higher age and earnings thresholds. A number of submissions advocated for all age and earning levels to be included in the system on the grounds that this would fully normalise retirement savings culture.

4.1 Earnings Threshold

One concern which ran through several submissions in relation to the proposed earnings threshold was the potential for the creation of an 'income cliff', with both employees and employers reluctant to see their earnings rise above the €20,000 mark. A number of submissions also emphasised the challenges in defining 'eligible earnings'; referring to complicating factors such as multiple job holders; pay periods; gross or pensionable earnings; inclusion or exclusion of fluctuating emoluments, bonuses, overtime, allowances.

Many of the submissions which advocated for the lowering or removal of the proposed earnings threshold alluded to a perception of exclusion or inequity. In particular, concerns were raised that the proposed earnings criteria may omit a greater share of part-time workers, casual workers, or those with intermittent work patterns. These cohorts may potentially contain a greater proportion of women, ethnic minorities, or people with disabilities. However, amongst those submissions which supported a lower or no earnings threshold, many did not address the issue of affordability or the fact that the State Pension affords relatively high gross replacement rates for those below the proposed earnings threshold of €20,000.

The views expressed above were countered by those who advocated for higher earnings thresholds (mainly employer groups but also from certain community and voluntary advocacy groups). Of those who supported a higher threshold, many suggested €25,000 as a suitable level, citing the fact the State pension would deliver a 50% replacement rate for individuals at this level of earnings. However, Departmental research indicates that a 50% replacement rate may not deliver living standard continuity for lower income individuals and therefore would not deliver on the stated objectives of the proposed AE system.

Several submissions also emphasised that the gender dimension of AE and its potential impact on the 'gender pension gap' is a key issue which requires further examination.¹⁴ Given the higher proportion of females in lower paid jobs and part-time employment, the question of gender impacts will be particularly material in the consideration of earnings thresholds for AE.

As acknowledged in the Strawman, further evidence building is required in order to firmly fix on a suitable target population for AE. The varying views received in several submissions will help to inform this evidence building, as will a wider economic analysis being undertaken by the Economic and Social Research Institute (ESRI), commissioned by the Department.¹⁵

4.2 Age Threshold

There were mixed views on the lower and upper age thresholds suggested in the Strawman. Those who advocated no or lower age thresholds cited the need to instil a 'savings habit' within all employees, noting that it is never too early to start saving. Others advocated individuals be enrolled from their first instance of employment, to mitigate potential adverse effects from being enrolled into AE at the age of 23 after working for a number of years and thereby seeing a material drop in earnings of up to 6% which may prompt opt-out behaviour.

Of those advocating a higher (upper) age threshold, many claimed that if older individuals were made sufficiently aware of the benefit they could derive from employer and State contributions, on top of their own contributions, they would be able to accumulate a retirement fund which would make their participation in the system worthwhile. Moreover, many of those who advocated for a higher upper age threshold, referred to the parallel policy goal of supporting fuller working lives.¹⁶

However, this was countered by those who raised concerns about the feasibility of enrolling those within a few years of retirement (i.e. over 60), insofar as they would be unlikely to accumulate an adequate fund size based on the proposed contribution levels. In general, those submissions which called for higher age and earnings thresholds came from employer groups.

Among those who championed higher age thresholds, a number mentioned future increases in the age eligibility criterion for the State pension. Additionally, there were some calls for the age thresholds to be explicitly linked to the presiding State Pension Age (SPA); i.e. SPA minus 40/45 years for the lower age threshold, SPA minus five years for the higher age threshold. This was suggested as a method to ensure individuals had an appropriate timeframe to build up an adequate retirement fund from AE.

¹⁴ As outlined in the [National Strategy for Women and Girls 2017-2020](#) the Government has committed that; "future pension policy reforms will be gender proofed to assess their impact on women as well as men" (p. 29), and Action 1.41, "Increase women's access to pensions in their own right by improving their access to private and occupational pensions. Assess the impact of any future reforms to pension policy in this area on women and take actions if appropriate" (p. 38).

¹⁵ As outlined in the 'Roadmap for Pensions Reform 2018-2023'; "the Government will, prior to finalising the design of any system, commission an economic impact assessment of introducing automatic enrolment in Ireland". This analysis will focus on both the microeconomic and macroeconomic impacts of introducing an Automatic Enrolment retirement savings system in Ireland under several different guises, using the ESRI's SWITCH and COSMO simulation models. This work will play an important role in identifying the likely target population for AE, and contribute to the evidence building which will ultimately inform the final decisions on what form AE should take.

¹⁶ See Strand 6 of the ['Roadmap for Pensions Reform 2018-2023'](#) for more information on the policy goal of supporting fuller working lives.

4.3 The Self-employed and those Outside the Workforce

While there was strong support for the principle in the Strawman proposal of allowing the self-employed to opt-in, there were limited views expressed or practical models advanced as to how the system could be adapted to suit the particular needs of this cohort. Some argued that the 'fixed' nature of contributions proposed in the Strawman would not appeal to the self-employed, given the irregular nature of their income. Most submissions acknowledged that this is a complex issue to solve within the presented AE structure, with some calling for alternative savings vehicles to be established for the self-employed allowing for ad-hoc contributions or contributions from end of year tax returns.¹⁷ Thus, further consideration and evidence building is required to inform thinking on how best to encourage retirement saving for the self-employed cohort.

Similarly, the majority of submissions acknowledged that including those outside the workforce within the AE system was a multifaceted issue. Many pointed out that AE is an earnings related system, and it may not be possible to efficiently incorporate those without earnings into the system. Some of the views expressed on this topic highlighted the following points: those outside the workforce will have no employer so the system of matching contributions as structured under the Strawman may not be appropriate for this cohort; those outside the workforce should be encouraged to make contributions to the system on an ad-hoc basis and avail of State incentives; the spouses of those outside the workforce should be able to make contributions to the system on their spouse's behalf.

4.4 Multiple Employments/Enrolled Immediately on Commencing Employment/Transfer into AE system

Several submissions called for greater clarity on what happens for part-time workers whose combined earnings lift them above the threshold and whether they would be automatically enrolled in the system. Many submissions referred to the potential capacity of a centralised CPA to aggregate earnings data and notify employers of an obligation to enrol employees. However, it was recognised that this would be technically and administratively challenging and requires further detailed consideration, including the GDPR implications of sharing information with employers.¹⁸

The majority of submissions advocated for eligible employees to be enrolled into the system immediately on commencing employment (i.e. rather than have a waiting period). Many of these submissions cited the more transient working patterns of many lower income employees, the need to instil the aforementioned 'savings habit', and the need to mitigate the risk of employees receiving a reduction in pay once they have passed a certain period in employment (e.g. six month probation period). Some submissions also raised the point that if, as per the Strawman proposals, AE allows for a 'pot-follows-member' approach, employees moving to a new employment should be able to contribute immediately to their pension fund.

¹⁷ The UK Government recently announced it is to launch trials to see how best to incorporate the self-employed into its AE system which was launched in 2012. See [DWP 2018](#) for further details on this initiative.

¹⁸ The UK Government highlighted this as one of the three strategic problems for the future development of automatic enrolment in their [2017 Review \(DWP\)](#) – "In addition the current structure of automatic enrolment means there are gaps in coverage – notably for those in low-paid multiple part-time jobs and younger workers" (p. 8).

However, alternative views were expressed (primarily by employer representatives), that a waiting period should feature in the new AE system. In particular, concerns were raised about individuals on short term contracts who may leave employment before the opt-out period, individuals on probation for the first six months of employment, or individuals whose earnings may fluctuate seasonally above or below the earnings threshold. It was suggested such individuals could be in a constant flux of being enrolled for short periods of time only to subsequently cease contributing to the system, and that this may increase the administrative burden of operating the system.

While there was general support for the concept of allowing members of existing pension schemes to transfer into the AE system, several concerns were raised about how this might operate in practice. In particular, concerns were raised about the potentially different tax treatment of contributions to the respective systems (and if this would impact on an individual's accumulated fund), and the potential for increased administrative burden on employers from operating two systems if their employees wish to transfer into the AE system.

Target Membership

Use of an Earnings Threshold	
Proposed lower earnings threshold of €20,000	
Use of an Age Threshold	
Proposed age thresholds of 23 and 60	
Employees outside thresholds able to opt-in	
Allowing the Self-Employed to opt-in	
Those outside the workforce able to opt-in	
Eligible members enrolled immediately on commencing employment (no waiting period)	
Members of existing schemes allowed to transfer into AE system	

5. Employer and Employee Contribution Rates

The Strawman presented the following information as indicative of one potential way in which employer and employee contributions could be structured;

- *Contributions will be calculated as a percentage of gross annual earnings;*
- *'Qualifying earnings' will be set at gross annual earnings with an upper earning limit capped at €75,000;*
- *During a phased roll-out of AE, employees will be required to make initial minimum default contributions at 1% of qualifying earnings increasing by 1% per year thereafter to a maximum contribution of 6% at the beginning of year 6;*
- *Employers will be required to make a matching (tax deductible) contribution on behalf of the employee;*
- *Employer contributions will be limited to a qualifying earnings threshold of €75,000;*
- *The member will be allowed to make voluntary contributions in excess of the minimum which may be matched by the State on a pro-rata basis subject to the prevailing limit (see section 'Financial Incentives Provided by the State');*
- *The employer will not be required to match these voluntary contributions.*

The general principles of auto escalation and employer matching contributions were almost universally supported. However, differing views were expressed on what exact form or structure auto escalation and employer matching contributions should take. For example, certain employer groups raised concerns about the maximum contribution rate, the timing of escalation, and the provision of employer matching contributions for those who opt-in to the system.

Some submissions argued that employers had a social and moral responsibility to contribute to employees' pensions. However, this view was countered by a number of employer representative groups who noted the high labour costs in their respective industries and the fact that employer contributions being tax deductible may not be an incentive if the business is not profitable. A subset of these submissions also expressed concerns that employer contributions would divert money away from fundamental needs of the business. Alluding to the importance of communication, a number of submissions called for: the need to communicate the benefit of contributing to employees, otherwise employers will face claims of a reduction in take home pay; and the need to communicate that older enrolees may need to contribute at higher levels if they are to achieve an adequate standard of living for the duration of their retirement.

5.1 Escalation of Contribution rates

In general there was support for the proposal for a gradual time bound auto-escalation of contribution rates. Many submissions agreed that the concept was an important component of AE to overcome inertia from savers and try to ensure individuals don't become 'anchored' to low contribution rates (believing these will lead to adequacy in retirement). A gradual escalation would also provide some time for employers to adjust to the additional costs. However, while there was almost universal acceptance for the idea of auto-escalating contribution rates, there were opposing arguments as to the appropriate timeline for these

increases to take place. Some alternative suggestions included; escalation of 0.5% a year, thereby doubling the lead in time to maximum contribution rates to 12 years; escalation in-line with the UK auto enrolment rates; alternative lower/higher maximum contribution rates; employer matching contributions up to different levels; alternative contribution rates based on employee income bands; and employee matching contributions for an initial phasing in period only.

5.2 Contribution Levels

A small number of submissions suggested that a mechanism should be built into the system to auto escalate but to allow individuals to max out their contributions at a level they deem appropriate due to affordability or other concerns i.e. a member can choose to 'hold' at an earlier point on the contributions scale - such as 3%/4%/5%- to serve as their maximum level of contribution.

There were opposing arguments as to the appropriate level of employee and employer contribution rates, or as to the appropriate split between the overall percentages contributed by the employer/employee and the State. Employer and labour costs were cited as a major prohibitive factor for the introduction of AE, particularly for labour intensive industries.

While the exact split of the proposed contributions was questioned, in general, the proposed ultimate contribution levels of 14% were deemed to be appropriate. Some submissions supported higher contribution rates, or a more rapidly increasing escalation period, citing the Strawman objectives of delivering an adequate standard of living in retirement. In particular, a few submissions highlighted the need to encourage older enrolees to contribute more than the initial introductory contribution rates if they are to try and achieve adequacy in retirement.

5.3 Employer Matching Contributions for those who Opt-in

The majority of submissions cited the need to ensure that employer matching contributions were afforded to those outside the AE qualifying criteria who opted-in to the system. This was encouraged on a number of grounds, including, the need to promote fairness and equality within the system and to support individuals in ensuring adequate pension provision. However, a number of submissions (primarily from employers) were opposed to employer matching contributions in cases where the employee opted-in to the system.

5.4 Upper Threshold on Qualifying Earnings and Earnings 'Disregard'

The vast majority of submissions were opposed to the idea of incorporating an earnings 'disregard' into the proposed AE system, with many citing the potential for increased complexity and the fact the UK is currently considering removing the 'disregard' from their AE system.¹⁹

Alluding to an upper threshold on qualifying earnings which the Strawman set at €75,000, the majority of submissions which expressed a view on this topic called for harmonisation with existing Revenue limits on occupational and personal pensions, calling for an upper threshold of €115,000.

¹⁹ An earnings 'disregard' is currently used in the UK automatic enrolment system whereby earnings between £0 and £6,032 are not subject to a contribution requirement.

Employer and Employee Contribution Rates

Auto Escalation of Contribution Rates on a phased basis from 1% to 6% over a period of six years	
Final contribution levels of 6% for both employers and employees	
Upper threshold on qualifying earnings €75,000	
Use of an Earnings disregard	
Employer should provide a matching contribution for those who choose to opt-in	

6. Financial Incentives Provided by the State

The Strawman made the following proposals on how a potential State incentive could work within the AE system;

- *The State will provide an incentive for people to participate in the AE system;*
- *Although both the value and the mechanism for providing this incentive will only be finalised following this consultation, the incentive is, for the purpose of the Strawman, presented as a contribution worth €1 for every €3 the employee contributes towards their retirement savings account;*
- *Where the employee makes contributions in excess of minimum requirements, the State may also make additional contributions subject to a maximum level of contributions of 2% annualised salary;*
- *The State contributions will match employee contributions on a pro-rata basis subject to a cap – possibly linked to a defined annual earnings level such as the proposed €75,000 maximum earning threshold or an average annual earnings threshold as reported by the Central Statistics Office (CSO).*

It is important to reiterate that the Strawman proposal relates to the AE target population only, and does not take a position on the system of marginal tax relief which operates in the wider supplementary pensions system. The wider system of pensions tax incentives is not within the DEASP's remit, and a separate consultation by the Interdepartmental Pensions Reform and Taxation Group (IDPRTG) has taken place to review the costs of the current system of supplementary pensions and wider pension topics.²⁰

6.1 Strawman Approach to Financial Incentives

It is acknowledged that this is one of the most complex sections of the Strawman proposals, and this was reflected by the variety of views received in relation to the questions tabled in this section. A number of submissions expressed concerns about the impact of this measure on the existing system of marginal tax relief in the wider pensions system. However, as noted in the Strawman, the 'matching' proposal framed in the Strawman is solely aimed at the AE target population. The Strawman does not take a position on the current incentive system in the wider pensions sphere.

A number of submissions emphasised the potential issue of arbitrage which may arise from the co-existence of two separate systems of financial incentives operating side-by-side. Additionally, submissions emphasised the potential of the matching contribution proposal to enhance complexity for members who may struggle to compare the pros and cons of the different systems available to them. Concerns were also raised that the proposed incentive is lower than that currently available to higher rate taxpayers, and individuals initially enrolled in AE may progress throughout their career and reach the higher rate tax bracket, thereby losing out on the greater level of incentive afforded through the current supplementary pensions system.

²⁰ IDPRTG (2018) [Consultation on Supplementary Pensions Reform](#) is considering the issue of financial incentives for the wider pension system and the cost of supplementary pensions to the Exchequer.

Several submissions supported the matching contribution approach proposed in the Strawman, claiming it would be easier to understand and more appropriate for the AE target population. In many cases where a submission advocated for the Strawman proposal for State incentives, this support was predicated on the understanding that the current incentive of marginal tax relief would be maintained in the existing system. The range of contrasting views on this subject emphasise that this is an area of the Strawman which needs further evidence building before concrete proposals can be put forward. In particular, further evidence is required on the potential implications of operating two different incentive systems in AE and the wider pensions landscape.

6.2 Cap on State Incentives

It was widely agreed among submissions that it was appropriate to cap the costs of any potential State financial incentive, with many submissions highlighting the potential cost to the Exchequer. Many submissions called for any decision on the cap on State incentives to take account of current rules for occupational and personal pensions in Ireland. In the interests of harmonisation and equalisation between the two systems many submissions, which expressed views on this topic, called for the cap on incentives to mirror the existing €115,000 cap for personal and occupational pensions in Ireland.

Financial Incentives Provided by the State

Strawman Approach to State Incentives ²¹	
Setting a Cap on State Incentives	
Setting that cap at €75,000	

²¹ Further analysis is required on the Strawman approach to financial incentives. While in general there was support for the proposed matching approach, support was given on very different basis (e.g. some called for matching to be applied to both AE and the wider pension system, some supported matching in AE on the understanding that the current system of marginal tax relief being retained, some called for different levels of state incentive, etc.).

7. Investment Options

The Strawman outlined the following proposals in relation to investment options;

- *The type and number of retirement savings fund options that must be available by AE 'Registered Providers' will be determined as part of the detailed AE design process;*
- *In tendering for Registered Providers, the Government will set annual management and investment charges of no more than 0.5% of assets under management. This charges cap will apply to all providers;*
- *Each Registered Provider would be obliged to offer a similar range of 'standard choice' savings fund options including a default fund for those who elect not to exercise choice;*
- *Although other options might be required as part of the final design, it is assumed, for the purpose of this Strawman that these funds will operate on a Defined Contribution (DC) basis;*
- *These products will incorporate a 'Lifestyle' or 'Target Date Fund' investment approach and be defined by reference to risk profile. It is proposed that there be three 'standard choice' savings products with three levels of risk: low, moderate and medium, each of which may incorporate a suitably evolving investment profile as the fund matures;*
- *Members who select the 'standard choice' fund options will be entitled to transfer accumulated funds (contributions plus investment returns minus investment and management fees) between the savings products.*

There was broad support for the Strawman proposal of three standard choice funds from each of the Registered Providers, with many who favoured this approach suggesting it would remove the complexity that employees face when choosing a fund. However, this view was countered by some who suggested that three funds by four providers (i.e. 12 funds) would still represent too many choices and too much complexity for the target population. Others felt a broader choice should be available. The ability to switch between funds was viewed positively. The proposed maximum charge of 0.5% elicited a more diverse range of views, with certain sectors of respondents favouring higher or lower maximum charges.

Whilst the Strawman advocated for a 'Lifestyling' element to the structure of fund options (which would match the fund's investment risk profile with the member's age), the proposal to have a 'low risk' fund serve as the default was viewed with concern by many submissions. It was suggested that such a fund should be redefined as 'low return' and argued it was not appropriate as a default fund as it entails a 'far end' adequacy risk for members i.e. the saver would be guaranteed not to have generated sufficient income when reaching retirement. Other areas considered in submissions on this section of the Strawman included: the need to consider Environmental, Social and Governance (ESG)²² factors in the early stages of auto enrolment; members should be allowed to allocate their investment in more than one fund (i.e. low/medium/moderate risk mix); defined contribution is risky and may lead to those who retire in an economic downturn to a lower income in retirement and those who retire in periods of economic growth to a higher income in retirement. It was also noted that rather

²² See [European Commission](#) for more information on ESG and sustainable finance.

than having a 'lifestyle' approach for all investment options, it should be possible for the risk profile to reflect the person's preferred drawdown option.

Analysis will be undertaken on the development of the investment framework for AE including analysis of the appropriate design of the default fund.²³

7.1 Three Standard Choice Default Funds

Submissions generally agreed that one single default fund may not be applicable to all; with such submissions suggesting that the default fund should take into account an individual's age and in turn their ability to incur risk to a greater degree in the early years of their investing. Based on these concerns, multiple submissions advocated for the default fund to incorporate a 'lifestyle' or 'target date fund' approach.

International research and experience points to the fact the majority of savers will be enrolled in the default fund. Thus, ensuring that the default fund is appropriately designed is paramount to the success of AE in achieving its aims of income adequacy for the duration of an individuals' retirement.

7.2 Target Benefit Approach²⁴

Those who expressed a view were generally negatively disposed to a target benefit approach. A number of responses felt that operating the scheme on a target benefit approach may lead to 'false promises' of a guaranteed level of income from the system, and also introduce added layers of complexity and risk.

7.3 Maximum Charge of 0.5%

Referring to the maximum charge, several submissions called for greater clarity on the respective roles of the CPA and Registered Providers and how overall costs would be allocated between them before an informed view could be expressed.

Some submissions, emanating in the main from the pensions sector, raised concerns about the need for provision for financial advice within the AE system, claiming the 0.5% maximum charge may be artificially low because it appears that this does not include any provision for advice. Additional comments alluded to this low rate causing a potential difficulty for consumers when comparing the charges from AE providers against traditional pension schemes. Others advocated a fee lower than the 0.5%, citing the impact of charges on an individual's accumulated fund.

Many submissions on the subject of maximum charges cited the legislatively based charge cap in the UK of 0.75% and the larger scale of the UK market as indicative of irrationality in

²³ In this regard, the UK, which launched its automatic enrolment system in 2012, recently launched a public consultation on DC pensions and investments and consolidation. This consultation highlights plans to encourage DC pension schemes to invest more widely and the potential for consolidation in occupational DC schemes to develop scale. The timing of the consultation (seven years after the first companies were enrolled in the AE scheme) underlines the point that designing an appropriate investment strategy for members is a critical task and will take a considerable amount of work.

²⁴ A target benefit plan is a type of pension plan that is similar to a defined contribution plan in that it involves fixed contributions, or a fixed range of contributions, which are determined by a formula to calculate the amount needed each year to accumulate (at an assumed interest rate) a fund sufficient to pay a projected retirement benefit, the target benefit, to each participant upon reaching retirement.

the proposal for a 0.5% maximum charge in the Irish market. However, in general these views failed to acknowledge that whilst the 0.75% is the limit in the UK system, analysis indicates that many Master Trusts in the UK deliver services for 0.5% or lower (at a similar scale to that envisaged in Ireland).²⁵

Other key points highlighted in this area included calls to ensure the 0.5% fee is not subject to Value Added Tax (VAT), as life companies are exempt from paying this while other providers would not be subject to the same exemptions. Certain submissions also supported a higher fee cap on the grounds that most members will be low yielding/earning and there are higher marketing costs associated with communicating with individuals rather than employers. Many expressed the opinion that a 0.5% fee would limit members to a passive investment structure and may curtail innovation.²⁶

7.4 Switching Between Funds

The majority of submissions supported the concept of allowing members to switch between funds, with some suggesting it was ‘essential’. Some of these submissions suggested that members should be allowed to switch between funds up to a given maximum number of times within a specified period without incurring any charges (i.e. switch twice in one year without facing a charge for switching), and thereafter face a charge, while others did not explicitly propose any limitations on switching.

Investment Options

Three Standard Choice Default Funds should be available across each Registered Provider	
Those not making a choice should be auto allocated to a standard default fund	
AE should operate a Target Benefit Approach	
Should be a maximum member charge of 0.5%	
Allow members switch between funds	

²⁵ A recent report from the [Pensions Policy Institute \(2018\)](#) estimated the total fee in the UK expressed as an AMC to be 0.48% for Large Master Trusts. The [DWP's 2016 Pension Charges Survey](#) in DC pension schemes found that the average charge was between 0.38% and 0.54% of funds under management annually.

²⁶ See [Pensions Authority](#) for the differences between active and passive investment management.

8. Policy for Opt-out and Re-enrolment

The Strawman presented the following prospective policies for opt-out and re-enrolment;

- *Members will be automatically enrolled via the CPA by their employer on commencement of employment;*
- *Contributions during the first six months of membership will be compulsory;*
- *Member opt-out of the system will be facilitated in a two month 'opt-out window' (between the start of the 7th and the end of the 8th months);*
- *Thereafter, under prescribed circumstances limited member 'Saving Suspension' periods will be facilitated where members wish to temporarily cease making contributions. Employer and State contributions will also cease in this scenario;*
- *Those who opt-out will be automatically re-enrolled after three years but will have the ability to opt-out again under the same circumstances just described;*
- *Those who opt-out during the opt-out window will receive a refund of personal contributions paid (less management fees) up to the point of opt-out. Employer and State contributions, with management fees deducted, will be transferred to the CPA as a contribution to its administrative costs thus lowering overall costs and fees to remaining members.*

There was broad support for many of the Strawman proposals in this section, with the majority of submissions supporting the concepts of a minimum compulsory period, an opt-out window, automatic re-enrolment, and allowing for (limited) periods of Savings Suspension. However, as in other areas of the Strawman, there were differences over what exact format these should take and what guidelines (if any) should govern them.

In contrast, the proposal that employer contributions be transferred to the CPA upon member opt-out was almost universally opposed. Many of the submissions which disagreed with this proposal took the position it was inequitable and unfair.

8.1 Compulsory Membership Period

The majority of submissions favoured the idea of a minimum compulsory membership period, agreeing that as evidenced in other countries, it holds the potential to positively influence member behaviour and may help individuals see the potential benefit they could derive in the long term from staying in AE. Some submissions suggested extending or shortening the compulsory membership period. Of those opposed to the concept, some submissions pointed out that many of those who elect to opt-out will do so on account of affordability concerns and accordingly, forcing these individuals to lock away money may be undesirable. In summary, it can be said that there was strong support for a minimum membership period and further evidence building and consultation may help refine the manner in which this would be best applied.

8.2 Opt-out Window and Re-enrolment

There was less of a consensus on the proposed two-month opt-out window (i.e. in months seven and eight). A number of submissions which did not agree with the Strawman proposals felt that the opt-out window as proposed, rather than encouraging retention, may in fact act as a 'lightning' rod to encourage higher numbers of opt-outs than would otherwise have been the case. Several submissions also highlighted that the timing of the opt-out

window may play an important factor, hypothesising that opt-outs may be higher at certain points of the year (e.g., back to school, Christmas, etc.). Additionally, some submissions on this section called for longer and more frequent opt-out windows or the ability for members to opt-out/cease contributions at any time during their life. Those who argued against the provision of an opt-out window claimed such a facility went against the principles of retirement saving, and advocated the system be operated on a mandatory basis (i.e. no opt-out window).

There was widespread support for the concept of re-enrolment of members who had previously opted-out. Some submissions suggested more frequent re-enrolment than the three years proposed in the Strawman (i.e., after one year, upon commencing a new job, etc.). Many submissions on this point acknowledged that individuals' circumstances may change over time and they should be encouraged to re-enrol into the system. A sizeable number of submissions included the proviso that those re-enrolled should have the same opt-out capacity when they recommence contributions to the system.

8.3 Savings Suspension

The majority of submissions favoured the concept of providing members with the capacity to take periods of 'savings suspension'. However, generally it was felt that such periods should be tightly controlled and limited. They should include provision for individuals to be 'nudged' back into saving after a specified period of time, noting the high numbers on contribution holidays in other AE schemes (particularly the KiwiSaver in New Zealand). The types of scenarios in which submissions envisaged a savings suspension period being facilitated included; first-time buyers saving for a deposit on a house; marriage; financial hardship and medical expenses. However, it was also felt that administering conditionality in relation to the type of scenario where savings suspension would be facilitated would be difficult and that instead all members should have a standardised facility, e.g. four separate periods of up to two years each during their working life after which they would be re-enrolled.

Arguments offered by those submissions opposed to a savings suspension period included the administrative burden of governing such a period, the difficulty in 'policing' such periods, and the impact that such suspension periods would have on the size of the member's fund. Employer submissions highlighted that there should be no requirement on employers to continue making contributions during savings suspension periods. Finally, some felt that a member should be permitted to cease making contributions at any time of their choosing.

8.4 Employer and State Contributions retained to CPA in case of member opt-outs

The retention of employer contributions to the CPA in the case of member opt-outs was almost universally opposed in submissions.

Policy for Opt-out and Re-enrolment

Include a Compulsory Membership Period	
Include an Opt-out window	
Automatic Re-enrolment after a period	
Allow periods of 'Savings Suspension'	
Retaining employer Contributions if employee opts out during opt-out window	

9. Arrangements for Benefits and Pay-out Phase

The Strawman set out the following proposals in relation to the arrangements for benefits and the pay-out phase;

- *AE ‘Registered Providers’ will be required to offer a set of standard decumulation stage options;*
- *These options will be required to comply with the retirement fund draw-down options in place under tax legislation and associated regulations applicable at the time of draw-down. At present, individuals can take a tax-free lump sum and/or purchase an annuity and/or transfer some or all of the funds to an Approved Retirement Fund (ARF)²⁷ from where funds can be drawn as required;*
- *Management and investment fees for each of these options will be no higher than those applying to funds invested during the accumulation phase (i.e. an upper limit of 0.5%);*
- *The contribution phase will cease for each member no later than the prevailing State pension age. However, members may opt to retain accumulated funds with an AE Registered Provider after that date, subject to the prescribed conditions established for the pay-out phase;*
- *An identified minimum level of annuitisation (or deferred annuitisation) may be mandated to protect against longevity risk²⁸;*
- *Upon death, and as is currently the case with DC retirement savings, any assets the member has accumulated in their retirement savings fund will be payable to their estate (i.e. this will be equal to the accumulated value of contributions plus investment returns, less fees, at the time of death);*
- *Early access to accumulated retirement savings may be provided on the grounds of ill health and enforced workplace retirement.*

One of the two stated key objectives of AE is that it would provide a flow of income “*for the duration of the retirement years*”. It was widely acknowledged that it is imperative to ensure the decumulation phase is appropriately designed. There was a strong consensus that achieving this, however, will require a significant amount of work. Although the majority of submissions favoured the Strawman proposal for ‘in-scheme’ draw-down options at retirement, there was no unanimity on what exact form this should take with varying approaches advocated; including Approved Retirement Funds (ARFs), annuities, and scheduled draw-down.²⁹

In summary, it was recognised that a very significant body of work is required to ensure the design of the accumulation and decumulation phase of AE are internally coherent and to

²⁷ Approved Retirement Funds are post-retirement investment plans that allow you to continue to invest your pension fund in retirement and draw down money as you need it, rather than buying an annuity.

²⁸ Longevity risk includes the potential to spend excessively and outlive one’s income source. Recent research by the [IFS \(2019\)](#) estimated that individuals in the UK undervalue their probability of survival to age 75 by 20 percentage points on average.

²⁹ Scheduled draw-down or withdrawals attempt to replicate the interval of a life annuity, by setting a maximum limit on the amount that can be withdrawn each time period. The Chilean pension reform of 1981 gave rise to the innovation of scheduled withdrawals and similar approaches have been adopted in other countries since then.

ensure suitable drawdown mechanisms are available which accommodate the particular characteristics of the AE population.

9.1 Standard Range of Investment/Draw-down Options

A key theme, which ran through many of the submissions on the prospective decumulation/drawdown phase of AE, called for harmonisation of drawdown rules between AE and the wider pensions sphere. Several submissions asserted that allowing different drawdown mechanisms across the various systems would lead to complexity, inequity, and the potential for arbitrage. The IDPRTG consultation process entailed an overview of potential reforms to the current regulation and rules of ARFs, and any potential reforms in this area may help inform thinking on the design of the decumulation phase in AE.³⁰

9.2 Enable the Allocation of Pension Fund across all Post-retirement Options

There was broad support for structures that would enable individuals to allocate their fund at retirement across the available range of post-retirement options (i.e. a member is not compelled to use all funds to purchase an annuity). Many submissions referred to the important role of advice and in particular the integral role it plays in the drawdown stage. These submissions claimed that individuals should have access to advice when making decisions on how to allocate their accumulated retirement fund across the options available to them.

9.3 Minimum Proportion of Fund in Lifetime Annuity

In general the majority of submissions were opposed to the proposal for a minimum proportion of the individuals fund to be invested in a lifetime annuity. Many submissions cited the fact that this would create disharmony with the current pensions' landscape, where individuals can take their entire fund as an ARF, and would increase the opportunity for regulatory or advisory arbitrage. Some submissions also suggested that such a proposal would prove unpopular, and may prove unfair, when market conditions for annuities are unfavourable.

Of those submissions which supported the concept of mandatory annuitisation, the reasons for doing so included believing there is a strong case for a guaranteed lifetime income to achieve what is the stated goal of AE and retirement provision generally. It was also suggested that this may help alleviate issues when individuals enter their more vulnerable years and may have a reduced cognitive capacity to make financial decisions.

9.4 State Pension Age as Appropriate Age to Grant Access to Drawdown Products

While there was some acceptance that the State pension age was the appropriate age at which to grant access to drawdown products, this view was countered by those who advocated for greater flexibility. Advocates of greater flexibility pointed to the increasing prevalence of phased retirements, in which people gradually transition from full-time work to part-time work to retirement. Some submissions suggested that to ally AE with this trend in phased retirements, a proportion of an individual's fund could be made available at an earlier age (i.e. access to percentage of fund at age 50, etc.). The need to align the criteria for

³⁰ See Section C – Approved Retirement Funds of the IDPRTG consultation.

drawdown with the existing supplementary pensions landscape in Ireland was highlighted in a number of submissions.

9.5 Early Access on Grounds of Ill-health and Enforced Workplace Retirement

There was broad support for the Strawman proposals based on early access on the grounds of ill-health and enforced workplace retirement. Many submissions asserted that any measures in this space should mirror existing rules governing occupational and personal pensions.

Arrangements for Benefits and Pay-out Phase

Registered Providers should provide a standard range of investment/draw-down options	
Members allowed allocate accumulated fund across all post-retirement options	
Minimum proportion of fund in lifetime annuity	
Drawdown facilitated from State Pension Age	
Early access on grounds of ill health and enforced workplace retirement	

10. Alternative Systems and Amendments to the Strawman Proposal

A proportionately small number of submissions suggested alternative mechanisms through which AE could be administered. These included various fundamentally different proposals on the way in which AE should be delivered (compared to the Strawman's pre-funded DC individual accounts). Suggestions included AE being delivered:

- as an entirely mandatory scheme (no opt-out);
- as a Collective Defined Contribution (CDC)³¹ system;
- as a Notional Defined Contribution (NDC)³² system;
- On a PAYG basis and/or as an extension of the SIF/PRSI system;
- Only after a Universal State Pension is introduced;
- As a system accommodating housing and income needs by allowing for a portion of the individual's accumulated fund to be available to them to put towards purchasing a house.

A number of submissions advocated for the Revenue Commissioners (administration) or a State agency such as the National Treasury Management Agency (NTMA) (investment management) to have a role in AE. Submissions emanating mainly from payroll providers and payroll software developers highlighted the recent advent of PAYE modernisation and its capability to play a role in recording the remittance and collection of contributions to the AE system. These submissions also referred to what they considered might be an unnecessary administrative burden that would be placed on employers if having to register the same employees with two distinct systems with different data feeds, etc.

Additionally, a small number of submissions called for further consideration on the future inclusion of extra features within the AE framework. Namely, there were calls for provisions for death in service benefits, and for the facility for members to make additional voluntary contributions (AVCs) to the system.³³

Many of the alternative proposals made in submissions received for how AE could possibly be structured to represent new and emerging areas within pensions. They would require detailed consideration and evidence building to analyse how they could operate in an AE setting and, importantly, how well they could achieve the Government's policy objectives for the system.

³¹ The UK Government ran a public consultation on [Delivering Collective Defined Contribution Pension Schemes \(DWP 2018\)](#) from November 2018 to January 2019, and the [Work and Pensions Select Committee](#) has called for the UK Government to act quickly to legislate to allow CDC schemes.

³² [World Bank](#) – “Notional accounts are designed to mimic a defined contribution plan, where the pension depends on contributions and investment returns ... Pension contributions are tracked in accounts which earn a rate of return. However, in notional accounts, the return that contributions earn is a notional one, set by the government, not the product of investment returns in the markets”.

³³ See the [Pensions Authority](#) for further information on benefits payable on death, and also see the [Pensions Authority](#) for more information on AVCs.

11. Conclusion and Further Actions

The volume of submissions made in response to the AE Strawman consultation process indicates the significant level of interest in the implementation of this policy. The introduction of AE was welcomed in the vast majority of submissions. Many of these submissions highlighted the fundamental need to reform the current system to ensure a large number of the Irish population not currently saving can achieve an adequate standard of living in retirement. However, the submissions advance a diverse and often conflicting range of views around the manner in which the AE system could operate and its interaction with current pension provision.

As outlined in the 'Roadmap for Pensions Reform 2018-2023', it is envisaged that Government will finalise the design of an AE system in 2019 and the submissions made as part of the consultation process provides a significant contribution to achieving this action. The principles and concepts underpinning AE were generally accepted in submissions, and thus it is important to build upon these principles and design an AE system in the best interests of members, and members alone, to maximise retirement incomes for individuals.

Appendix: List of Institutional Respondents³⁴

ABC Bookshop	Age Action
Aon	Association of Pension Lawyers in Ireland
Association of Pension Trustees of Ireland (APTI)	Ask About Money
Aviva Ireland	Bank of Ireland Group
Brokers Ireland	Chartered Financial Analyst Society
Chambers Ireland	Chartered Accountants Ireland
Chartered Institute of Personnel and Development (CIPD)	Citizens Information Board
Competition and Consumer Protection Commission (CCPC)	Convenience Stores and Newspaper Association
COPE Galway	Core HR
Cork Chamber	CIF Pension Administration Services
Davy	Dublin Chamber
Early Childhood Ireland	EMD Programming Services
EU H2020 Project Fair Tax	Fitzgerald Actuarial Limited
Hardware Association Ireland	HC Financial
Hobbs Financial Practice Ltd	Irish Association of Pension Funds
Ibec	Irish Creamery Milk Suppliers Association
Insurance Ireland	Irish Association of Investment Managers
Irish Hotels Federation	Irish Life
Irish Payroll Association	Irish SME Association
Irish Venture Capital Association (IVCA)	Landmark Media
Mercer	Musgrave Group Plc
National Federation of Pensioners Association	National Women's Council
Nursing Homes Ireland	Pascal Software
Payroll Software Developers Association	Pension Bee
Pensions Policy Research Group	RRD Supply Chain Solutions
Sage	Small Firms Association
Social Justice Ireland	Society of Actuaries
SS&C Technologies	Standard Life
State Street Global Advisors	Talk Financial Ltd
Tata Consultancy Services	Ulster Bank
UPS	Vintners Ireland
Waterford Institute of Technology	Willis Tower Watson
Zurich Life	

³⁴ Not including those respondents that requested their submission remain anonymous.