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 Automatic Enrolment Focus Group Meetings

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Key Findings

As part of the consultation process on the introduction of an Automatic Enrolment (AE) retirement savings system into Ireland, a series of focus groups was held in March 2019 to obtain the views of those likely to be included in the AE target population, but who would be unlikely to respond to a call for submissions on the Strawman proposals.
In total six focus groups were held with each group consisting of eight participants. The 48 participants were reflective of the characteristics of the AE target population: private sector workers, with annual earnings that were close to or below average industrial earnings. Participants worked mainly in the services sector with retail and accommodation and food services predominating. The age range of participants was 19 to 62 years of age, which is broader than the age thresholds of 23 to 60 as set out in the Strawman proposal. Of the six focus groups, three groups were of mixed ages and three were stratified by age, i.e. 18-30 year olds, 31-45 year olds and 46-66 year olds.

Awareness of AE proposals
Each focus group commenced with a general question as to whether or not the participants had heard of the proposals for an AE retirement saving system. The results of this question are set out in Table 1 below. In total, 19 participants (or 40 per cent) had heard of AE while 29 participants (or 60 per cent) had not.

Table 1: Overview of Focus Group responses as to whether the participants had or had not heard of AE.

	Have Heard of AE	Have not heard of AE
Focus Group 1	0	8
Focus Group 2	4	4
Focus Group 3	3	5
Focus Group 4	3	5
Focus Group 5	5	3
Focus Group 6	4	4
Total	19	29

Attitude to saving for retirement
Participants were of the view that pensions is an important issue and that people should be encouraged to save. Concerns were expressed that the State Pension would not provide a sufficient income in retirement. Younger participants were less likely to see pensions as a priority but acknowledged that the earlier you start saving for your retirement the better you will be financially when you reach pension age.

Attitude to the AE proposal
45 of the 48 participants thought that the AE proposal was a good idea. A few participants thought that saving for retirement should be on mandatory basis. In general people like the simplicity of the proposal and that it made choosing a pension policy less complex. Three participants were not in favour of the AE proposal. They thought that education about pensions should be improved and that people should be encouraged to opt-in to pensions on a voluntary basis.

Attitude to the eligibility criteria

Participants' views varied on the age thresholds that were proposed in the Strawman: 23 to 60 years of age. Some participants thought that the lower age should be 18 while one participant thought that it should be as high as 30. On the upper age threshold, some participants were of the view that 60 was too high and that the age should be reduced to 55 so as to provide the member with a sufficient period of time to obtain a decent return for their retirement. Other participants thought that there should be no upper age limit so as to allow all people the opportunity to get the employer and State contributions. In a couple of the meetings it was suggested that employment status rather than age should be the trigger that led to enrolment: when a person starts full-time employment.

On the earnings threshold of €20,000, participants were generally of the view that this was an appropriate level, although some participants thought that there should be a higher threshold and others thought there should be no threshold at all. While there were concerns about the affordability of contributions for people on this level of income, it was felt that the ability for a person to opt-out would address concerns in this regard.

Views on the factors that would encourage continued participation in the AE system

Simplicity, convenience and the knowledge that a pension was being put in place to secure their future were factors identified by participants which would encourage them to remain in the system if they were automatically enrolled. Other factors include the matching contributions being provided by employers and by the State and if you feel you can afford to make the contributions.

Views on the factors that might lead to opting-out

While participants felt that they would remain in the system if they felt that they did not miss their contribution from their net income, conversely they felt that if they were struggling to meet their living expenses, then this might lead them to opt-out of the system. Other factors that might lead to opting out included a change of circumstance in terms of family or caring commitments.

Participants also commented on the procedure for opting-out (mandatory participation for six months, opt-out window in months seven and eight and re-enrolment every three years) and were of the view that the arrangements in this regard were confusing. A number of participants thought the mandatory membership period of six months is too long and suggested that it should be three months in duration. Other participants thought that the opt-out window of two months was too narrow.

Views on the possibility of saving suspension periods

Almost all the participants were in favour of an option that would permit the suspension of contributions for limited periods and that such an option would make it less likely for them to opt-out of the system. However, one participant thought that suspensions should not be permitted on the condition that contributions could be reduced to 1% for fixed periods, thereby keeping members attached to the savings system. Participants thought that if an option to suspend contributions was to be made available, then it needs to be administratively simple to do in terms of application and re-commencement. There was a consensus amongst participants that saving suspension periods should be limited in terms of duration, the reasons for suspending contributions, such as saving for a house deposit, and the total number of saving suspensions.

Attitude on the employees' contribution rate

While most participants thought that the 6% contribution rate for employees was appropriate, some participants thought that it was too high, particularly for those on lower income and those on flat rates of pay i.e. not experiencing incremental pay increases. There was no consensus on the proposed auto-escalation of contribution rates (1% each year over six years). Some participants thought it was too rapid, while a few participants thought that the 6% rate should be introduced from the outset. Other participants suggested that the contribution rate should be set at a rate of 2% or 3% for a number of years to bed the system down and then to apply the 6% rate at a later stage.

Attitude on the employer contribution rate

While participants were of the view that employers should make contributions to their employees' retirement savings funds, concerns were raised about the ability of small and medium sized businesses to meet these additional costs. Some participants suggested that the State should assist employers to meet these additional costs or for the State to contribute at a higher rate and employers to contribute a lower rate.

Views on the State incentive

The majority of participants thought that the matching contribution approach was preferable to the current system of tax relief on pension contributions. Participants believed that the tax relief approach was confusing whereas the matching contribution approach was simpler to understand. Some participants were of the view that matching contributions were also more equitable to people as it gave the same level of incentive to people irrespective of their level of income. However a few participants contended that higher tax payers should not be penalised and receive less support through the matching contribution approach. Of the six groups, one group was more supportive of the tax-relief approach. This was the youngest focus group comprised of 18-30 year olds.

Views on fund allocation and the default fund

Most participants said that they would like to choose their own fund (26 participants) rather than going with the default fund (22 participants). Of the six groups, participants in the two younger age groups (18 to 30 years of age and 31 to 45 years of age) said that they would be more likely to choose the their own fund than go with the default option. Participants who expressed a preference for choosing their own fund said that they would like to have control over where their money was being invested and that this would give them a greater sense of ownership in the process. Participants said that they liked that the system facilitated choice, but that choice was limited and this made the system simpler. Of those participants who indicated a preference for the default fund, they felt that they lacked the knowledge and confidence to make a decision as to where their money should go. They were also reassured that the default fund would be less risky than the other funds that might be available.

Levels of trust in private pension providers

Participants' levels of trust in private pension providers varied. One group were of the view that they would trust private pension providers more than the State while another group would have no trust in private pension providers operating the AE system. This later group was comprised of older people of working age (46 to 66 years of age), who may have been influenced by their experience during the most recent economic downturn. The other four groups were neutral in the level of trust that they had in private pension providers. A number of participants in each of the groups commented that their level of trust in private pension providers would be helped if the State was involved in the selection and oversight of the providers that would operate the AE system.

Levels of trust in the State operating a pension fund

Participants' level of trust in the State operating a pension fund was mostly unfavourable, with the younger age groups trusting private pension providers more than the State to deliver an AE system. A number of participants spoke of their fears that the State might apply a levy on their funds if there was an economic downturn. Older age participants were more favourable in the State being involved in operating an AE fund and had a greater level of trust in the State managing their money. They also felt that members would be able to hold the State more to account than a private company. In the main, participants were of the view that if the State was involved in operating a fund, that private pension providers should also be afforded the opportunity to be involved in the system. However, some participants thought that allowing a State fund to operate would make the system too complicated and would limit competition in the system.

Methodology

Six focus groups were held over a two week period in March 2019. The focus groups were organised and facilitated by the Pensions Authority, who engaged a market research and fieldwork specialist agency to assist in participant selection. Participants were selected on the basis of criteria set by the Department of Employment Affairs and Social Protection (DEASP). The selection criteria were as follows:

- People of working age, aged 18 – 66, working in the private sector.
- People working in the services sector: retail; accommodation and food services, transport.
- Variation in terms of income – predominately those with lower incomes but some higher income people too – above the average industrial wage.
- A 50:50 male/female split.
- Representation from the self-employed.
- Representation of non-Irish national workers.

Each of the six focus groups was made up of eight participants. Three of the focus groups consisted of all ages and three of the groups were broken into the following age groups:

- 18 to 30 years of age
- 31 to 45 years of age
- 46 to 66 years of age

The focus groups followed a semi-structured script designed to ensure consistency in each of the groups over a 90 minute period. Before the discussion commenced, a presentation on the Strawman proposal was made to each of the groups to provide participants with the details of the proposed AE system and the policy context which the proposal seeks to address (presentation is set out in Appendix 1). Following the presentation, participants were asked a set of questions which followed a prescribed sequence. To assist in the discussion on the question relating to tax relief of pensions, a flip-chart was used to show calculations of the value of incentives from the State for pension contributions under the current system of tax relief compared to a matching contribution approach as proposed in the Strawman document. Responses were recorded by a note-taker and by video and these sources have been used to write this report.

What is a focus group?
A focus group is a moderated discussion of a small group of people to learn more about opinions on a designated topic. The composition of the focus group is carefully chosen on the basis of their relevance and relationship to the topic under study. They are not typically chosen through rigorous, probability sampling methods, which means that they do not statistically represent any meaningful population. On the other hand, because participants are actively encouraged to not only express their own opinions, but also respond to other members and questions posed by the facilitator, focus groups offer a depth, nuance, and variety to the discussion that would not be available through surveys. Additionally, because focus groups are structured and directed, but also expressive, they can yield a lot of information in a relatively short time. However, the environment in which a focus group operates can lead to certain disadvantages and there is the risk that influential group members affect the expressions of others within the group. Moreover, the nature of the data is qualitative rather than quantitative and therefore harder to generalize to the larger population.

Profile of Participants

In total 48 participants took part in the six focus groups. 23 participants were male while 25 were female. Just over 56 per cent were below 40 years of age. The youngest participant was 19, while the oldest was 62. The median age was 36. 85 per cent of the participants were not currently in a pension plan. In line with the low supplementary pension coverage rates in the retail and accommodation and food sectors, almost three-quarters of the participants came from these sectors. 77 per cent were private sector employees while 23 per cent were self-employed. In terms of salary level, 58 per cent earned below €40,000 a year while 42 per cent earned above this income level. The lowest income was €13,000 a year while the highest salary was €60,000 a year. Each focus group contained one non-Irish national, so the total number who came from outside the State was 6 participants. The following tables provide a breakdown of the participants in terms of their socio-demographic characteristics.

Table 2: Gender

	Number	Percentage
Males	23	48%
Females	25	52%

Table 3: Age

	Number	Percentage
Below 30	11	23%
30-39	16	33%
40-49	9	19%
50 and over	12	25%

Table 4: Currently in a pension plan

	Number	Percentage
Yes	7	15%
No	41	85%

Table 5: Employment sectors

	Number	Percentage
Accommodation and Food	20	42%
Retail	15	31%
Other services, Manufacturing, Transport	13	27%

Table 6: Employment status

	Number	Percentage
Employees	37	77%
Self- Employed	11	23%

Table 7: Salary level

	Number	Percentage
Below €40,000	28	58%
Above €40,000	20	42%

Table 8: National / Non-Irish National

	Number	Percentage
Irish National	42	88%
Non-Irish National	6	13%

Reports of Individual Focus Groups

Focus Group 1

Date: 5 March 2019

Profile of participants
- Age range 18-66
- No current pension scheme members
- All working in private sector (emphasis on hospitality/food/retail sectors)
- One non-Irish national
- Mix of earnings (Four under €40k and four over €40k)
- One sole trader

Questions

1. What is your attitude to saving for your retirement?

All participants felt that saving for retirement is vitally important but mostly it is left on the long finger.

Other comments:
- When you are self-employed you have little time to think about pensions.
- Would prefer a mandatory pension so that you do not have to think about saving, money is just saved away.
- Having to put your money away for a long period is scary because of concerns about the security of your savings and risk that you might lose your money.

2. Do you think that a system that would see employees without personal retirement savings automatically enrolled with the freedom of choice to opt out should they so choose is a good idea?

All eight participants thought that AE was good for the following reasons:
- If the contribution is deducted before you know it, you can get used to having less money more easily.
- It would ultimately lead to a better quality of life in retirement/ help to maintain the standard of living that a person had while they were working.
- It seems like a fair system.

One participant thought it should be completely mandatory, not auto enrolment with an opt-out. Another participant thought that it would be useful if there was an option to freeze contributions or opt out: the system should be flexible.

A number of concerns were discussed:
- The impact on employers contributing to the system.

- Whether returns at retirement would be enough for pensioners to live on.
- In what way would it interact with the current system?

3. Under the proposal, employees aged between 23 and 60 years and earning more than €20,000 a year will be automatically enrolled. What do you think of these criteria?

All eight participants felt that the age limits (23 and 60) set out in the proposal should be revised. In the main the participants felt that enrolment should relate to whether an individual is in full time employment, regardless of age. This idea arose from the thought that when you pay income tax, then you should be automatically included in the system. This would provide simplicity. They added that if any individual did not want to be a part of the system, they could opt-out. One participant added that those who fell outside of the scope of AE could always opt-in if they chose to do so.

"With an opt-in system then you are not excluding anyone, it's at their own discretion."

On the threshold of €20,000, participants generally felt that this was a reasonable starting point for individuals. However, some thought that 6% contribution for somebody on €20,000 would be too high, particularly for people renting accommodation in Dublin. On the other hand, people will be able to opt-out if affordability is an issue. One participant felt that the threshold should be higher: between €25,000 and €30,000.

4. What are the factors that might make you likely to remain in the system if automatically enrolled?

Participants included the following reasons that would make it more likely for them to remain in the scheme:
- If you didn't notice contributions going out in the first place.
- If the contributions are deducted at source, reflected in your payslip.
- Security for the future.
- If you change jobs, your account would transfer with you automatically.
- If the system is easy and provides flexibility.
- There needs to be transparency in the value of your pension: I want to see how my pot is performing.

5. What are the factors that might lead you to opt-out of the system?

Participants mentioned the following reasons that might lead them to leave the scheme:
- A change in personal circumstances i.e. travelling, emigrating, back to study, change in employment.
- If you were struggling to pay bills or rent – affordability would be a major factor.
- A change in family circumstances e.g. an ill relative.
- If you were on a lower salary or your work is contract based, there will be lots of salary volatility.

- If it starts to affect your other allowances or benefits e.g. removes a means-tested benefit because you now had extra savings.
- Younger people might see it as a tax.
- If there is a lack of communication about what is happening to your funds.

Some participants found the sequencing of opting-out and opting-in to be confusing. There were concerns that by opting out, then you might exclude yourself from participating in the scheme for good.

6. Would you be less likely to opt-out of the system if you could suspend your contributions for a period of time?

All participants said they liked the option of suspending contributions but stressed that it should not be made easy to do so, because people who suspend their contributions might never go back to making them. It was commented that suspending contributions should be limited to genuine reasons, limited in duration and for a limited number of times. If contributions are to be suspended, then the process to do this should be simple.
"I don't think that you should be able to freeze it whenever you like."

7. Do you believe the proposed levels of member contribution are too high, too low, just right? (1% of gross earnings escalating to 6% over 6 years)

Participants generally agreed with the 6% contribution rate but suggested more flexibility in the level of contributions. In particular, some felt that a 6% contribution on a €20,000 salary would be just too much to cope with.

While some people were happy with the auto-escalation of contribution rates (1% to 6% over six years), some of the other participants were more concerned about this approach. It was suggested that people, particularly those on low incomes, should be provided with the option to increase their contributions rather than this happening on a mandatory basis.

8. If a member is contributing 6%, how much do you think your employer should contribute (in terms of percentage of salary)?

The participants all agreed that matching contributions from the employer would be acceptable and fair. One participant felt the State should be paying more than €1 for every €3 that an individual saves.

9. Would you prefer a State incentive provided through income tax relief or one where the State gives you €1 for every €3 you contribute?

<u>Initially:</u> All eight participants preferred the idea of the matching contribution approach. The participants felt that such an approach is a much easier system to understand than the tax relief approach currently used.

After calculations: All eight participants still preferred the matching contributions for its transparency and they deemed it a fairer system than the tax relief approach as it was the same amount of support regardless of income.

10. Members will be given a choice to select from a range of providers and savings/investment funds each with differing risk and rewards profiles. Members who feel unable or unwilling to make such a choice, would be allocated to a specially designed 'default fund'. Would you be more likely to choose your own provider and fund or go with the default fund?

Of the eight participants, one said they would like to choose their own investments and seven said they would choose the default option. The one participant who would choose his or her own investments wanted control over his "pot". The other seven would pick the default fund for the following reasons:

- They felt they were not good at making financial decisions.
- They would trust an advisors/expert opinion over their own. However, they knew there are risks either way.
- They did not want or like risk.

11. To what extent would you have trust in the providers of such funds? Why?

The participants commented that they would trust the providers more than the State. In addition, if the State were to choose four providers to choose from, this would bring more comfort and trust to the members as the ground rules are set.

12. Would you have more or less trust in the State providing a fund instead? Why?

Most participants confirmed that they would trust private providers more than the State. The participants pointed to recent political news stories to suggest that they do not trust the State with their money.

Focus Group 2

Date: 5 March 2019 Profile of participants • Age range 18-66 • Three current pension scheme members • All working in private sector (emphasis on hospitality/food/retail sectors) • One non-Irish national • Mix of earnings (Four under €40k and four over €40k) • One sole trader

Questions

1. What is your attitude to saving for your retirement?

All participants agreed that it was a good idea to save for your retirement. Further comments included:

- I just don't think about pensions at my age (participant in their 20s).
- Most people do not think about pensions until their 30s, at least.
- My money might be better in normal savings rather than in a pension.
- Beginning to think about setting up a pension, following on from encouragement at work.
- Scepticism because people have lost lots of money in their pensions.
- Income is currently needed for other things (mortgage, health insurance, bills).
- The State pension will not be enough.

2. Do you think that a system that would see employees without personal retirement savings automatically enrolled with the freedom of choice to opt out should they so choose is a good idea?

All eight participants thought that AE is a good idea but it could be met with some resistance from the public.

"Automatic Enrolment is a positive thing. You don't have to do anything and you can opt-out."

Participants also felt that some employers would struggle financially if they had to match employee contribution obligation.

One participant remarked that if AE works like the KiwiSaver in New Zealand, it would be a great savings option.

3. **Under the proposal, employees aged between 23 and 60 years and earning more than €20,000 a year will be automatically enrolled. What do you think of these criteria?**

Six participants agreed with the lower age requirement of 23, saying that this is the normal age of starting full-time permanent employment and settling down after college. Two participants suggested the age be raised to somewhere between 25-28, to allow for reasons such as travel and affordability. The ability to save for a mortgage also needs to be taken into account.

Seven participants agreed with the upper age limit of 60. One participant would like to see it lowered to 55, as starting to save at age 60 would not be worthwhile.
On the question of the €20,000 threshold, seven participants agreed that it is a good starting point. One participant felt the threshold should be higher than that because 6% of a €20,000 salary is too big a contribution – a figure of €24,000 was mentioned. Particular concerns were expressed about affordability in the context of the cost of accommodation, particularly in Dublin.

Other comments:
- There was a suggestion that being in employment should be the sole criterion for being automatically enrolled.
- A span of 30 years should be sufficient to obtain a reasonable pension.

4. **What are the factors that might make you likely to remain in the system if automatically enrolled?**

Participants mentioned the following reasons for remaining in the scheme:
- The simplicity of the scheme: it is done for you automatically. It is easy and convenient.
- The State paying in too would be a reason to stay in the system.
- Employers matching contributions would be a huge incentive.

5. **What are the factors that might lead you to opt-out of the system?**

Participants mentioned the following reasons which might lead to them leaving the scheme:
- Change in personal circumstances e.g. travelling, emigrating, going back to study, change in employment, maternity leave, caring for family.
- Affordability, struggling to pay bills or rent.
- If you cannot lower your contributions.
- The opt-out window is too narrow.

6. **Would you be less likely to opt-out of the system if you could suspend your contributions for a period of time?**

All the participants indicated that they would welcome the option to suspend contributions and that such an option would make it less likely for them to opt-out. However, there was a mix of opinions on whether the suspension of contributions should be a personal decision or whether set criteria should apply. Some participants felt there would be a reluctance to stay in the system if they could not control when they could suspend contributions. Others felt that there should be limited circumstance because it would defeat the purpose of saving if you could stop it so easily.

Other comments:

- How would AE tie in with mortgages e.g. demonstrate ability to save in seeking mortgage approval with banks, using the savings to put towards a house deposit, length of the term of the mortgage.

7. Do you believe the proposed levels of member contribution are too high, too low, just right? (1% of gross earnings escalating to 6% over 6 years)

Of the eight participants, five felt that the auto-escalation of contribution rates (1% to 6% over six years) was too quick and they would prefer that the higher rate be introduce more slowly. The other three thought there should be a flat rate of 2% to 3% for a number of years rising to 6%. While there was general agreement that the ultimate rate of 6% is appropriate, individual circumstances should also be taken into account. The auto-escalation of contribution rates might be fine for someone on an incremental salary scale, but not necessarily so for someone on a flat rate of pay.

8. If a member is contributing 6%, how much do you think your employer should contribute (in terms of percentage of salary)?

Six of the participants agreed that employers should match their employees' contributions. However, there were concerns about the affordability of the 6% contribution rate for smaller to medium sized businesses. Such employers might need more assistance to pay these contributions. Two participants were of the view that the employers' contribution rate should be a little bit higher than 6%.

9. Would you prefer a State incentive provided through income tax relief or one where the State gives you €1 for every €3 you contribute?

<u>Initially:</u> All eight participants preferred the idea of the matching contribution approach. The participants felt that the matching contributions approach is a much easier system to understand and much more straightforward compared to the tax relief approach.

<u>After calculations:</u> Following consideration of the tax relief approach there was a discussion of the fairness of tax relief. Some said that the same Government incentive should be given to all but others argued that higher rate taxpayers should not be penalised and receive less support through the matching contributions approach. Overall there was a strong preference for the matching contributions approach because of its simplicity whereas tax relief is complex and difficult to understand.

10. Members will be given a choice to select from a range of providers and savings/investment funds each with differing risk and rewards profiles. Members who feel unable or unwilling to make such a choice, would be allocated to a specially designed 'default fund'. Would you be more likely to choose your own provider and fund or go with the default fund?

Of the eight participants, four said they would like to choose their own provider/fund and four said they would choose the default option.

Of those who said they would choose their own provider/fund, they liked the idea of having control over where their money goes, provided they were given the information with which to make this decision.

Of those who chose the default fund, the main concern was that they did not know enough about pensions or investments to be able to choose.

Participants discussed the ability to switch from one fund to another and liked the idea that they could do so. For example at the beginning they might not know about pensions and the default fund option would be suitable at that point. Later on, they might become more familiar with pensions and would appreciate the opportunity to transfer their savings to a different fund.

A concern raised by one participant was the potential for different outcomes for two people who were "carouselled" in to two different default funds with both coming away with two hugely different pots at retirement age. If this is a Government backed policy, then the returns should be the same for each of the default funds. It was suggested that the carousel idea could be controversial down the line.

Another concern raised by a couple of participants was about investment losses and who would be responsible for such losses.

11. To what extent would you have trust in the providers of such funds? Why?

Participants remarked that they neither trust, nor distrust, the private pension providers. They commented that they would have more confidence and higher expectations in private pension providers than in the State. Their confidence would be helped if the State was involved in selecting the providers that would operate the system.

12. Would you have more or less trust in the State providing a fund instead? Why?

Some comments included:

- Most participants were unsure but one thought it would be good to have the option of a State fund.
- A number of participants argued that they would not trust the State with people's money, no confidence in the State's ability to manage the money.

- If there were a crisis in the economy, there were concerns that the State might "raid" the funds.
- One participant was concerned that the AE system could affect the PRSI system in the future leading to a reduction in social insurance benefits.
- Another participant said that it would just be better to leave the management of the funds to the "professional" private pension providers.

Focus Group 3

Date: 7 March 2019

Profile of participants

- Age range 18-30 (Eight participants altogether)
- One current pension scheme member
- All working in private sector (emphasis on hospitality/food/retail sectors)
- One non-Irish national
- Mix of earnings (Five under €40k and three over €40k)

Questions

1. What is your attitude to saving for your retirement?

Participants said that they had never really thought about their retirement but acknowledged that it would be better to think about the topic earlier in life. However, it was agreed that pensions is generally not top priority for those in their twenties.

"It's good for peace of mind for the future"

"It makes sense that the earlier that you contribute to it, the bigger the pot will be at the end"

One participant suggested that when searching for jobs one should actively seek out employers who offer pension schemes.

2. Do you think that a system that would see employees without personal retirement savings automatically enrolled with the freedom of choice to opt out should they so choose is a good idea?

All eight participants thought that the idea was a good one.

One participant felt that the timeframe for opting out was too short and that a person who wanted to opt-out but missed their opportunity to do so, might be very annoyed. Some participants thought re-enrolment every three years was too frequent while others thought it should be more frequent i.e. on an annual basis.

3. Under the proposal, employees aged between 23 and 60 years and earning more than €20,000 a year will be automatically enrolled. What do you think of these criteria?

Seven participants agreed with the proposal to enrol people at 23 years of age and thought that it was an appropriate age to begin with as it is the approximate age that people move into full-time employment. One participant said that the age threshold should be higher (26 or 27), as people are not fully established in terms of employment at that age.

Three participants said that 60 was a good upper age limit to have for the scheme but five participants said that the age should be lower because starting at age 60 does not give anyone much time to build up a sizeable retirement fund. 55 was suggested as an alternative upper age limit.

All eight participants agreed that €20,000 was a fair earnings threshold for the scheme. The option to opt-in for those aged below 23, over 60 and those on incomes below €20,000 was seen as a positive aspect of the scheme.

4. What are the factors that might make you likely to remain in the system if automatically enrolled?

Participants mentioned the following reasons for remaining in the system:

- Matching contributions from employers and the State would be a huge incentive to remain in the system.
- Your pension is set up automatically for you.
- The ease of it, particularly if you are changing jobs you will be able to bring you pot with you.

5. What are the factors that might lead you to opt-out of the system?

Participants mentioned the following reasons for leaving the scheme:

- Concerns about affordability - if I was struggling to pay bills or rent.
- If there was change in personal circumstances e.g. travelling, emigrating, going back to study, change in employment,
- If your income fell below the €20,000 threshold – referencing contract based work and salary volatility.

6. Would you be less likely to opt-out of the system if you could suspend your contributions for a period of time?

Each participant stated that they would welcome an option to stop making contributions for a while and would be less likely to opt-out if contributions could be paused.

The group felt that the ability to freeze contributions should be related to affordability. They then added that there should be set rules on when a member can pause contributions.

One participant said that the hassle of opting out and in to the system would be troublesome so the option to freeze contributions would be helpful, particularly if you couldn't afford to make contributions one year but could afford to do so another year.

7. **Do you believe the proposed levels of member contribution are too high, too low, just right? (1% of gross earnings escalating to 6% over 6 years)**

Seven of the participants agreed that 6% is just right for the level of contributions with one participant suggesting that a higher rate should be set.

One participant expressed concerns that 6% might be too high for people who are on flat rate salaries, which wouldn't increase, for those working part-time, or for people whose salaries might decrease from one year to the next. Participants discussed the option of being able to choose their own contribution level using a sliding scale online. Some agreed this would give members control of their own savings whilst others thought this might be problematic and wanted to keep it simple for all. A number of participants queried if people would be allowed to make higher contributions.

The lead-in time of six years was seen as too slow by seven participants, with some wanting the 6% rate set from the beginning of the scheme. One participant agreed with the auto-escalation approach of an additional 1% each year over six years.

8. **If a member is contributing 6%, how much do you think your employer should contribute (in terms of percentage of salary)?**

The group all agreed that employers should make matching contributions. However, there were concerns over the affordability of the 6% contribution rate for smaller and medium sized businesses. Participants felt that these companies could struggle financially and should be assisted by the Government to ensure that they can afford to contribute. An alternative approach could be for employers to pay a lower rate and for the State to pay a higher rate.

9. **Would you prefer a State incentive provided through income tax relief or one where the State gives you €1 for every €3 you contribute?**

<u>Initially:</u> There was a 50/50 split between those preferring the matching contributions approach and those preferring the tax relief approach.

<u>After calculations:</u> While there was still strong support from those who would prefer the tax relief approach, those who initially preferred the matching contribution approach were unsure which approach they now preferred.

10. **Members will be given a choice to select from a range of providers and savings/investment funds each with differing risk and rewards profiles. Members who feel unable or unwilling to make such a choice, would be allocated to a specially designed 'default fund'. Would you be more likely to choose your own provider and fund or go with the default fund?**

Of the eight participants, six said they would like to choose their own fund and two said they would choose the default option.

Of those who said they would choose their own funds, reasons included:
- They would want to suit their own risk profile.
- The ability to change from one fund to another fund would be important.

The main reason for those going with the default fund is a lack of time and a lack of knowledge to choose their own investments.

All the participants agreed that the investment options should be limited, because too many options would not provide the simplicity that they would like to see in the system.

Participants said they it is acceptable if different default funds gave different returns as this is the nature of investment risk. Other suggestions included full visibility on how investments are performing through statements and regular communications from the fund providers.

11. To what extent would you have trust in the providers of such funds? Why?

Participants remarked that they do not trust, nor distrust, the pension providers. They commented that they would have less trust in the State because of previous experience of managing initiatives.

12. Would you have more or less trust in the State providing a fund instead? Why?

Participants said they would have less trust in the State providing a fund. One participant said that he would have no trust in the State looking after his retirement pot. He feared that the State would dip into the funds if there was an economic downturn.
Other comments:
- The less options the better. If a State option was added to the other options then the system might get too complicated.
- Some participants had concerns that a State option would limit competition in the system.

<u>Focus Group 4</u>

Date: 7 March 2019 Profile of participants • Age range 31-45 • One current pension scheme member • All working in private sector (emphasis on hospitality/food/retail sectors) • One non-Irish national • Mix of earnings (Five under €40k and three over €40k) • One sole trader

Questions

1. What is your attitude to saving for your retirement?

The group said they viewed saving for retirement as hugely important. Seven people said that up until now, they had put it off the idea of saving for retirement but since turning 30, it is definitely in their plans.

"I never really thought about it when I was younger, when you get older you do think about it"

"I am really interested in thinking about it now"

One person noted that the State Pension would not be enough to live off in retirement and with the cost of living on the rise, extra retirement funding would be needed.

2. Do you think that a system that would see employees without personal retirement savings automatically enrolled with the freedom of choice to opt out should they so choose is a good idea?

Seven participants liked the idea of AE. One participant was adamant that they would prefer the system to be a voluntary opt-in system rather than one that would be based on an opt-out principle. Instead there should be more encouragement for people to save.

"I think that it should be optional. But that you should be heavily encouraged. I don't think that you should be told that you are in."

Another participant mentioned that the idea of retirement saving and talk about pensions has always frightened her because she lacked knowledge of the subject. She believed more education about pensions would help people to understand their options and where their money should go.

"It's a good way of getting people into the mind set of having to save."

The main concerns raised in this question were the risks associated with investment choices, the length of time a person would have to wait before they could access their funds, the ability of lower earners to pay 6% of their salary, the ability of an employer to afford matching contributions and what the impact would be on the viability of their business.

3. Under the proposal, employees aged between 23 and 60 years and earning more than €20,000 a year will be automatically enrolled. What do you think of these criteria?

All eight participants thought that enrolment at the age of 23 was appropriate. One participant said that starting at this age would make it easier than starting in your thirties, when bills such as mortgages would also have to be paid. Another participant thought it was the right age to start at because they would be finished college by around then. They were of the opinion that people younger than 23 would not be interested in saving for retirement, but that they could opt-in to the system if they chose to do so.

Three participants felt that 60 was a good upper age limit for AE and commented that, while it is late to be saving for retirement, every little helps. Five participants felt that the upper age limit should be lower. The general feeling was that starting to save at age 60 would not be worth it but that 55 would be more realistic. One participant said they would like the ability to drawdown their savings before the State Pension age.

All eight participants agreed that €20,000 is a fair threshold. If people on that wage level found it too much of a strain, they would be able to opt-out of the scheme.

4. What are the factors that might make you likely to remain in the system if automatically enrolled?

Participants mentioned the following reasons for remaining in the scheme:
- If you don't feel the loss of the contributions that you are paying into the scheme.
- Employers matching contributions would be a huge incentive.
- Security and the feeling that you're setting yourself up for retirement.

5. What are the factors that might lead you to opt-out of the system?

Participants mentioned the following reasons for leaving the scheme:
- A change in circumstances: e.g. travelling, emigrating, going back to study, changing jobs, family circumstances.
- Having to stay at home with children, working part-time or maternity leave.

On the restriction that you could only opt-out after six month, one participant felt that this would be too long. Referencing their experience working in the UK, a person there can opt-out after one month. They thought this was too short, but said that six months is too long. They thought that a period of three months might be more appropriate.

Another participant commented that they were not in favour of the proposal to re-enrol a person three years after they had opted-out. *"If I am opting-out, I am opting-out".*

6. Would you be less likely to opt-out of the system if you could suspend your contributions for a period of time?

All the participants stated that they would welcome the option to pause their contributions and would be less likely to opt-out if they could do so.

However, each participant felt that there should be parameters or specific reasons around the suspension of contributions. One participant commented that having no limits on the suspension of contributions would be counterproductive because people would stop making them all the time and would not save. Suggested parameters included a set number of pauses or for a limited duration. Suggested reasons for suspending contributions could be saving for a house deposit or the loss of a job.

7. Do you believe the proposed levels of member contribution are too high, too low, just right? (1% of gross earnings escalating to 6% over 6 years)

All eight of the participants agreed that 6% would be the right contribution rate. A number of participants queried if a person would be allowed to make higher contributions under the scheme.

All of the participants felt that the lead-in period of six years to get to 6% is a good idea. One participant held the opinion that as 6% will be the standard contribution rate by 2028, then why not just start at this rate from the beginning. However, other participants responded that they would not like this approach and preferred the proposed gradual increase of 1% in each year over six years. Another participant stated that the lead-in period of six years would give people a good chance to get used to the idea of saving for retirement.

8. If a member is contributing 6%, how much do you think your employer should contribute (in terms of percentage of salary)?

The group all agreed that matching contributions from the employer would be appropriate. However, there were concerns over the affordability of this measure for smaller businesses and whether some companies might become unviable as a result.

9. Would you prefer a State incentive provided through income tax relief or one where the State gives you €1 for every €3 you contribute?

<u>Initially:</u> All eight participants preferred the idea of the matching contribution approach. The participants felt that a matching contribution approach is much easier to understand than income tax relief: it is easier to see the contributions rather than the reduction in your income tax.

<u>After calculations:</u> All eight participants still preferred the matching contributions approach for

its simplicity and they deemed it a fairer system as the level of incentive is the same regardless of income unlike the tax relief approach, which provides an incentive at the marginal rate of income tax.

10. Members will be given a choice to select from a range of providers and savings/investment funds each with differing risk and rewards profiles. Members who feel unable or unwilling to make such a choice, would be allocated to a specially designed 'default fund'. Would you be more likely to choose your own provider and fund or go with the default fund?

Of the eight participants, six said they would like to choose their own fund and two said they would choose the default option.

The participants who would like to choose their own fund said that this would give them a greater sense of ownership over the fund. Others commented that they would want to have an ability to take a higher risk if they wanted to.

Of those who chose the default option, they said they would just not have the confidence in their ability to pick a fund.

All of the participants, default or otherwise, said simplicity was key and that too many investment options would only confuse them.

11. To what extent would you have trust in the providers of such funds? Why?

Participants remarked that they do not trust, nor distrust, the pension providers. One participant commented that if the State were to pick four providers then they would have greater trust in them.

One participant commented that if they had a specific advisor from the provider that they dealt with, this would help them to trust the provider.

Participants also said they do not know much about pensions and what they would be getting into. There was apprehension that if there was another economic downturn, that they might lose their money. There needs to be more education.

"That's why I have never done it. I have never known who to go to or where to look"

12. Would you have more or less trust in the State providing a fund instead? Why?

Each of the participants felt that it would be good to have the State as an option but not everyone said they would use this option. While one participant saw the State offering as a safeguard another participant claimed that he would have no trust in the State looking after his retirement fund. A further participant thought it wouldn't make any difference. Overall, participants thought that private pension providers must also be available.

Focus Group 5

Date: 11 March 2019

Profile of participants

- Age Range 46-66
- One current pension scheme member
- All working in private sector (emphasis on hospitality/food/retail sectors)
- One non-Irish national
- Mix of earnings (Four under €40k and four over €40k)
- One sole trader.

Questions

1. What is your attitude to saving for your retirement?

Most of the participants agreed that saving for retirement is a good idea and should be encouraged. One participant said that they did not like the unguaranteed nature of private pensions. However, everyone agreed that the State Pension would not be enough for them to live off when the time comes to retire.

Another participant (aged 52) queried whether they would be able to make Additional Voluntary Contributions (AVCs), given that they would only have 15 years left before retiring in which they could make contributions towards a pension.

2. Do you think that a system that would see employees without personal retirement savings automatically enrolled with the freedom of choice to opt out should they so choose is a good idea?

Seven participants felt that the AE proposal was a good one, one felt that it was a bad idea and should be opt-in rather than opt-out.

"It is a necessary idea."

Other comments included:

- One participant expressed a concern that employers having to make contributions will be a strain on them. However, another participant thought employers should make contributions.
- A couple of participants did not like the idea of any risk with their money and would prefer an absolute guarantee on the money that they put into the fund.
- The system should be operated in alignment with the Revenue online system as opposed to through employers.
- Another participant said that he liked the idea that your pension pot would go with you to a new job. He had experience of leaving one employer and going to work with a different employer, but he could not continue contributing to his pension fund. This meant that he

would now need to set up a new pension fund if he want to continue saving for his retirement.
- One participant raised concerns about increases to the State Pension age.

3. Under the proposal, employees aged between 23 and 60 years and earning more than €20,000 a year will be automatically enrolled. What do you think of these criteria?

There was no consensus on the lower age threshold. Three participants felt that 23 was the appropriate age to be automatically enrolled into the scheme while one participant felt it should be as high as 30 as people are not really established in their careers until that age.

The other participants felt that enrolment should be related to employment rather than age. In relation to the upper age threshold of 60, five participants felt that this was appropriate as the potential returns from investing for a short period of time would not warrant participation in the scheme. Three participants felt that there should be no upper age threshold, as enrolment should be linked to employment.

There was general agreement on the €20,000 threshold, as long as there is an option to opt-in for those earning below that amount. However, one participant queried how income from social protection payments would be treated in the system.

4. What are the factors that might make you likely to remain in the system if automatically enrolled?

Participants mentioned the following reasons for remaining in the scheme:
- If you do not really miss the money when it is deducted from your pay.
- Apathy: if you don’t really care enough about stopping it.
- Employers matching contributions would be a huge incentive.

5. What are the factors that might lead you to opt-out of the system?

The main factors that participants mentioned that might lead them to leave the scheme were affordability and if you didn’t have enough money to make the contributions.
A couple of participants raised concerns about the cost of the proposal to small employers and the potential for jobs being lost as a result of higher costs to employers.

One participant raised his concerns with regard to the lack of value in pensions, mistrust in the State to operate the system and the Government “raiding” pension funds.

6. **Would you be less likely to opt-out of the system if you could suspend your contributions for a period of time?**

Seven of the eight participants felt like the option to suspend contributions would be a good idea and that they would be less likely to opt-out as a result. They were of the opinion that life events, such as mortgages or child-rearing costs (such as crèche costs), would affect a person's ability to pay contributions, so the ability to stop paying in for a short period of time would be helpful. One participant felt that you should not be allowed to suspend contributions but that you should be able to reduce your rate of contribution to 1%. He thought that a small mandatory contribution should be made to ensure that members remain attached to the savings system.

When asked, if the option was available, should suspensions be limited or unlimited, all the participants said that there should be a limit on the number of and reasons for suspensions. One participant said that providing for the ability to make suspensions too many times would end up overcomplicating the system. The Government's effort would be better spent on educating people about pensions more generally.

7. **Do you believe the proposed levels of member contribution are too high, too low, just right? (1% of gross earnings escalating to 6% over 6 years)**

While most participants thought that a contribution rate of 6% is too high, one participant thought that it was the right rate. Another participant felt that it would be better if there was a 1% mandatory rate for everyone and that the employee could choose their contribution rate up to 6%. On the auto-escalation of contribution rates (1% of gross earnings escalating to 6% over 6 years) one participant thought that it should be more gradually introduced over a longer time scale.

8. **If a member is contributing 6%, how much do you think your employer should contribute (in terms of percentage of salary)?**

Most of the participants agreed that employers should make matching contributions. One participant thought that employers should not be required to contribute: they already pay PRSI.

There were concerns about the affordability of 6% matching contributions for smaller businesses and participants felt these companies would struggle financially as a result. The participants suggested that if employers were required to match their employees' contributions, then the Government should provide assistance to employers, such as tax relief.

One participant suggested that employers might offer pay rises to incentivise employees to opt-out.

9. Would you prefer a State incentive provided through income tax relief or one where the State gives you €1 for every €3 you contribute?

Initially: All eight participants preferred the idea of the matching contribution approach. The participants felt that matching is a much easier system to understand as you see the contributions credited to your fund.

After calculations: All eight participants still preferred the matching contribution approach for its simplicity to comprehend even though the tax relief approach would be more advantageous to higher rate tax payers. They also thought that the matching contribution approach would be a fairer system as the same rate of incentive would be given regardless of how much you earned.

10. Members will be given a choice to select from a range of providers and savings/investment funds each with differing risk and rewards profiles. Members who feel unable or unwilling to make such a choice, would be allocated to a specially designed 'default fund'. Would you be more likely to choose your own provider and fund or go with the default fund?

Of the eight participants, five said they would like to choose their own investments and three said they would choose the default option. The participants who wanted to choose their own investments wanted control over their own money. The others, who would choose a default fund, felt they didn't know enough about pensions to make a decision. Participants thought that people should be better educated about pensions so that they could make informed decisions.

11. To what extent would you have trust in the providers of such funds? Why?

All participants said they would have no trust in the private pension providers operating the AE system.

12. Would you have more or less trust in the State providing a fund instead? Why?

All eight participants said they would have more trust in a State fund because they felt there would be more security with it and the State would be better at managing the money as an investment. This is despite their trust in the State being reduced lately after a number of 'bad news stories'.

One participant queried why would there be private pension providers if the State was to provide a fund too.

Focus Group 6

Date: 11 March 2019

Profile of participants

- Age Range 18-66
- Other criteria:
- One current pension scheme member
- All working in private sector (emphasis on hospitality/food/retail sectors)
- One non-Irish national
- Mix of earnings (Three under €40k and five over €40k)

Questions

1. What is your attitude to saving for your retirement?

Participants commented that saving for retirement is very important. One participant felt it was the Government's responsibility to provide pensions, as enough taxes were already being collected by the State. She also thought that it is too much to ask employers to make a contribution and queried how the self-employed would be treated in the system.
The point about how the self-employed might participate in the system was echoed by another participant. Another person suggested that the Government should enhance pensions through the social insurance system.

One person noted that they had a workplace pension and added that the State Pension would not be enough to live off. He added that with cost of living on the rise, extra retirement income is very important.

2. Do you think that a system that would see employees without personal retirement savings automatically enrolled with the freedom of choice to opt out should they so choose is a good idea?

Seven people were in favour of the AE proposal. One participant was not in favour of the proposed system. He thought people should be better educated about pensions and encouraged to opt-in.

"If it was easy to get a pension, then I would just be in it …. I do think that it is a good idea to put people in."

Other comments:

- A number of participants thought that the lower paid (those earning below €30,000) should not be automatically enrolled but should be allowed to opt-in. They are really struggling and requiring them to make additional contributions for their retirement would be difficult for them. One participant suggested that the Government should make a matching contribution rate of €1 for every €1 for lower paid people.

- One participant thought the AE proposal was much like the “Super” system in Australia. From having lived and worked in Australia, she thought that it was a good system, particularly the mandatory nature where everyone had to be enrolled.
- For young people, accommodation costs come first. Pensions are not a priority until a person gets married/forms a family.
- If the State is facing a problem with regard to the payment of the State Pension, then public servants should also be included in the AE system.
- The period before a person can opt-out of the system is too long. People need to have greater flexibility to opt out. If such an approach was to be taken, then people should be enrolled annually.
- Education and communication programmes about pensions need to be prioritised. One participant suggested that such education programmes should be aimed at young people in schools – both primary and secondary schools.

3. Under the proposal, employees aged between 23 and 60 years and earning more than €20,000 a year will be automatically enrolled. What do you think of these criteria?

In general participants felt that the age threshold of 23 was too young for people to be automatically enrolled and thought that it should be linked to when a person starts full-time employment. One person felt that the lower age limit of 23 was a good starting point.

Other comments:

- Young people in their 20s are on low earnings to start with and may have to pay back student loans. As a result, many young people are living at home and wouldn’t be able to afford contribution rates at 6%.
- If young people are going to be automatically enrolled, then they should start out on a lower contribution rate (0.5% - 2%). This would help to instil the habit of saving and get them use to it.
- One participant, who was in his 20s, said that young people today would be receptive to the proposal as it would help them to prepare for the future.
- Communications will need to play an important role in the roll out of the scheme. People will need to know that it is not another tax.
- People like to save and should be able to see how much they have saved through regular statements.
- Link it to your Personal Public Service (PPS) number so it can move with you through employments.

On the question of the upper age limit of 60, five participants felt that this was an appropriate threshold but three people thought that it should be a fewer years lower (57 or 58 years of age). Here the thinking was that the return on investments would be too small for someone starting a pension at the age of 60.

Other comments:

- What happens if you take a career break to look after your family?
- Will you be able to access your funds if you wish to retire early?

On the question of the €20,000 threshold for entering the system, five participants felt it was the appropriate level while two felt it should be higher. One participant thought that the threshold should be lower, but only if the contribution rate was also lower for this group (a 1% rate was suggested). This was based on the rationale that everyone should be saving something for their retirement.

- One participant thought the threshold should be €30,000, because the cost of living is so high, particularly in Dublin.
- Another participant suggested that low income people could be helped by the contribution being taken from their Universal Social Charge (USC).

4. What are the factors that might make you likely to remain in the system if automatically enrolled?

Participants mentioned the following reasons for remaining in the scheme:

- Security and the knowledge that you are saving for your retirement.
- Convenience: if you don’t really miss the money, you would be more inclined to stay in the system.
- The low value of the State Pension – people should be informed how low the value of the State Pension is.
- Employers matching contributions would be a huge incentive.

5. What are the factors that might lead you to opt-out of the system?

Participants mentioned the following reasons that might lead a person to leave the scheme:

- Emigration.
- Terminal illness.
- The priorities of young people: they might not think of pensions until later in life.
- Lack of education or a misunderstanding of pensions generally.

6. Would you be less likely to opt-out of the system if you could suspend your contributions for a period of time?

All the participants stated that they would welcome the ability to pause contributions. *“Everyone is in a different situation … if I need a break this year, that’s an option and if you had the option I don’t think most people would use it … It would be a bit of security”.* However, the participants also felt that there should be limits or specific reasons around the suspension of contributions otherwise it would make it harder to save. One participant thought that the ability to suspend contributions without any limits would be an administrative burden and would add costs to the system. Another participant suggested that if a person suspends their contributions then the contributions should re-commence automatically after a limited period of time.

7. Do you believe the proposed levels of member contribution are too high, too low, just right? (1% of gross earnings escalating to 6% over 6 years)

Seven of the eight participants agreed that 6% is an appropriate level of contribution and if 6% is the rate that is required to achieve a decent income in retirement, then that is the rate that should be set. However, one participant felt it was too high.

Seven of the participants felt that the auto-escalation of the contribution rate by 1% each year over six years is a good idea. One participant felt it was too slow and that people would be delayed in making the appropriate contribution rate.

A number of participants queried if higher contributions would be allowed under the scheme.

8. If a member is contributing 6%, how much do you think your employer should contribute (in terms of percentage of salary)?

The majority of the group thought that employers should make matching contributions and that this would be a great incentive for people to remain in the system. Some participants thought that a requirement to make matching contributions would stretch employers, particularly in the food sector where profit margins are tight. One participant thought that the additional expense could lead to an employer letting staff go for the sustainability of their business. Another participant suggested that the policy might result in employers taking on more casual staff and paying them below the enrolment thresholds so as to avoid paying the contributions.

"I think it is a lot for the Government to demand of private employers"

One participant suggested that businesses could pay a lower contribution rate if the State contribution was higher.

9. Would you prefer a State incentive provided through income tax relief or one where the State gives you €1 for every €3 you contribute?

Initially: All eight participants thought that tax relief on pension contributions was confusing and that they preferred the idea of the matching contribution approach. The participants felt that the matching contribution approach is a much easier system to understand, it is easier to see your contributions. A number of participants said that they would prefer to have their tax paid before they made their contributions and that the money that they saved for their retirement would be paid out tax free.

After calculations: Participants still preferred the matching contributions but recognised that the tax relief could work out better, depending on the marginal tax rate that they paid.

10. Members will be given a choice to select from a range of providers and savings/investment funds each with differing risk and rewards profiles. Members who feel unable or unwilling to make such a choice, would be allocated to a specially designed 'default fund'. Would you be more likely to choose your own provider and fund or go with the default fund?

Of the eight participants, four said they would choose the default option and three said they would like to choose their own investments. One participant felt unsure about which option they might choose.

The participants who wanted to choose their own investments wanted control over their own money rather than putting it into a default account. One of these participants said that they would like to be able to choose an ethical fund.

Other comments:

- One participant suggested that there should be a State guarantee on the default funds. He referenced the deposit guarantee scheme that operates in the Irish banks as a model that could be followed. He said that he would be happy to have lower returns for less risk.
- A couple of participants expressed their concerns about pension investment management fees which they thought are too high in the private sector. They were of the view that companies awarded a contract by the State to provide funds should deliver these at a low cost to participants.
- Participants liked the idea of being able to move from one fund to another. They felt that they could start out in the default fund and then move to another option as they became more comfortable about making decisions in relation to their pensions.

11. To what extent would you have trust in the providers of such funds? Why?

Participants remarked that they neither trust, nor distrust, the pension providers. Some participants remarked that they would have to research the providers before knowing whether to trust them or not. One participant commented that if the State was involved in the selection of the providers, then this would this would help participants to trust the providers. The issue of trust in pension providers also came up earlier in the discussion (under Question 2). One participant expressed concern about being enrolled in a fund where there was a risk of losing your savings. She also thought that pension providers have a bad image, as a consequence of people losing their savings during the economic downturn. A couple of participants asked would the State have a role in guaranteeing your savings if there was another financial crisis.

12. Would you have more or less trust in the State providing a fund instead? Why?

All participants said that they would trust the State providing a fund in this scheme. One participant commented that if the State is involved in the system, people would feel more secure about investing their money in the scheme. This person also felt that participants would be able to hold the State more to account than a private company. However, another participant said that the funds should be ring-fenced so that the State could not access it if there was an economic downturn.

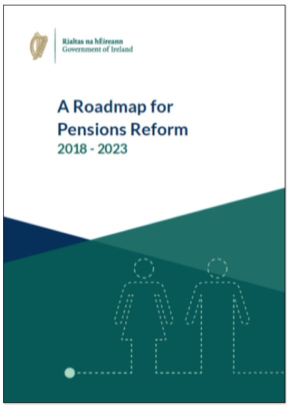
Appendix 1 – Presentation to Focus Groups

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

Developing an Automatic Enrolment Retirement Savings System for Ireland

Focus Group Presentation

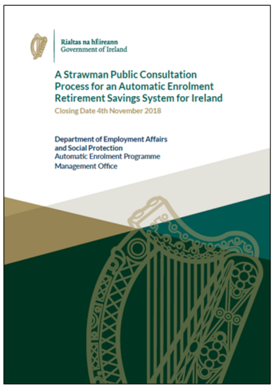
What is this all about?



- Roadmap for Pension Reform
- Published February 2018
- Policy direction to be taken to provide for a fair and fit for purpose pension system for the coming decades.
- State pension will continue to be the bedrock of the pension system.
  - *Set a formal benchmark of 34% of average earnings for State pension contributory payments*

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

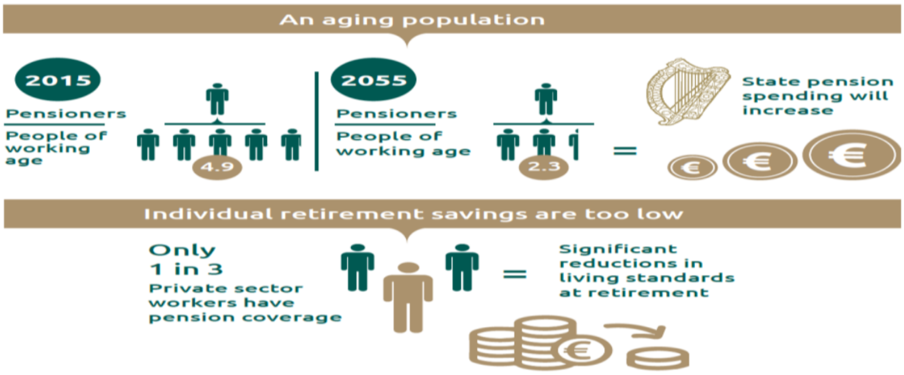
Supplementary savings to State Pension



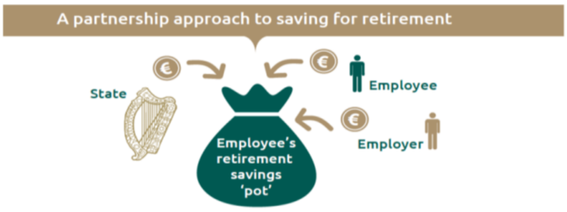
- Roadmap confirms the Government's intention to develop and begin implementation of a **supplementary** retirements savings system in which employees without personal retirement savings will be automatically enrolled.
- Strawman Proposal for an Automatic Retirement Savings System
- Published August 2018
- Purpose of the Strawman proposal is to start a discussion as to how the system might operate and improve ideas.
- No decisions have been made in respect of the issues we are about to discuss.

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

Why Automatic Enrolment?



What is Automatic Enrolment?



Automatic Enrolment (AE) is a system where employees who do not have a private pension are automatically enrolled into a retirement savings scheme.

People would be able to begin to draw down benefits from the system when they reach State pension age.

Why AE is being proposed?

- There have been large increases in the number of people saving for retirement in countries (like the UK and New Zealand) that have brought in AE.
- The Irish Government wants to bring AE into Ireland to:
  - *improve the financial position of future generations of retirees; and*
  - *support individuals as they save for their retirement.*

Enrolling the right people

- AE needs to be designed correctly so that it can work well. We need to make sure that we enrol only those who really need it.
- For some people, the State pension and other State benefits, such as the Household Benefits Package, may provide enough income in retirement. If we enrol these people in AE, they may be at risk of saving money for their retirement that they could better use now.
- We need to make sure that those enrolled in AE are not overburdened with the contributions they would be asked to make from their wages. At the same time, people need to contribute enough if they really want to benefit in their retirement.

Target Membership

Who could be automatically enrolled?

- Employees aged between 23 and 60, who earn more than €20,000 a year and are not already contributing to a workplace pension, could be automatically enrolled.
- Rather than being automatically enrolled, self-employed people and employees outside the age and earnings-band thresholds for automatic enrolment would be able to 'opt-in' to the system.

Opting out

Can employees opt out?

- Yes, employees would be free to opt out of the system at the end of a six months minimum membership period (during months seven and eight of membership).
- Employees can't opt-out after this period, but they may be able to suspend or temporarily stop their payment of contributions. This will be decided at a later stage.
- Members who opt out will be automatically re-enrolled after three years, but will be able to opt out again after six months during the seventh and eighth month of membership.

Choosing a Savings/Investment fund

Where will the contributions be invested?

- Contributions will be invested with Registered Providers who will provide retirement savings services to members. There will be a limited number of Registered Providers.

Can employees choose which fund to join?

- Yes, employees would be free to choose from a range of retirement savings fund options from Registered Providers.

What happens if an employee does not pick a fund ?

- If an employee does not pick which Registered Provider or fund they want their savings to go to, the system would allocate their payments to a specially designed 'default fund' on their behalf.

Contribution rates

How much would employees have to pay?

- Employees who are members of the system would initially contribute a minimum of 1% of gross earnings – that is, earnings before tax and PRSI deductions.
- The member's minimum contributions would be increased on a phased basis as the AE system is rolled out as follows:
    - *1% from the system's launch in 2022;*
    - *increasing each year by 1% up to 6% from the beginning of year six.*
    - *Those enrolled in the AE system in the years after 2022 would invest the same per cent as everyone else. For example, in 2024 all members, including new entrants, would make 3% contributions.*

Role of Employers

What role would employers play?

- Employers would have to enrol employees and organise the transfer of contributions to the employee's fund.
- Employers would not have to select a Registered Provider or savings fund option for their employees. With AE, employees would select their own Registered Provider.
- Employers would match the member's contributions up to an eventual maximum of 6%.
- If employers don't enrol their employees, or deduct and transfer contributions as required, they would have to pay a penalty.

Colette works in a restaurant and earns €22,000 a year

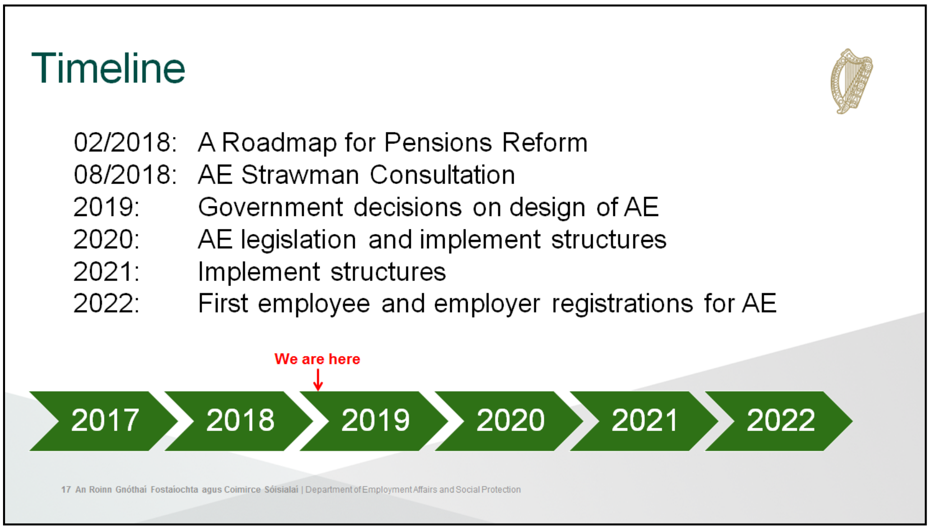
	Annual	Monthly	Weekly
Gross pay	€22,000	€1,833	€423
Employees Contribution 6%	€1,320	€110	€25
Employers Contribution 6%	€1,320	€110	€25
Government Contribution 2%	€440	€37	€8
Total	€3,080	€257	€59

Conor works in construction and earns €30,000 a year

	Annual	Monthly	Weekly
Gross pay	€30,000	€2,500	€577
Employees Contribution 6%	€1,800	€150	€35
Employers Contribution 6%	€1,800	€150	€35
Government Contribution 2%	€600	€50	€12
Total	€4,200	€350	€81

How would Automatic Enrolment benefit you?

- The retirement savings system would make it easy for you to save.
- The system would give you choice but if you don't feel able to make one, the system will be designed to make good choices for you.
- The system would allow you to take your "pension pot" with you if you move jobs.
- At retirement, you would be able to access your own fund as a top up to your State pension.
- You would be more financially prepared at retirement to maintain your standard of living as you get older.


Timeline
02/2018: A Roadmap for Pensions Reform
08/2018: AE Strawman Consultation
2019: Government decisions on design of AE
2020: AE legislation and implement structures
2021: Implement structures
2022: First employee and employer registrations for AE
We are here
2017
2018
2019
2020
2021
2022
17 An Roinn Gnóthaí Fostaíochta agus Coimirce Sóisialaí | Department of Employment Affairs and Social Protection