



Rockwell



Auto- Enrolment

**A GUIDE FOR
BUSINESS OWNERS**

CONTENTS

Are you auto-enrolment ready? 2

What is auto-enrolment? 3

Frequently asked questions 4

Get ahead of auto-enrolment 5

Rockwell's readiness check 6

ARE YOU AUTO- ENROLMENT READY?

The government has announced the Automatic Enrolment Retirement Savings Systems Act 2024 ('AE Act') for Ireland's automatic enrolment pension savings scheme. This initiative aims to encourage workers to save for retirement.

As of May 2024, research indicates that 38% of respondents feel their organisation lacks sufficient information about the scheme's design and details ahead of its launch.¹

This document sets to help businesses, along with their HR and payroll teams, understand what auto-enrolment means for them and their employees. It explains how the scheme works and provides practical advice on how to get ahead of it. Being prepared now will ensure your business won't be affected by the upcoming changes.

¹Aon Report: Pension Auto-Enrolment in Ireland, 2024





WHAT IS AUTO- ENROLMENT?

Auto-enrolment is a pension scheme where employees contribute a set percentage of their income, which is matched by their employer and topped up by the government.

About 800,000 employees, aged 23 -60, earning over €20,000 a year will be automatically enrolled if they don't already have a workplace pension.² The funds and investment returns will be paid out upon retirement, in addition to the State pension, starting at 66.

The scheme aims to supplement the State pension, currently €277 a week, and prevent income drops in retirement. With an ageing population and many workers lacking private pensions, this initiative helps reduce future financial pressure on the pension system.

² *Dáil Éireann debate - Tuesday, 16 Apr 2024 Vol. 1052 No. 4*

FREQUENTLY ASKED QUESTIONS

What is the start date for the scheme?

The scheme will start from January 2026 giving limited time for preparation. The legislation was passed by both Houses of the Oireachtas on July 4th 2024, and eligible employees need to be notified ahead of time.

How will the scheme operate?

Employees aged 23-60 earning over €20,000 annually will be automatically enrolled unless they already have a pension. They can opt out or suspend contributions after six months but will be re-enrolled every two years, with the option to opt out again.

Is participating in the scheme mandatory?

Yes, it is required by law for employers. Non-compliance can result in penalties and potential prosecution.

Who will finance the scheme?

The scheme is funded by contributions from employees, employers, and the government, increasing over ten years. Initially, both employee and employer contribute 1.5% of the employee's gross annual salary, rising to 6% by year ten. Government contributions start at 0.5% and increase to 2%. Contributions are capped at €80,000 of gross annual salary, with no additional contributions allowed from employees.

What changes do employers need to make for the scheme?

Employers must update payroll, finance, and HR systems. Employers are

responsible for keeping up to date with any changes to legislation and ensure you are compliant with the regulations. Employers also need to inform eligible employees in advance.

How does auto-enrolment compare to a private pension?

Some employers may opt for a traditional group pension scheme due to its generous tax relief benefits. Furthermore, contributions to traditional schemes offer much greater flexibility, including Additional Voluntary Contributions, whereas auto-enrolment follows a much more rigid structure. Auto-enrolment includes a 33% government top-up instead of tax relief. However, private pensions can be customised, making them more attractive for all employees. There are concerns about whether the retirement benefits provided by auto-enrolment will be sufficient. Having a robust pension scheme in place shows your commitment to your employees while allowing you to have full control over the plan, tailored to your needs.

Will the scheme incur additional costs for employers?

Yes, there will be extra costs in addition to those from increased minimum wages and statutory sick pay in 2024. PRSI charges will also rise. Employers can claim corporation tax relief on their contributions.

What happens if a workplace already has a pension plan?

If your workplace already has a pension plan, you're in a strong position. Existing schemes will coexist with auto-enrolment, ensuring compliance with new regulations. Employees already contributing to your plan won't be automatically enrolled in the new system. This simplifies compliance and shows you value your employees' financial future.

GET AHEAD OF AUTO- ENROLMENT.

Our independent research reveals that although 82% of people are aware of the upcoming auto-enrolment, only 46% say their organisation is prepared for it.³

Having a pension plan in place before auto-enrolment helps you avoid the complexities and compliance issues associated with the new regulations.



identified **recruitment and retention** as a major business challenge.³

We understand that as business owners, your employees are your greatest asset. Implementing a company pension scheme not only ensures the financial well-being of your staff but also provides them with strategies to secure a comfortable retirement. In today's competitive job market, offering a pension scheme is crucial for attracting and retaining top talent.

Benefits of a group pension scheme;



Competitive Edge

Stand out as an employer of choice by providing a competitive and attractive pension plan.



Enhanced Employee Loyalty

Demonstrate your commitment to your team's well-being, fostering a sense of loyalty and dedication



Customisable Plans

You can tailor a pension scheme to fit your specific business needs and financial capabilities, offering more flexibility and potentially greater benefits than the standardised scheme.

³ Rockwell SME Sentiment Survey, conducted by Amarach, 2023

ROCKWELL'S READINESS CHECK.

At Rockwell, we recognise that each company and its employees have unique needs. We offer a free pension scheme consultation, tailored to align with your business objectives and your employees' financial goals.

Conor Roche, Employee Benefits Manager, will assess your business and provide a pension scheme that ensures compliance with auto-enrolment while valuing your employees.

Our company pension scheme offering:

- 1 Dedicated operations team:** Providing day-to-day guidance and personalised support through expert knowledge and multi-channel communication.
- 2 Streamlined processes and compliance:** Ensuring efficient handling of administrative tasks and full compliance with regulatory requirements.
- 3 Best in class member engagement:** Engaging employees with educational programs and a user-friendly portal to manage their accounts.

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Our dedicated team of expert financial advisors with more than 20 years experience, are passionate about our client's financial wellbeing.

We believe it gives them the opportunity to live life on their terms.

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