

## **Auto Enrolment Seminar**

**30<sup>th</sup> March 2023**

### **Synopsis of main points**

#### **Stephen Lalor, Pensions Consultant**

- There seems to be determination to get it done by the end of this year.
- A lot of important features as yet unresolved, or long fingered, such as post retirement.
- Uncertainty about costs, to the member or taxpayer, particularly if outsourcing.
- Is this the right time in the economic cycle to increase the cost of employment or to remove spending power among lower paid employees?

#### **Kevin Cruise O'Shea, Director of HR: Enablement, Musgrave Group plc**

- Lack of clarity around definition of earnings.
- What would be an acceptable scheme for opting out? It takes time for pension schemes to make changes.
- Employers are bound to get dragged into dealing with AE members' concerns. Time is not a free resource.
- Given the difference between tax relief and State subsidy, will people be allowed to pick and choose.? What will be the employer's role in these decisions?

#### **Tim Middleton, Director of Policy and External Affairs, Pensions Management Institute**

- Good communication imperative, to educate employers about their responsibilities, and to alert employees about what is going to happen. Inundate with information.
- Need clarity around salary base. Preferably give employers a choice. Total earnings is fraught with difficulties.
- Allowing postponement of enrolment up to three months may be a way of addressing the problem of earnings that fluctuate around the minimum threshold.

#### **Brian Quinn, Northern Ireland Regional Chair, PMI**

- After 11 years there continues to be a stream of enforcement orders. This needs to be anticipated and properly resourced.
- In UK the earnings threshold of £10,000 is by reference to each employment. Trying to apply a limit across all employments may be unmanageable.
- Effective interface between payroll and provider is vital. In the proposed model, this would mean the CPA entity engaging with employers in advance of obligations becoming effective.

### **Rosheen Callender, Economist, formerly SIPTU, ICTU**

- Entry age should be 16, as for PRSI (or whenever paid work starts);
- Little justification for any income threshold, as it only creates problems, whatever the level;
- Contributions should more closely mirror those in occupational schemes, e.g. in ratio of 7:5:2 (employer:employee:state), rather than 6:6:2, so as to avoid AE scheme undermining or replacing existing schemes;
- Employees' contributions should be tax-relieved, like employers' contributions, as in existing schemes;
- Look at ways of ensuring lifetime membership, rather than existing DC model where people are left to forage for themselves at retirement;
- Funds must be invested in a responsible manner, including ESG considerations; and with a representative oversight body;
- Last OECD country to move on AE, but could be the best, if available precedents are heeded.

### **Neil McDonnell**

#### **CEO ISME**

- Once in a generation opportunity, must obtain public confidence from day 1 or we could lose it forever. May not get a second bite.
- The employer's responsibility must end with the deduction and payment of contributions.
- Labour costs are up to 80% in some sectors; this could be a disproportionate burden on employment, encouraging customers to the grey economy in price sensitive services.
- Eventually must include self employed and public sector.
- More important to do it right than to do it quickly.

#### **It's not all about the presenters, you know**

- Will employers be expected to be compliant on day 1? It will take time to prepare. This must not be done in a hurry.
- How to track total earnings if people have multiple jobs? Revenue, CPA responsibility?
- Will €20k be assessed on weekly basis (€384)? How to deal with fluctuating earnings?
- All this will require management. Education is needed for payroll, HR, finance to understand and be able to meet their responsibilities.
- Also resourcing. Expense to fall to employers?
- There is a very real risk aspect for payroll departments and., consequently, employers.
- If an employee is eligible for a qualifying scheme, can they choose to enrol in AE instead, or is the scheme their only shot?
- How to handle separate categories of membership. People transitioning between schemes and AE?
- Probationary employees not typically included in schemes; will they be automatically enrolled until they become eligible? Then opt out or suspend?
- There will continue to be an ecosystem where employer DC schemes exist, provided they remain eligible and are sufficiently attractive.
- Danger that companies might see AE as an opportunity and an excuse to get away from having schemes, particularly in the light of the increasing regulatory burden.

## Synthesis

- Press pause. What's the urgency, outside of political considerations?
- Iron out details before engaging in compulsion.
- Consider some of the longer term implications and options.
- 2025 with a proper offering would be better than a car crash in 2024.
- If the rush is because of previous delays, that's not the fault of workers or employers; don't make them carry the can with an unfinished product.