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Businesses 'need six-month grace for auto enrolment'

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Businesses need at least a six-month period of grace from the Government after the official start of the landmark auto enrolment (AE) pension scheme to get their systems up to speed, according to staffing agency Excel Recruitment.

Excel said that many Irish employers would struggle with the implementation of the upcoming pension system, which is officially scheduled to start in early 2025 and immediately capture 750,000 workers without occupational or private pension plans.

"To acknowledge the challenges employers are going to face in the implementation of such a mammoth undertaking and to put the necessary guardrails in place to allow them to cope with the administrative and financial burden that will be foisted upon them," said Shane McLave, managing director of Excel.

"Essentially, we believe the Government should allow, at the very least, six months between the official AE start date and the date by which employers have to have this new system in place."

Excel said that a better approach would be to follow the lead set by the UK when it introduced AE 13 years ago. It began with the largest employers in October 2012 and concluded with the smallest employers and new employers in 2018.

Employers in the UK were given notice of their staging date up to 12 months in advance, allowing them sufficient time to prepare. They were required to assess their workforce, communicate with employees, and set up systems to collect employer and employee contributions and communicate with the AE system – if they didn't already have a qualifying pension scheme in place.

> "AE is set to apply to workers aged between 23 and 60 earning at least €20,000 annually

The Department of Social Protection confirmed earlier this month that it had selected Indian information technology company Tata Consultancy Services (TCS) as its preferred partner to build and run AE system, after enabling legislation for the scheme passed its final stage in the Oireachtas.

However, there is a widespread view that AE – which was first proposed in 2006 by then Fianna Fáil minister for social and family affairs Séamus Brennan – will not be up and running in early 2025.

Investments

A State agency that will oversee AE has yet to be set up and the department still has not begun the formal search for asset management firms to manage the underlying investments.

AE is set to apply to workers aged between 23 and 60 earning at least €20,000 annually and who are not already members of occupational schemes.

Under the AE plan, workers and their employers will each initially pay 1.5 per cent of a person's gross salary into the scheme. From year four, that will increase to 3 per cent, rising again to 4.5 per cent in year seven and 6 per cent from year 10.