Risk & Insurance | Employee Benefits | Retirement & Private Wealth

New Ireland Pension Legislation:

What Multinational Employers Need to Know

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Ireland

Agenda

1 HUB International and Glennon

2 Background - Pension Reform Drivers

3 New Auto Enrollment Pension Legislation

4 Implications for Employees

5 Suggested Employer Actions

6 Key Takeaways

HUB International & Glennon

Your Partners for Employee Benefits in Ireland

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HUB's Global Benefit Practice offers a Full Range of Consulting Services

Largest Privately-Owned Global Broker

Global Network of Consultants

Based in Chicago

19,000+ employees

2 million+ clients

600+ locations

5th largest risk consultancy in the world

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About Glennon Employee Benefits

- Over 50 years as Irish EB Broker Partner of Choice
- 300+ Group Clients - Mainly Multinational Employers
- Key Lines of EB Cover; Group Pensions, Group Medical, Dental, Vision & Group Risk
- Third Party Providers for non-insured benefits
- Benchmarking Assistance

Background

Pension Reform Drivers

Ireland

Key Benefits Overview

Life Assurance

Medical Insurance

Dental

Pensions

Income Protection (LTD)

Holiday

Background: Pension Reform Drivers

- The State pension insufficient for most employees - requires supplementation
- Currently, private sector employers must offer employees a pension savings vehicle
- Low participation rate

< 40%

of Private sector employees have pension participation

- OECD says Ireland only western economy without automatic provision
- Irish economy made up of small employers. Need to create economies of scale
- New law aims to address pension adequacy for employees who have no pension
- **Still, lots of things to be done in a short period of time**
- **Large scale government communications soon to commence**

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New Auto Enrollment Pension Legislation

What is it?

- Mandated employer and employee contributions
  - Plus, support from the State
- People in employment must automatically be enrolled in a pension scheme unless they are already covered in an existing scheme
  - Collective scheme option run by State agency
- Plan design is defined contribution
- Effective in September 2025
- State communication to the general public to start in January 2025

Comparative Options

Feature	State Plan Option	Employer Plan Option
Eligibility	All employees over age 23. Employees below age 23 can opt in.	Flexible
Participation	Auto-enrolled, opt-out possible. Re-enrollment every 2 years. Exemptions (employees contributing to PRSA; age 60 or over; salary below EUR 20,000).	Flexible
Plan Format	Defined contribution	Flexible Defined contribution is the norm.
Employee Contribution	Mandated at 1.5% initially. Increasing to 6% over 10 years. No additional employee voluntary contributions allowed.	Flexible Additional employee voluntary contributions allowed.
Employer Contribution	Company 1:1 Match.	Flexible
State Support	State contribution: 1/3 of employee contribution	Full income tax relief
Salary Definition	Full pay, up to EUR 80,000	Flexible

Comparative Options (continued)

Feature	State Plan Option	Employer Plan Option
Taxation	Company Contributions: not imputed to ee. Employee Contribution: Not deductible Investment Returns: Exempt Benefit payments: Preferential tax treatment	Company Contributions: not imputed to ee. Employee Contribution: Fully deductible Investment Returns: Exempt Benefit Payments: Preferential tax treatment
Vesting	Immediate	Flexible
Plan Administration	Centralized processing by government agency	Trust or insurance. Vendor determined by employer
Investment Policy	Employee directed. Limited choice of investments	Employee directed within funds available from selected pension management vendor
Portability	Account balance stays with central administrator	Employee choice (stay, move to individual account, move to next employer fund, or cash out if eligible)
Fund Liquidity	Account balance locked until statutory retirement date (currently 66) or severe ill health	Flexible (retirement as early as age 50)
Taxation	Company Contributions: deductible, not imputed to ee. Employee Contribution: Not deductible Investment Returns: Exempt Benefit payments: Preferential tax treatment	Company Contributions: deductible, not imputed to ee. Employee Contribution: Fully deductible Investment Returns: Exempt Benefit Payments: Preferential tax treatment

Implications for Employees

Implications for Employees

- Additional retirement savings financed by employer and State
- Negative cash flow from employee pension contributions
  - From after-tax income under government option
- Communication on:
  - Plan provisions
  - Plan administration
  - Enrollment options
- PRSA contribution continuation
- Financial education need

Suggested Employer Actions

Key Considerations

- Law will become effective in September 2025
- Will impact all individuals who are not contributing to a pension scheme monthly
- Employees on PRSA where no company pension contribution will be deemed to be exempt – they will probably stop contributing in order to avail of company match
- We expect State will start mass communications in January 2025
- Employers that sponsor pension programs will be able to opt out of government program and promote equitable and consistent treatment of employees, however advanced planning will be needed

Creating or Transforming Pension Programs

Compliance with Law Requirements

- Eligibility
- Contribution rates
- Salary definition

Market Competitiveness

- Target market
- Affordability
- Staffing strategy

Administrative Aspects

- Funding/investment options
- Administrative infrastructure
- Payroll and taxation factors

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Key Takeaways

Key Takeaways

1. The law will have significant implications for employees and company
2. Need to understand what AE implementation will mean for your specific business in Ireland
3. Must work early to develop compliance approach, employee communication and logistics

An experienced pension consultant can bring you through the entire process.

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Thank you

For more information visit
www.hubinternational.com/global-benefits/

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