

Over the line

After years of delays, Ireland's auto-enrolment system has finally crossed the try line. But while MyFutureFund has been welcomed as a landmark reform, concerns remain over aspects of its implementation and the wider changes reshaping the pensions landscape.

David Adams reports



Twenty years ago, Ireland's then Minister for Social and Family Affairs, Seamus Brennan, proposed using auto-enrolment (AE) to improve coverage in the second pillar of the country's pensions system.

Only on 1 January this year did the country's AE scheme, MyFutureFund, finally go live. But it has made a good start: within two months more than 760,000 employees, working for more than 105,000 employers, had already been automatically enrolled. Employees are eligible if they are aged between 23 and 60, earn more than €20,000 a year and are not enrolled in another occupational scheme.

MyFutureFund is being run by the National Auto-Enrolment Retirement Savings Authority (NAERSA). Employees can monitor their pot and choose between investment plans through an online portal; and the scheme will move pension pots as individuals change jobs via a pot-follows-member model.

Contribution rates are low: currently 1.5 per cent for both the employer and employee, with the state adding another 0.5 per cent. Between 2029 and 2031 those rates will rise to 3 per cent and 1 per cent, respectively; between 2032 and 2034 they will be 4.5 per cent and 1.5 per cent; and from 2035 6 per cent and 2 per cent – unless that timetable slips.

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In addition, new regulations governing minimum contributions into existing occupational schemes were announced just before Christmas 2025. For defined contribution (DC) arrangements employers must contribute at least 1.5 per cent of gross pay up to an annual cap of €1,200; and total employee/ employer contributions must be at least 3.5 per cent of gross pay, up to a €2,800 cap. Defined benefit (DB) schemes must provide members with long service benefits. NAERSA will assess compliance with these rules based on gross pay received by workers over a 13-week lookback period.

However, there has been some anger about the way these rules were imposed without a full consultation.

In February, speaking at the Irish Association of Pension Funds (IAPF) annual dinner in Dublin, IAPF chair, Tony Fleming, addressed the Minister for Social Protection, Dara Calleary, directly.

He complained about the lack of consultation or a notice period before imposition of the regulations, stating that the IAPF was keen to engage constructively with the government and NAERSA to create “workable minimum standards, grounded in the true value delivered by employment-based schemes, rather than short-term, overly prescriptive metrics that risk distorting outcomes”.

Gross error

Arguably the most significant problem is NAERSA's use of gross pay to assess compliance with the contribution rules. Most employers and existing occupational schemes use basic salary to calculate pension contributions, so do not include overtime, payments based on working different hours during the week, bonuses or other unusual payments.

This means pension contributions for an employee that may be paid at a higher rate than the minimum standard if measured against a basic salary could be counted as being below the standard on NAERSA's metric. The IAPF and the Irish Institute of Pensions Management (IIPM) estimate that as many as 2,000 employers and 60,000 individual workers across the country could be affected by this issue.

“Using gross salary was the simpler option from a policy perspective, but it shifts the complexity back onto employers,” says IIPM president and Irish Life head of workplace financial wellness, Aaron Gaynor.

“Many still do not have clear guidance on what action is required to address any contribution shortfall. Letters sent to employers [by NAERSA] have not been sufficiently clear. Some are being told they must make backdated contributions as far back as January in the next payroll cycle, while others have until the end of the next quarter.”

In March, the IIPM and IAPF sent a joint letter to NAERSA chief executive, Dermot Griffin, requesting a full consultation process and suggesting NAERSA considers using “an overall scheme quality test, assessing the total value of benefits over a minimum of one year, rather than applying a 13 week calculation”. They also suggested that another element of NAERSA's plans, the removal of vesting periods (for refunds of pension contributions to employees who leave a job within two years), should be accompanied by the introduction of a national pension tracing system.

“We continue to be very much in favour of AE,” says IAPF chief executive, Joyce Brennan. “It’s a great initiative to extend the reach of pension savings to almost all workers.”

She says NAERSA has responded to the March letter, but in terms she describes as “sticking to their guns”.

“They aren’t minded to adapt the minimum contribution requirement,” she says. “We continue to think it’s unworkable and is imposing administration [*burdens*] on many good pension schemes.”

“It’s caused huge issues,” agrees LCP Ireland defined contribution (DC) consulting team lead, Gareth McKenna. “AE has been sold on the basis of ‘there’s not going to be a lot of work involved’ – but it’s going to be a huge amount of work.”

A once-in-a-generation opportunity

Trident Consulting owner, John O’Connell, has reservations about the roll-out, particularly what he regards as a flawed public awareness campaign beforehand, but he thinks the roll-out of MyFutureFund has helped to increase engagement with pensions in general. “I have seen some additional take-up in voluntary schemes,” he says.

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McKenna also sees increased engagement. “We noticed that there was a bigger uptick in companies coming to us saying employees wanted to join their schemes, even before the first of January,” he says.

Aon Ireland head of retirement consulting, Caroline Rowan, highlights another potential benefit.

“While more than half of men receive a private pension, less than one in three women receive the same benefit,” she notes. She quotes recent research from the Economic and Social Research Institute (ESRI), which revealed a gender pensions gap in Ireland of 35 per cent. “AE will help to narrow that gap.”

But, as Financial Planning Standards Board (FPSB) Ireland CEO, Emer Kirk, points out, it is not possible for individuals to increase their contributions to

MyFutureFund voluntarily.

“That’s a particular concern for those who are in their 40s and 50s, who may wish to pay in more,” she says. “The biggest risk is that people assume that once they are enrolled, the job is done.”

As with any DC-based system, there will also be more work required to help people make good decisions at and beyond retirement. Ireland’s Pensions Authority ran a consultation in late 2025 on enabling in-scheme drawdown (ISD) as an option for DC scheme members at the point of retirement.

It suggests ISD would be provided by authorised master trusts and some large single-employer schemes as an additional option. It would not incorporate any guarantees by the scheme; and they would not be required to create a separate fund through which to offer ISD. Individuals could still use their pension pot to buy an annuity or an approved retirement fund (ARF).

While expressing support for this concept, the IIPM’s response to the consultation suggested that the default investment strategies members follow during the accumulation phase could be extended into the decumulation phase, or that a dedicated decumulation phase default investment strategy could be developed. It also stressed the importance of access to advice at the point of retirement and beyond.

The IAPF suggests the use of guided retirement pathways: structured default options designed to meet the varied needs of different groups of pension savers who may all have failed either to choose their own investment options or to access advice. It also stresses the need for trustees to be protected against legal risks linked to the consequences of individuals acting on financial advice.

Rowan believes the changes that have been made to Ireland’s pensions system in recent years will have a positive impact overall.

“These changes will help establish a more resilient and sustainable pensions system, while ensuring the future financial security of Ireland’s workforce,” she says. “The introduction of AE is a once-in-a-generation opportunity to build a more equitable and inclusive approach to retirement saving. At the same time, this is a major long-term reform and there will always be areas that can be refined. Continued dialogue between government, employers and industry will be important to make sure the system works effectively for both employers and employees.”

It’s been a long time coming, yet in some ways, the work has only just begun.