

Auto Enrolment and Master Trust Comparisons

The long-awaited introduction of Auto Enrolment (AE) is due to launch in the coming months. With an estimated one in three workers today having no private pension*, AE will help increase pension coverage and encourage more individuals to save for retirement. The new system will automatically enroll employees currently without a workplace pension into a new state run pension scheme.

Although a positive step for pension provision, it is likely that AE will be considered inflexible compared to arrangements available through the likes of a Master Trust. Companies offering a workplace pension scheme with competitive contribution levels will enjoy a distinct advantage in the talent market. They can achieve that with the Zurich Master Trust which offers market leading active investment performance[^], governance expertise and streamlined administration, all in a cost-effective package.

We have outlined some key features in the comparison table overleaf to enable those involved in the corporate benefit space to compare the AE scheme to existing workplace pensions. It may be beneficial to seek advice from your scheme advisor or Zurich now.

* Source: Pension coverage report 2024, Central Statistics Office (CSO).

[^] Source: Rubicon Investment Survey, March 2025.



	Auto Enrolment pension	Occupational pension (for example, a Master Trust)
What is it?	This is a new State run workplace pension, for those who don't have an occupational pension scheme/ group Personal Retirement Savings Account (PRSA) paid via payroll and meet other eligibility criteria.	An occupational pension scheme is a retirement savings plan arranged by an employer for their employees.
Eligibility criteria	<ul style="list-style-type: none"> Working as an employee Aged between 23 and 60 Earn more than €20,000 Not benefiting from an employer contribution to a pension or contributing personally to a pension from salary deduction.	Employers that provide an occupational pension can decide whether to make it compulsory or optional for employees. They can also decide after what period the employee is allowed to join the scheme.
Contributions	Starting from: Employee 1.5%, Employer 1.5%, State 0.5% of eligible earnings (Earnings capped at €80,000). These contribution rates will increase over time. No ability for employers or employees to make contributions in excess of those limits.	A certain level of employee contribution may be stipulated within the employee's contract of employment. Employees can make Additional Voluntary Contributions. Employers must also contribute to occupational pensions. The level of contribution should be stipulated within the employee's contract of employment.
Employee Incentive: Tax Relief vs State contribution	AE does not provide tax relief, but employee contributions are matched by the state on a 1:3 basis which is equivalent to 25% tax relief in the private pension system.	Income tax relief of either 20% or 40% depending on your tax band. Relief is limited to age related earnings percentage limits from 15% to 40%. Earnings are capped at €115,000 for the purpose of these limits.
Employer Tax Relief	Employer contributions are eligible for corporation tax relief.	Employer contributions are eligible for corporation tax relief (subject to Revenue limits – which are generous).
Investment options	There are three investment funds available under AE ranging from Low to High Risk and a default investment strategy which all members will initially be invested in.	Numerous investment funds available to suit different risk levels and needs, including a default investment strategy.
Additional Voluntary Contribution (AVC)	Not allowed.	Allowed.
Financial Advice	No financial advice provided within the AE scheme.	In most cases, a Financial Advisor is appointed to occupational pension schemes by the employer.
Investment Returns	Investment return grows free of tax.	Investment return grows free of tax.
Benefits payable on Death	Member funds paid to their estate and subject to Income Tax, Pay Related Social Insurance (PRSI) and Universal Social Charge (USC).	A Lump Sum can be paid to the members estate (maximum – 4 times final remuneration). In addition any employee contributions and AVCs can be paid as a lump sum. These funds could pass tax free to a spouse and would be subject to normal Capital Acquisitions Tax rules when passing to children. Remaining Funds can be used to buy an Approved Retirement Fund (ARF) or Annuity for a spouse or dependents.
Retirement age	State Pension age (currently 66).	Early retirement possible from age 50.
Pension Lump Sum	25% of Fund payable as Lump Sum (Tax Free subject to lifetime limit of €200,000).	Lump Sum can be based on 25% of Fund or Salary & Service Calculation. (Tax Free subject to lifetime limit of €200,000).
Additional Retirement Options	Currently no drawdown facility or ARF/Annuity Option – likely to change in the future. (Pay As You Earn (PAYE) Applies).	Purchase an ARF, Annuity or take as taxable cash (PAYE Applies).

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