



Media Q&A

I have a PRSA so where do I stand on Auto-Enrolment?

I've a Personal Retirement Savings Account (PRSA) which I set up about ten years ago when I was self-employed. I've since moved into employment but my employer doesn't offer a workplace pension so my PRSA is currently my only means of pension savings which I contribute to from my savings and not through payroll. With Auto-Enrolment (AE) fast-approaching, I'm not sure exactly where I stand. Will I be signed up for AE even though I have a PRSA? If I am signed up for AE, can I continue to save into my PRSA? And which is more beneficial from a pension savings point of view: my PRSA or AE?

Answer: Mark Reilly, Pension Proposition Lead, Royal London Ireland

The AE scheme is due to launch on 1 January 2026. Employees, aged between 23 and 60, earning over €20,000 per annum (across all employments) and not already contributing to occupational pensions will be automatically enrolled. Employees outside the age and salary criteria can opt-in to contribute to the scheme.

Where an employee is contributing to a personal pension, such as a PRSA, whether or not the employee is signed up to AE will depend on how the contributions are being paid. If the employee (or their employer) is paying contributions into the PRSA through payroll (that is, directly from your wages), that employment will be exempt from the AE scheme and so the employee would not be signed up to AE or able to opt into AE based on that employment.

However, this does not appear to be the situation in your case as you are not making contributions into your PRSA via payroll. On this basis, it appears you will be automatically signed up to AE when it is rolled out January 1, 2026.

If you would prefer not to be signed up to AE, it should be possible to change the way you contribute to your current PRSA so that the contributions are deducted from your wages rather than coming from your savings account. It would be important to do this promptly and in advance of the expected AE launch date if you wish to do so. To fund your PRSA via

payroll, you need to provide your PRSA scheme reference number to your employer's payroll department. As long as your employer facilitates this arrangement, your employer will then deduct the agreed-upon contributions from your gross pay and send them to your chosen PRSA provider. In such cases, usually your employer will apply the tax relief due on your pension contributions – rather than you having to claim it yourself.

It will be possible to remain a participant in the AE scheme and pay contributions to another pension scheme outside of the payroll system. If you continue to fund your PRSA personally through your savings account, you can continue to contribute into your own PRSA after you are signed up to AE. Indeed, it may be advisable for you to do so as the pension you receive if you rely on AE alone may not provide a sufficient retirement income. Be mindful of the tax relief limits on pension contributions with your PRSA as it would make sense not to exceed those limits.

Whether or not a PRSA or AE is more beneficial to you when it comes to pension savings will depend on a number of things, including whether you're a lower or higher rate income taxpayer and consideration should also be given to where employers are paying in contributions for employees and maybe matching what the employee is paying in.

Generally, AE will be more beneficial for individuals who pay the standard rate of income tax (20%) and not as beneficial for individuals paying the higher rate of income tax (40%). For an individual earning €44,000 or less (and paying income tax at 20%), the 25% government top-up in AE (that is, €1 for every €3 contributed by the employee) is more advantageous than the 20% tax relief they would receive on a contribution to a private pension.

Participating in an employer scheme with matching contributions offers significant benefits for employees, particularly those on the lower rate of tax. It effectively increases their savings without additional personal financial burden, as the employer matches a portion of their contributions. This can lead to a substantial boost in retirement savings over time. Additionally, the contributions made by the employer are essentially free money, enhancing the overall value of the employee's compensation package.

For higher earners (those paying income tax at 40%), a private pension generally offers greater tax benefits. The 40% tax relief on contributions to a private pension is typically more significant than the 25% equivalent benefit provided by the State top-up in AE. For those who want to contribute more than the AE maximums (especially above the €80,000 earnings cap for AE contributions), a private pension allows for significantly higher contributions with tax relief up to the age-related limits and the €115,000 earnings limit.

There are other reasons why you might favour a PRSA over AE. With a PRSA, there is full flexibility to choose your level of employee contributions (subject to the tax relief limits on pension contributions). By comparison, there is no flexibility around contributions with AE. Instead, employee contributions are set at a percentage of earnings ranging from 1.5% to 6% in the first ten years and employees cannot save less or more. So, depending on your time to retirement and how much you see yourself setting aside for retirement in the coming years, the limits under the AE scheme might hamper your plans if you want to put in more than the maximum contribution limit. With a PRSA, you can access your pension fund between the ages of 60 and 75, with earlier access allowed in certain circumstances. The earliest you will be able to access your AE fund is the age of 66.

The investment options available in the AE scheme are likely to be limited compared to personal pensions, as the system will offer standardised investment options. With a PRSA, you usually have a broader range of investment options and more control over where your money is invested, which can be beneficial if you're a savvy investor.

You don't mention if your employer is paying any contributions into your PRSA. While there is no obligation on your employer to contribute to your PRSA, your employer will have to contribute to the AE scheme on your behalf. Employer contributions are set at a percentage of earnings ranging from 1.5% to 6% in the first ten years. This, along with the State contribution to AE, could boost your retirement savings.

As you can see, there is a lot to consider. Retirement planning is hugely important, and it would be worth getting some expert independent financial advice before making any decisions around AE and your PRSA so that you determine the most suitable pension options for your personal circumstances.

ENDS

Notes to the Editor:

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