

My Future Fund vs. Adobe pension plan

At-a-glance summary of how the two systems compare at the outset

Key feature	My Future Fund (State pension)	Adobe pension plan
Contribution rates	Fixed (phased increases over first 10 years)	Flexible
Basis of contribution calculation	Total gross earnings; capped at €80,000	Flexible; no cap
Fund choices	Fixed (based on choice of 3 fund types: high, medium and low risk)	Flexible
AVC facility	No	Yes
Risk cover available	No	Yes
Tax relief on employee contributions	No (but State top-up provided in lieu, equivalent to 25% tax relief)	Yes
Transfers in/out	No	Yes
Early drawdown prior to age 66	No	Yes
Late drawdown after age 66	No	Yes
Ill health early retirement	Yes	Yes
Benefits at retirement	Lump sum only (at outset)	Lump sum / pension / approved retirement fund
Ability to opt out	At prescribed times only (no opt out at all for first 6 months of membership)	Flexible (but opting out will risk enrolment of auto-enrolment eligible employee into central system)

Employee cost impacts

Many employees are likely to be financially better off in an occupational pension plan than the central auto-enrolment (AE) system.

EXAMPLE

Comparison of *after-tax costs* to an employee earning **€35,000 p/a** in Year 1 of AE

My Future Fund (State)			vs.	Occupational (DC) scheme					
				Example 1		Example 2			
Employee contribution (<i>deducted from net pay</i>)	1.5%	€525		Employee contribution	1.5%	€525	Employee contribution	2.0%	€700
State top-up	0.5%	€175		<i>(Less 20% implicit tax relief)</i>		(€105)	<i>(Less 20% implicit tax relief)</i>		(€140)
Employer contribution	1.5%	€525		Employer contribution	2.0%	€700	Employer contribution	1.5%	€525
Total contribution	3.5%	€1,225		Total contribution	3.5%	€1,225	Total contribution	3.5%	€1,225
Net impact on employee		€525 p/a		Net impact on employee		€420 p/a	Net impact on employee		€560 p/a

Note: The occupational defined contributions (DC) scheme contribution rates shown **do not** reflect the current Adobe scheme contribution rates (e.g., employee 3% to 7% plus matched employer contributions capped at 7%) but have been selected to match the My Future Fund (State) contributions rates in order to provide a comparison of the different tax treatment between the two types of schemes.