

# IGP Country Profile

## **Ireland**





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# Customary employee benefits

## Death benefits

Lump-sum death-in-service benefits without dependent's pensions are the most common. The usual benefit is a lump-sum of four times annual salary.

Where provided, the dependent's pension is usually a spouse's pension of 50% of the member's aggregate pension with percentage additions for dependent children.

## Long Term Disability benefits

The customary waiting period is 26 weeks; 13 and 52 week waiting periods are available but more rare.

A provision can also be included so that the benefit will escalate each year (normally 3% per year, restricted to the level of increase in Consumer Price Index if this is lower).

If premium protection is part of the disability benefit, a claimant continues in the main plan for pension and death benefits.

## Medical benefits

Coverage by the State is provided for all insured people. People who wish to have access to better facilities than the State allows (e.g., private and semi-private hospitals) can take out personal insurance. It is estimated that at least 30% of the population has some form of supplementary private health insurance. Group schemes can also be set up, and some employers contribute to the cost of private medical insurance.

Medical insurance in Ireland is community-rated, which means that health insurers must charge the same premium to everyone in a plan, regardless of the individual's age or health status.

## Retirement benefits

The usual benefit under pension plans consists of a pension, with the option to commute part of it into cash. Defined Benefit plans are typically based on final salary (usually the average over the last one or last three years) and often incorporate Social Welfare benefits using the salary offset method. For example, in a plan offering a maximum pension of two-thirds salary, the offset is 1.5 times the Social Welfare retirement pension.

Most plans use a pension fraction of one-sixtieth (1/60th), though some operate on one-eightieth (1/80th). Credit is almost always given for full past service prior to the plan's commencement date, even in contributory arrangements.

There has been a significant shift from Defined Benefit plans to Defined Contribution arrangements due to new accounting requirements, pension legislation affecting funding standards and benefit preservation, and the impact of lower interest rates and asset values.

The most common retirement age is 65. However, individuals can now defer claiming the State Pension (Contributory) up to age 70, with increased payments for each year deferred. Both staff and manual workers typically receive the same benefits, although senior staff often receive additional "top hat" benefits - either through enhanced provisions within the main plan or via separate arrangements.

At retirement, members are usually allowed to commute a portion of their pension (up to 1.5 times their final annual salary) provided they have at least 20 years of service. This commuted amount is tax-free, while the remaining reduced pension is taxed as regular income.

Spouse's pensions are typically included either as an additional benefit or through an option for the member to surrender part of their own pension.

Pensions in payment may be increased either on a guaranteed basis (e.g., up to 5% annually) or subject to periodic review at the employer's discretion.

Although some pension plans in Ireland remain non-contributory, most companies request member contributions, typically expressed as a percentage (between 5% and 10%) of pensionable salary. The Pensions Act 1990 mandates the preservation of benefits for early leavers after two years of qualifying service.

## Finance Acts 1999/2000

These acts introduced new provisions governing the use of pension fund monies available upon retirement to self-employed individuals and company directors holding more than 5% of company shares. The provisions also apply to voluntary contributions made by employees.

Originally, individuals could:

- Take the funds as cash (subject to marginal income tax) if they had a guaranteed income of at least €12,697 annually.
- If not, they had to invest €63,487 or the remainder of the fund (whichever was lower) in an Approved Minimum Retirement Fund (AMRF), with the rest taken as taxable cash.

However, AMRFs were abolished in 2022. All existing AMRFs were converted into Approved Retirement Funds (ARFs), removing the income threshold and investment requirement.

ARFs allow flexible use of the fund, including regular income, lump-sum withdrawals, or full withdrawal (e.g., for property purchase). The fund grows tax-free, but withdrawals are taxed at the marginal income tax rate. Mandatory annual withdrawals now apply:

- 4% from age 61–70
- 5% from age 71+
- 6% if the fund exceeds €2 million

## Pension Reform 2018–2023

The Irish government released a roadmap for pension reform covering 2018–2023. It introduced six strands aimed at modernizing the pension system:

1. Reform of the State Pension – including the phased introduction of the Total Contributions Approach, replacing the Yearly Average method by 2034.
2. Building Retirement Readiness – introduction of the Auto-Enrolment Retirement Savings System, branded “My Future Fund”, launching on January 1, 2026. It applies to employees aged 23–60 earning €20,000 or more annually, with contributions from employees matched by employers, plus a one-third government top-up.

3. Improving Governance and Regulation – including implementation of the EU Pensions Directive (IORP II).
4. Measures to Support the Operation of Defined Benefit Schemes
5. Public Service Pensions Reform.
6. Supporting Fuller Working Lives – including the Long-Term Carers Contribution Scheme introduced in 2024.



# Legislative news

## Auto-enrolment implementation

Ireland will launch its long-awaited Auto-Enrolment Retirement Savings System, branded as “My Future Fund”, on January 1, 2026. This initiative aims to address the pension coverage gap among private sector employees, particularly younger workers and those in lower-income brackets.

Under the scheme:

- Employees aged 23 to 60 earning €20,000 or more annually will be automatically enrolled.
- Contributions will start at 1.5% from employees, matched by 1.5% from employers, with an additional 0.5% top-up from the government.
- Contribution rates will gradually increase over time to encourage long-term savings.
- Employees retain the right to opt out, but will be re-enrolled every two years unless they actively choose to leave again.

Employers are advised to prepare for the administrative and payroll integration requirements, as well as to communicate clearly with employees about the benefits and implications of auto-enrolment.

## Carers contribution scheme

In 2024, the Irish government introduced the Long-Term Carers Contribution Scheme, a significant step toward recognizing the unpaid work of carers. This initiative allows individuals who have provided long-term care to qualify for State Pension (Contributory) entitlements, even if they have gaps in their PRSI (Pay Related Social Insurance) contributions.

Key features include:

- Eligibility for carers who have provided full-time care for more than 20 years.
- Contributions made during caregiving periods are now counted toward pension qualification.
- The scheme supports the government's broader goal of supporting fuller working lives and ensuring fairness in retirement income for those who have taken time out of the workforce to care for loved ones.

Employers may wish to consider how this legislative change could impact workforce planning, especially in sectors with higher proportions of employees who take career breaks for caregiving responsibilities.



# Trends

## Personalisation and flexibility

Irish employers are increasingly adopting flexible benefits platforms that allow employees to tailor their packages to suit individual needs. This shift reflects a broader trend toward personalisation, where benefits are no longer one-size-fits-all but instead reflect life stages, family structures, and lifestyle preferences. Popular options include wellness allowances, remote work support, and voluntary benefits such as dental or vision care.

## Mental health and wellbeing

Mental health has become a central focus in employee benefits strategy. Companies are expanding access to Employee Assistance Programs (EAPs), offering digital mental health tools, and promoting mental health days. This reflects growing awareness of the impact of psychological wellbeing on productivity and retention.

## Retirement planning engagement

With the upcoming launch of the Auto-Enrolment Retirement Savings System, there is increased emphasis on financial literacy and retirement readiness. Employers are investing in tools and education to help employees understand their pension options and make informed decisions about long-term savings.

## ESG and responsible investment

There is a growing trend among Irish pension schemes to incorporate Environmental, Social, and Governance (ESG) criteria into investment decisions. This reflects both regulatory encouragement and employee demand for sustainable and ethical investment practices.

# Typical employee benefits plans and benchmarking

## Group life plan

Lump sum benefits of four to eight times is usually provided depending on the member's marital status. A spouse's pension may be provided, normally at the rate of 50% of the member's pension or one-third of the member's salary.

## Income protection plans

Mostly provided for non-manual employees. The usual benefit is the member's projected pension at retirement, or two-thirds of salary less the social welfare disability benefit. Normally, benefit becomes payable after a waiting period of 26 weeks.

## Retirement pension plan

Pension formula is normally 1/60th of final salary for each year of service (maximum pension limited to two-thirds of final salary), integrated with State benefits. In the case of staff employees, it is fairly common to provide a spouse's pension of 50% in the event of the member's death during retirement. Pension increases are provided in only a minority of cases.

## Pharmaceutical company

Plan feature	Description
Eligibility:	Full time, permanent employees over age 25, under age 65 after one year of service.
Normal retirement age:	Age 65, males and females.
Pensionable salary:	Salary, less a reduction for Social Security benefits, equal to 1½ times the single life Social Welfare benefit.
Pensionable service:	40 years maximum, males and females.
Retirement benefits:	N/60ths of final pensionable salary, where: <ul style="list-style-type: none"><li>• N = pensionable service</li><li>• Final pensionable salary = average of the best three consecutive pensionable salaries in the last ten years.</li></ul>
Early retirement benefit:	Per revenue regulation.
Pre retirement death benefit:	<ul style="list-style-type: none"><li>• A lump-sum amount equal to four times salary (plus a refund of contribution). Interest, if applicable, is added to the benefit (in cases where there is a delay from date of death to date of benefit payment).</li><li>• Spouse's Pension: 50-66% of member's aggregate pension, in the case of Defined Benefit pensions, usually no spouses pension on Defined Contribution schemes Children's Pension may also apply, usually payable to age 18, or age 21 if student, or for life if disabled.</li></ul>
Post retirement death benefit:	<ul style="list-style-type: none"><li>• Spouse's Pension: 50% of member's pension if a joint life annuity was purchased.</li><li>• If no annuity was purchased and the member chooses an Approved Retirement Fund, this is inherited as per the members wishes and is subject to income tax in the hands of the spouse and children</li></ul>

## Employee contributions

Most plans are contributory. When a plan is contributory, it is normally at a rate of between 5%- 10% of pensionable salary in defined benefit plans, or a percentage of actual salary in defined contribution plans.

## Sample group life, pension and disability plan - Computer software company

Plan feature	Description
Eligibility:	<ul style="list-style-type: none"> <li>Retirement benefits: Full time permanent staff employees and employees who work at least 20 hours per week and are at least 18 years of age.</li> <li>Death benefits &amp; LTD (Salary Protection): Same as above; however, members must be under 65 years of age.</li> </ul>
Death-in-service benefit:	Four times annual salary.
Aggregate pension:	<p>The plan is defined contribution. The benefit on retirement is based on the accumulated fund available. Members have the option to take a tax-free sum of up to one and one half times final earnings with the balance being used to purchase an annuity for themselves and their dependents, or take 25% of the fund tax-free and place the balance in an ARF, which they use to fund their retirement. The format of the benefit purchased only needs to be decided on retirement.</p> <p>The plan is a defined contribution arrangement, and the retirement benefit is based on the accumulated fund value. At retirement, members can choose between two options:</p> <ul style="list-style-type: none"> <li>Take a tax-free lump sum of up to one and a half times final earnings, with the remaining balance used to purchase an annuity for themselves and their dependents.</li> <li>Alternatively, take 25% of the fund tax-free and invest the remaining balance in an Approved Retirement Fund (ARF) to fund their retirement</li> </ul> <p>The choice of benefit format only needs to be made at the point of retirement.</p>
Spouse's pension:	One third of member's salary.
Orphan's pension:	Continuation of spouse's pension.
Disability benefit (salary protection):	Two-thirds of salary less the single person's state disability benefit, deferred over 26 weeks, 3% escalation, restricted to CPI and premium protection of employee pension contributions and cost of death in service cover.
Contributions:	<ul style="list-style-type: none"> <li>Employer pays 5% of salaries for pensions and employees pay 5%.</li> <li>Employees have the option to voluntarily pay additional contributions up to an aggregate limit of their own contributions of up to 12% of salary. The employer will match these additional contributions.</li> <li>The employer pays the cost of the death and disability benefits in addition to the pension contributions.</li> </ul>



# Useful links

## **Demographic information and macro-economic indicators**

[CIA World Factbook](#) (please select the country to review)

[World Bank Group](#) (please select the country to review)

## **Other useful links**

[Citizens' Information – Health, Social Welfare & Employment](#)

## **More information on Irish Life Assurance plc**

### **Your Local Link to IGP in Ireland**

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