

A quick guide to

setting up payroll

Making automatic enrolment easier

Information
for payroll
professionals
and business
advisers

Employers in the UK are now required by law to automatically enrol certain staff into a pension scheme. If their payroll system is ready for this, they'll find automatic enrolment much easier to implement and run on an ongoing basis.

How can payroll make automatic enrolment easier?

Appropriate payroll systems can:

- hold information required for automatic enrolment, including staff name, address, date of birth and earnings, so employers pay the right amount of pension contributions for the right person at the right time
- generate the correct worker contribution and data in the format that pension providers require
- assess staff to see who needs to be automatically enrolled in each pay cycle
- calculate contributions for both the employer and staff, and then deduct the staff contributions from their pay, and
- if possible, produce worker communications like letters to inform workers of their rights.

If the payroll system doesn't do this, and the employer's chosen pension scheme doesn't either, then the employer will have to find alternative methods to complete these tasks. They may want to consider using third party software or service providers, potentially including pension providers.

Getting started

Before reviewing their payroll arrangements, employers should have:

- found out when automatic enrolment will affect them (their staging date)
- nominated a contact for automatic enrolment
- put a plan in place so that they will be ready by their staging date, and
- chosen a pension scheme for automatic enrolment.

Steps for getting payroll ready

You and your client will need to be ready to follow these steps on their staging date and potentially every pay cycle after staging (where required):

1. Assess staff to find out who to automatically enrol
2. Calculate staff and employer pension contributions and deduct the staff contributions from their pay
3. Send the pension scheme provider the information they require
4. Tell staff about automatic enrolment by letter or email
5. Pay over pension contributions to the pension scheme by the deadlines they have specified
6. Allow staff to opt in or join a pension scheme
7. Manage opt-outs within the opt-out period and promptly refund contributions
8. Complete a declaration of compliance with us
9. Keep records, and
10. Automatically re-enrol all eligible staff every three years.

Testing whether your client will be ready

The following table covers the main areas that your client's payroll system, and the way in which it interacts with their chosen pension scheme, should be tested ahead of their staging date.

Ownership	<ul style="list-style-type: none">• Who will be responsible for handling each of the duties listed above?• What person and/or software inside or outside the employer organisation will do each of these?• If a task is being done by an outside organisation, such as a payroll bureau or accountant, are both they and the employer clear on what they're expected to do and by when?
Staff information	Are the details for all staff correct and up to date? This includes full name, address, email address, date of birth and National Insurance number.
Pay Reference Period	<ul style="list-style-type: none">• Which type of pay reference period is supported by the employer's payroll software or system? Calendar-based or tax period based?• Is that type of pay reference period accepted by the pension provider?

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Data format	<ul style="list-style-type: none"> • Can the employer's payroll software/system generate data files that are compatible with the pension provider's system? • Has the employer processed a dummy payroll run ahead of their staging date and sent test data to the pension provider? • Has an accountant or payroll specialist checked that dummy payroll run? • Has the pension provider accepted the data? Have they reported any errors?
Assessing staff	Is the payroll software/system set up to identify and flag which pay elements are qualifying earnings?
Contributions	<ul style="list-style-type: none"> • Will the pensionable pay elements have been identified and flagged? This may not be the same as qualifying earnings unless the pension scheme defines pensionable pay as qualifying earnings. • Is the payroll software/system set up to deduct the correct level of contributions?
Tax relief	<ul style="list-style-type: none"> • How does the pension scheme apply tax relief? • Does it use tax relief at source or a net pay arrangement? • Is a salary sacrifice scheme in place?
Telling staff	Has there been a test run of different types of letters that will need to be sent to the different types of staff? (Our template letters can help at www.tpr.gov.uk/writing)
Timing	<ul style="list-style-type: none"> • Will data be sent to the pension provider at the right time? • What day does the provider need to receive the information? • Will payroll need to run earlier in its cycle to allow time to send letters to staff?

Next steps

- Find out when automatic enrolment applies to your clients with our staging date calculator at www.tpr.gov.uk/employers/staging-date
- Guide your clients through the basics with our introduction to automatic enrolment at www.tpr.gov.uk/essential-guide
- Find more information and resources to help your clients get ready for automatic enrolment at www.tpr.gov.uk/help-clients-prepare

How to contact us

PO Box 343

Runcorn

WA7 9EG

E customersupport@autoenrol.tpr.gov.uk

www.thepensionsregulator.gov.uk

www.trusteetoolkit.com

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