Set up a pension scheme

Pension and Automatic Enrolment (AE) · https://paiyroll.com/kb/setup-pension-scheme/

Follow this guide to set up an Auto Enrolment (AE) pension.

You will generally require a single scheme, but you can add as many schemes as needed - for example, if directors receive higher contributions than employees.

Add Scheme Pay Definition

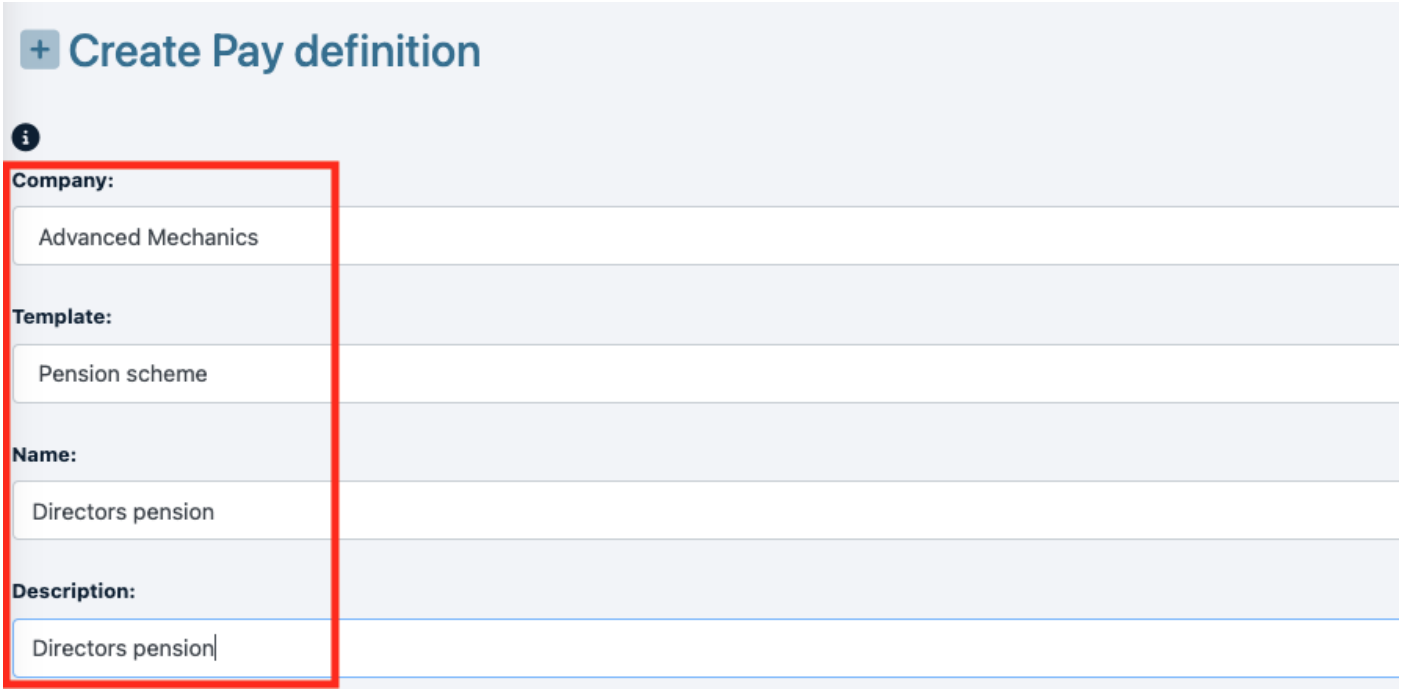
Setup > **Schemes** > **Add...**

Select the **Company**

Group: **Scheme**

Template: **Pension scheme**.

If you have multiple schemes, you will need to assign a unique **Name** to each one. The **Description** is usually the same as the name :



Scheme settings

First, select the S**cheme** provider, and the respective settings will then appear:

Value:

Scheme: GB NEST Pension

Determines the remaining settings.

Name:

The name of the scheme.

Reference:

A reference for the scheme.

Type: Net pay arrangement

Net pay arrangement (NPA) and Salary sacrifice are taken from gross pay; Relief at source (RAS) is taken from net pay.

Age stop: Do not stop

Age to stop pension contributions.

Pay after leaving: ☐ Continue contributions if pay after end

Prp alignment: Tax periods

The Pay Reference Period (PRP) is aligned to tax weeks/months or calendar pay schedule.

Postponement - duties start: None

Postponement from duties start

Postponement - employment start: None

Postponement from employment start

Postponement - eligible jobholder: None

Postponement from eligible jobholder

Company contribution: 3

Percentage company contribution

Matching: ☐ Match Company contribution to worker %

Multiplier: 0

Uplift (matched) company contribution by worker % multiplier

Group:

The groupname.

Contribution basis: Banded

The basis of contributions.

On leave pay basis: As paid

Company contribution pay basis when on leave

Round up: ☑ Round up or normal rounding

Payment source:

The NEST payment source.

The settings are normally dictated by company policy and/ or the pension provider scheme.

Name

Add a name for the scheme, e.g. **NEST Directors**

Reference

This must be the scheme reference – usually letters or numbers for the scheme, e.g. **EMP123456**

Type

Choose from **Salary Sacrifice (SS)**, **Net Pay Arrangement (NPA)** or **Relief at Source (RAS)**. These all worked differently with different levels of tax relief. Net pay arrangement (NPA) and Salary sacrifice are deducted from gross pay; Relief at source (RAS) is deducted from net pay.

Age Stop

Usually, leave this set to 'Do Not Stop' as the default. But if you want the contributions to stop at a particular age, set it here.

Pay After Leaving

Usually, this will be unset as pension contributions do not continue for leavers.

PRP (Pay Reference Period) Alignment

There are 2 types of Pay Reference Periods - either aligned to a Calendar period, e.g. 1st to 31st of the month, or Tax periods (tax week or tax month). This will usually be defined by settings in the pension scheme provider.

Postponement

If you don't operate postponement (deferral), the three postponement fields should be left as the default **None**.

If you operate postponement, the usual option is **Maximum,** which applies a 3-month postponement. This can be from the date your duties start (when you become an employer, if applicable), or when the employee becomes eligible (e.g., Age 22), or when new employees start. Usually, all 3 settings would be set the same way.

The other options are the **Next PRP** if you want to move postponement to the next pay run, or the **Latest PRP** if you'd like everyone to start on the first day of the latest pay run rather than, for example, in the middle of a pay period if a 3-month postponement were applied.

Company contribution

Set the company contribution percentage. This will then apply to all employees using the scheme. e.g. 3%.

If you intend to use fixed values rather than % values, then you need to select the Type as **Unbanded** below.

Matching

If you operate matching, where the company contributions increase based on the worker percentage, tick this box. Otherwise, leave it unticked.

Multiplier

Usually, this is left at zero. But if you want to increase the company contribution, for example, to provide an NI saving to the employee, you can put the 15% NI rate here as 0.15. This will then have the effect of multiplying the worker contributions by 0.15 = 15% and then increasing the Company contribution by that amount.

Group

This is the group name as required by the pension scheme. e.g **Directors Group**

Contribution basis

There are two types of contribution bases:

- **Banded** *Qualifying Earnings (QE),* which starts at a lower band and stops at an upper band - this is the usual type for newer automatic enrolment schemes and has minimum levels
- **Unbanded** *Pensionable Earnings (PE),* where pension contributions start from zero and no upper limit on earnings - this is the type for classic pension schemes and can be set to any value.
    - You will also need to select this basis if you want to set percentages outside the band or use fixed values, but you are responsible for checking that the minimum levels are being met

On Leave pay basis

When an employee is on leave, for example, maternity leave, you can choose to continue company contributions based on the pay as actually paid (**as paid**), the **salary** before the leave, **Average Weekly Earnings (AWE)** before leave or the **Higher** of Salary or AWE.

Round up

Usually leave unticked.

Re-enrol all

Usually leave unticked to re-enrol employees who opted out within the last 12-months or clear to exclude them

Payment source

The payment source you are using for the payment provider. e.g. **My Bank**

Click **Update** to Save the scheme

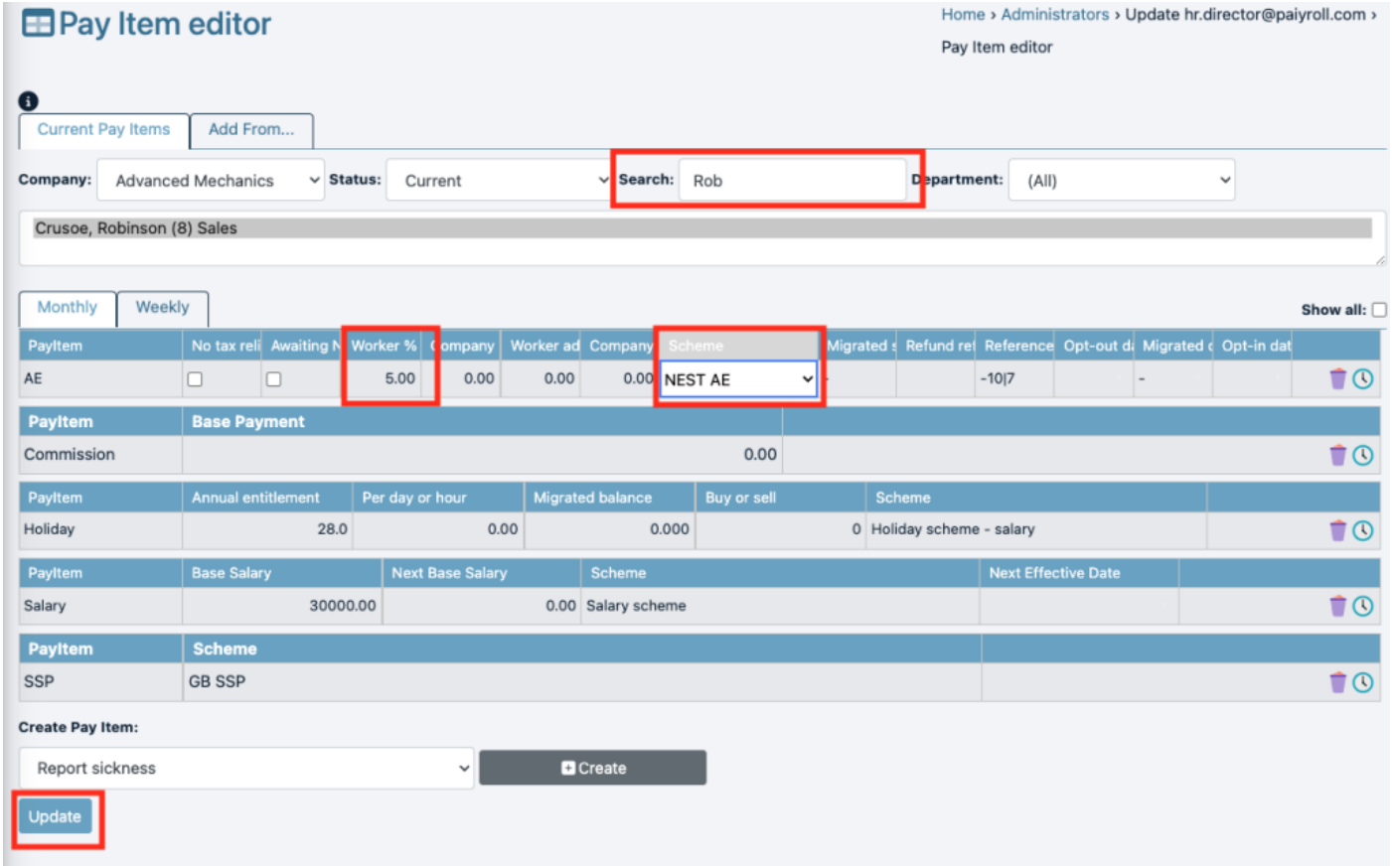
Pay Item Editor

Next, you will add the scheme to an employee. Navigate to the **Pay Item Editor**

Search or select the employee

Select the **Scheme** and **Worker %** on the AE Pay Item

Click **Update** to check the payslip



Add to create the scheme.

If you need to make any changes, go back and edit the scheme accordingly.

Report Definition(s)

After all schemes have been added, you can add ascoiated Report Defintions whish are automatically generated.

Add associated report defintion for **Contributions** and **Member Enrolment** - most providers use 2 reports: one for contributions and the other for member enrolment, however some providers do this in a single report.

- Setup > Report Definitions> Add...
- Select the Company
- Group > Pension
- Template > select your provider
- Use the default Name and Description or change as appropriate
- Schemes: Usually, these are all selected. Unusually, if you have multiple schemes using the same provider, then you can add multiple differently named report definitions where each one

selects a different scheme.

- Add

After a Pay run **Redo**, to the pension reports will also automatically appear in **Documents**.