

membership
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events

AAT Master Class on RTI and Automatic enrolment

Karen Thomson



CIPP

Shelly House, Farmhouse Way, Monkspath, Solihull, B90 4EH
t. 0121 712 1000 f. 0121 712 1001 e. info@cipp.org.uk

cipp.org.uk

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the chartered institute
of payroll professionals

leading the profession



= Real Time Information





= On or Before

- FPS required each time you pay employees
- Easements
 - Ad hoc payments
 - Difficult to report at time
 - Small employers

<http://www.hmrc.gov.uk/payerti/on-or-before.pdf>

= What to report?

- Data to be included on a FPS
- Data Alignment process
- Offering payroll services what must you consider?



= Adding a new starter

- In date P45 received
 - Employer selects starter statement
- Old P45 received
 - Must obtain full starter declaration
- No P45 received
 - Must obtain full starter declaration



= Adding a new starter continued

- Starter declaration received after first FPS
 - Tax code received from HMRC
 - Tax code not yet received
- P45 received after first FPS
 - Tax code received from HMRC
 - Tax code not yet received



= Construction Industry

- CIS132 form updated
 - What does this mean?



= RTI the latest.....

- Issues and concerns
 - Tax codes
 - Reconciliation
- Guidance



= EPS and the L&P Viewer

- How does it work?
 - More than one EPS in a tax month



= Non-Standard PAYE Schemes

- Will still fall under RTI from 2013 for example:
 - Tronc
 - NICs only liability
- Others from 2014 for example:
 - Electoral payments
 - Examination Fees

= Non-Standard PAYE Schemes

- Will not operate in real time
 - Taxed Award Scheme
 - Offshore Protocol
 - Contractor only (no employees)
 - Nil EPS issue
 - Self-Employed



= Quarterly and Annual Schemes

- No payments this period; what should I do?
- Annual scheme criteria
 - all the employees are paid annually
 - all the employees are paid at the same time/same date
 - the employer is only required to pay HMRC annually



= Payroll Adjustments

- Employee personal details
- Start date incorrect
- Leaving date incorrect
- FPS shows a leaver but employee stays



= Payroll Adjustments continued

- Error found before FPS submitted
 - Correct Year to Date figures or
 - Show adjustment by submitting separate FPS
- Additional FPS submitted
 - “in this pay period” must be difference only
 - Update Year to Date figures
 - Ensure shows payment date



= Payroll Adjustments continued

- Discovery of error after an earlier FPS submission
- Error after employee leaves
- Error for National Insurance Category
- Error on Employer Payment Summary
- Final payment indicator omitted on final FPS



= Common Questions

- What about advances for Statutory Payments?
- All employees below the tax allowance?
- Hire, resign and re-hire; what happens?
- What if I report no activity and then there is?



= Common Questions continued

- What and when do I use Earlier Year Updates?
- Adjustments of tax; in-year or end of year?
- Excess CIS deductions; can I have a refund?
- What date of leaving should be shown?



= Common Questions Continued

- New scheme reference not received in time for first FPS; what do I do?
- Payroll ID; what is it?
- I have a PAYE scheme but no payments to make?



= Making RTI payments

- Payment dates and paying in full
- Checking your PAYE record
- No submissions sent to HMRC



= RTI Penalties

- Late filing
- Inaccurate returns
- Late payment
- Underpayments
- Other considerations



= Penalties

- 2012/13
 - Late filing of in-year submissions
 - Incorrect submissions
 - Risk based approach being adopted now



= Penalties

- 2013/14
 - Late filing of FPS
 - Incorrect submissions
 - Risk based approach adopted



= Penalties

- April 2014
 - Automated monthly late filing penalty
 - Automated monthly late payment penalty
 - Inaccurate return manual penalty
 - Risk based still adopted



= Penalty charges

- Late payment as now but amendments to allow for in-year
- Late filing
 - On or before rules
 - Only one penalty per month
 - One chance per year
 - PAYE scheme size £100 to £400

= RTI Survey

- Make sure you complete it.....
 - <http://www.hmrc.gov.uk/news/have-your-say-rti.htm>
 - Open until 20 September 2013



Automatic Enrolment





= Why Automatic Enrolment?

- Estimated 7 million not saving for retirement
- 2009/10 pension savings fell by £2 billion
- Working people v pensioners
- 100 years young



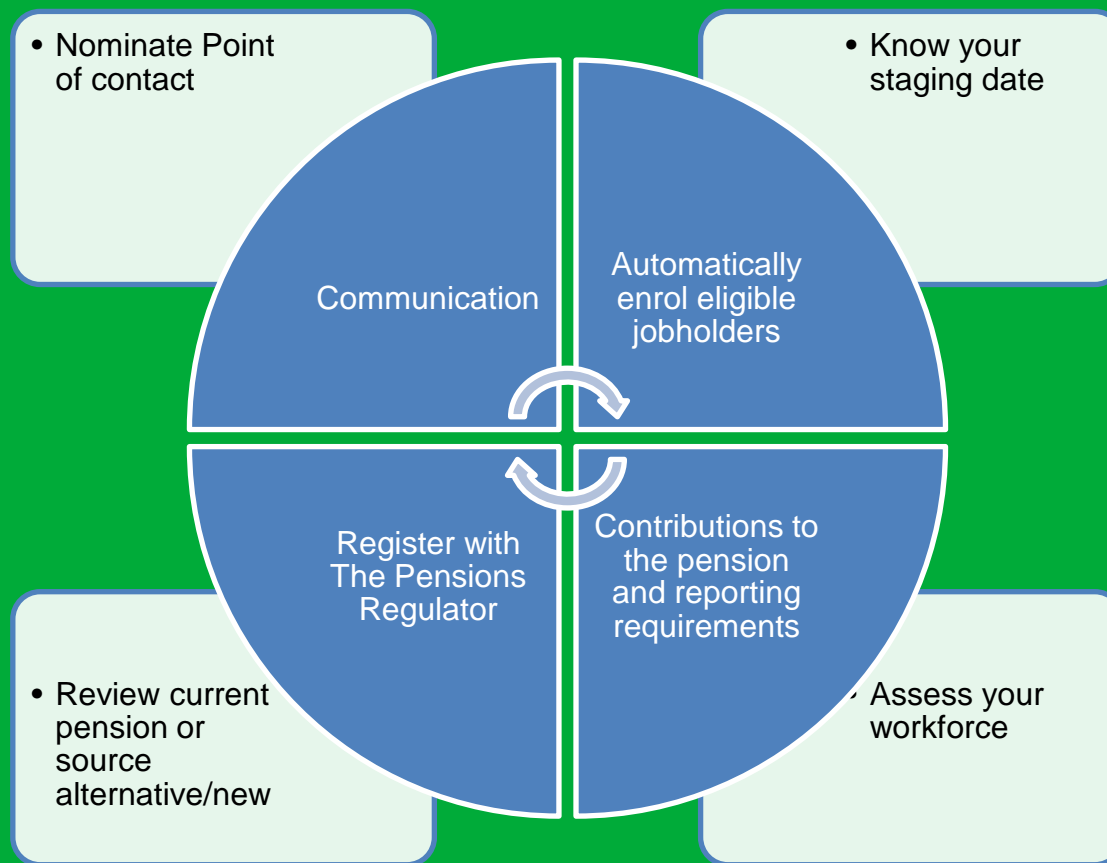
= Legislation

- 2006 – the DWP publish White Paper
- Pensions Act 2008
 - Many consultations since
- Pensions Act 2011
 - April 2012 two consultations outstanding
 - Staging dates for SMEs
 - Career Averaging Schemes



= What Will Employers Actually Need To Know?

- Workforce make-up
 - Who is in, who should be in, who could want in?
- Qualifying earnings trigger
 - Entitled v non eligible v eligible
- Age trigger i.e. 22yrs
- Postponement end date
- Re-enrolment data collection





= HR, Payroll, Pension Provider, = Third Party

- Staging Date
- Assessment of the work force
- Automatic enrolment for all?
 - Non eligible & entitled worker
- Postponement?
- Communications
- Refunds
- Re-enrolment

= Staging Dates


- 1 October 2012 - 120,000 or more
- 1 January 2013 – 30,000 to 49,000
- 1 January 2014 – 350 to 499



= Assessment of Workers

- Different types of workers such as:
 - Self-Employed/Consultants
 - Casual workers/fluctuating earners
 - Multiple jobs
 - Mergers and Acquisitions

= Categories relative to age and earnings

Age (inclusive)  Earnings	16 to 21	22 to SPA	SPA to 74
Under lower earnings threshold (£5,668)	Entitled worker		
Between £5,668 and £9,440	Non-eligible jobholder		
Over earnings trigger for automatic enrolment (£9,440)	Non-eligible jobholder	Eligible jobholder	Non-eligible jobholder



= Employer duties per category = of worker

- Eligible jobholder
 - automatically enrol and make contributions
 - if using postponement, provide a notification to the eligible jobholder
 - process any opt-out notice
 - automatically re-enrol approximately every 3 years
 - keep records of the automatic enrolment process



= Employer duties per category = of worker

- Non-eligible jobholder
 - has the right to opt in and the employer must arrange pension scheme membership, if the non-eligible jobholder does decide to opt in and make contributions
 - provide information about the right to opt in, unless using postponement
 - if using postponement, the employer must provide a notification to the non-eligible jobholder
 - process any opt-out notice
 - keep records of the enrolment process



= Employer duties per category = of worker

- Entitled worker
 - has the right to join and the employer must arrange pension scheme membership, if the entitled worker does decide to join
 - provide information about the right to join, unless using postponement
 - if using postponement, must provide a notification to the entitled worker
 - keep records of the joining process



= Common assessment dates

- Dates on which an employer will have to assess a worker:
 - the employer's staging date, for a worker already in employment on that date
 - the first day of employment, for a worker who starts employment after the employer's staging date
 - the date of the worker's 22nd birthday, where this occurs after the employer's staging date
 - the date of the worker's 16th birthday, where this occurs after the employer's staging date



= Qualifying earnings

- Qualifying earnings includes any of these components of pay due to be paid to the worker:
 - salary
 - wages
 - commission
 - bonuses
 - overtime
 - statutory sick pay
 - statutory maternity pay
 - ordinary or additional statutory paternity pay
 - statutory adoption pay

Automatic Enrolment rates 2013/14

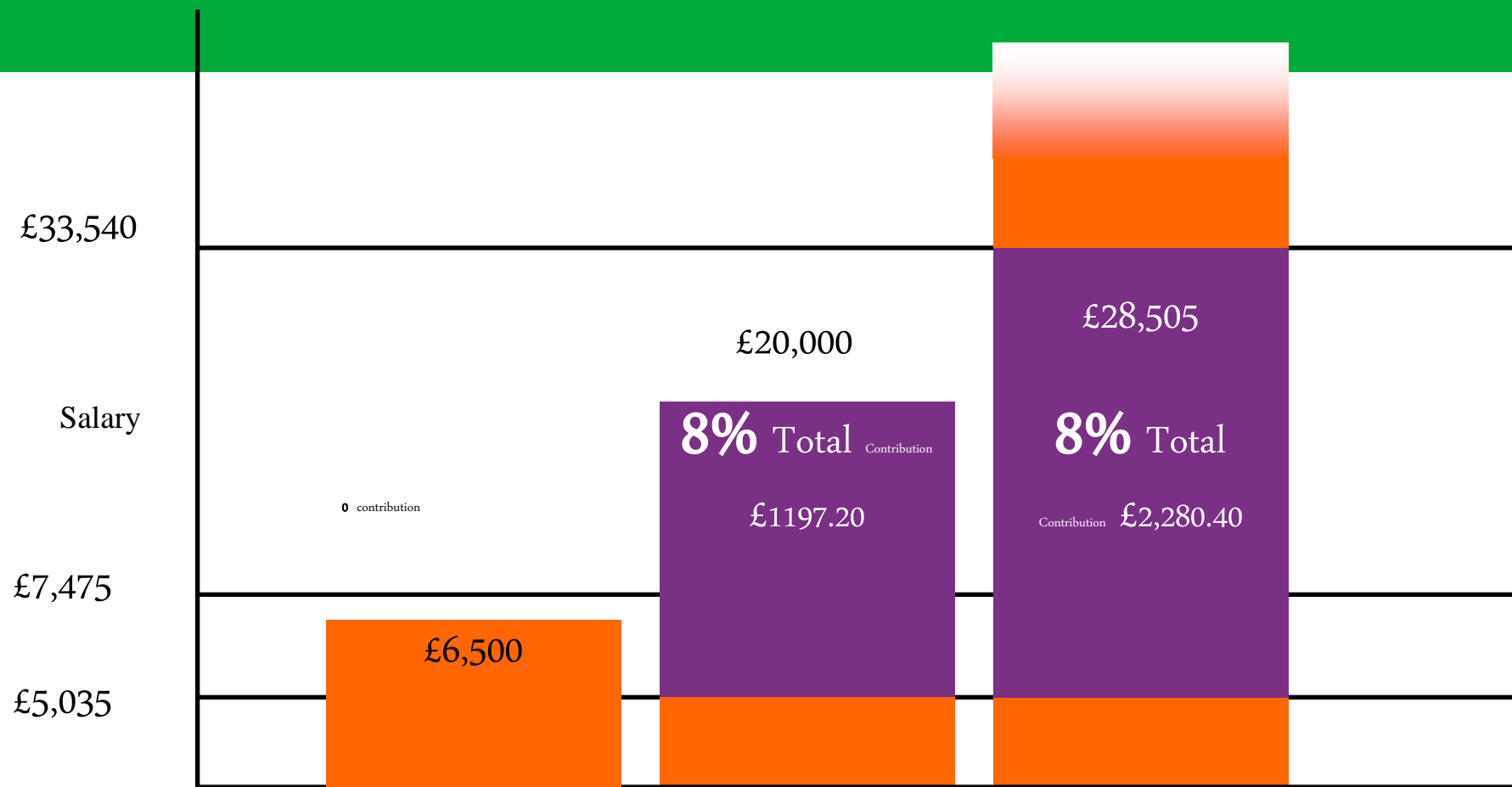
Automatic enrolment rates 2013/14						
	1 week	2 weeks	4 weeks	1 Month	3 Months	6 Months
Automatic enrolment Earnings trigger £9,440	£182	£364	£727	£787	£2,360	£4,720
Qualifying earnings band lower limit £5,668	£109	£218	£436	£473	£1,417	£2,834
Qualifying earnings band upper limit £41,450 pa	£797	£1,594	£3,188	£3,454	£10,363	£20,725



= Process for assessing earnings

- all potential eligible jobholders
 - all hourly paid and zero-hour contract workers
 - all workers with fluctuating earnings
-
- A: Identify the relevant pay reference period.
 - B: Identify what is due to be paid in that period.
 - C: Compare what is due to be paid with the lower level of qualifying earnings and the earnings trigger for automatic enrolment.

= How the numbers work...





= Automatic enrolment

- Automatic enrolment date
- 1 month window
- Postponement of automatic enrolment
 - 3 month window (under consultation)
- Re-enrol every 3 years



= Employer duties and safeguards

- All employers with at least 1 worker, regardless of their age or earnings, must:
 - register with The Pensions Regulator
 - provide all their workers with certain information, if using postponement
 - adhere to the safeguards



= Opting in and joining

- Non-eligible jobholder opt in notice
 - Follow automatic rules
- Entitled worker joining notice
 - Arrange to join pension scheme



= Opting out

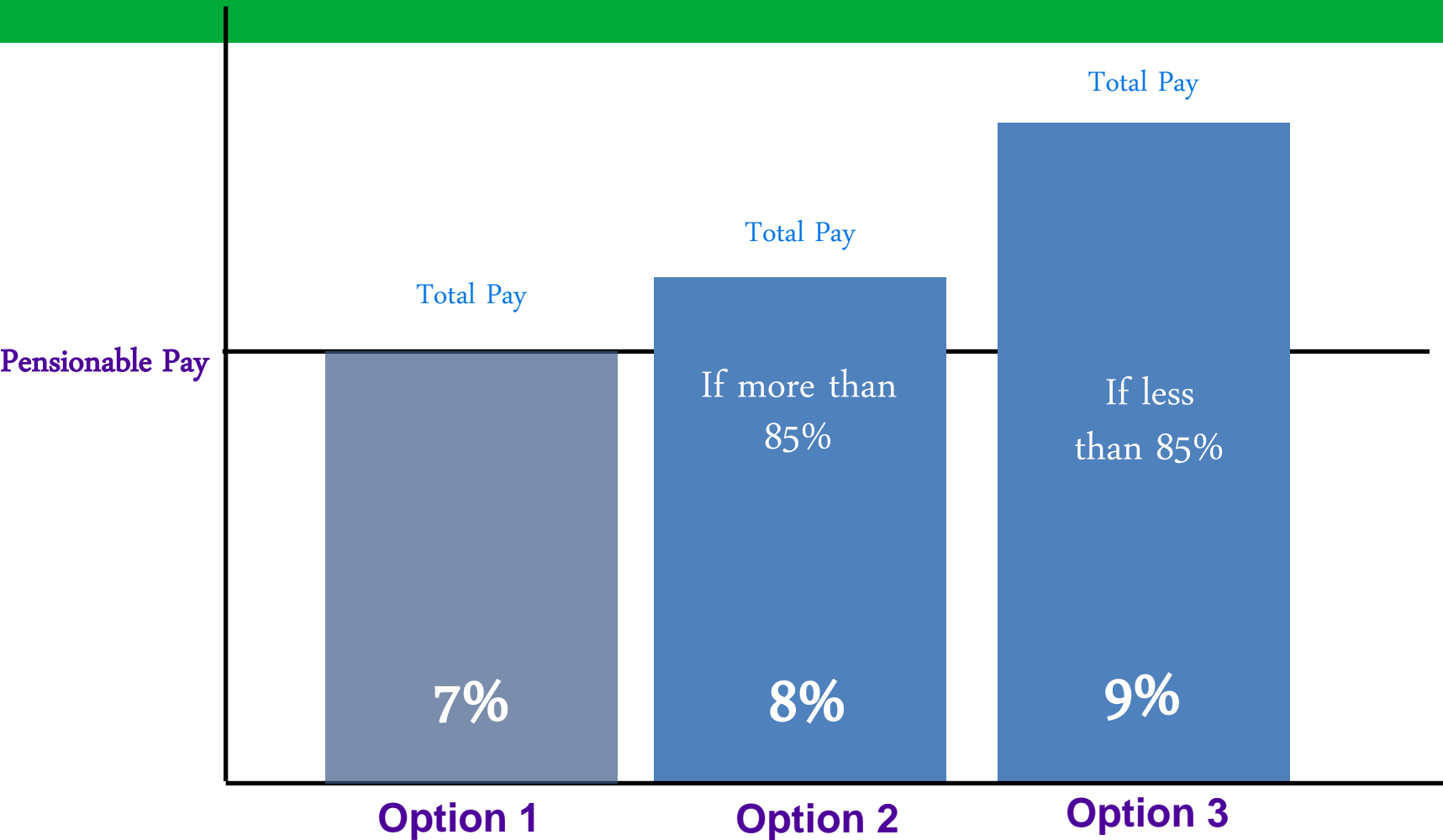
- Opt-out period
- Opt-out notice
- Validity
- Refunds
- Ceasing active membership



= Qualifying schemes

- Automatic enrolment criteria
- Qualifying criteria
- Minimum requirements
- Certification
- Test scheme standard
- Self certification

= Simpler 'certification'



= NEST

- National Employment Savings Trust
 - New
 - National
 - Simple and low cost for all who want in

= How Could NEST Be Used?

- Sole scheme
- Associate scheme
- Entry level/probation scheme
- Base scheme

= Investment Funds

- Default
 - Age Related
- Other types
 - Ethical
 - Sharia
 - High risk

= So how will you do this?

- Planning
- Systems
- Payroll considerations
- Business considerations

PLANNING

*Planning ahead is the secret to
success; Honest!*

To do list

- *Know your staging date*
- *Project leader*
- *Qualifying pension scheme in place?*
 - *Do you have one?*
 - *Will your current pension provider take all your workforce?*
- *What does your workforce look like?*
- *Systems and tools available*
- *Resource available*
- *Financial impact*



To do list continued

- *Knowledge requirements*
- *Communications*
- *Payroll requirements*
 - *System*
 - *Resource*
 - *Pensionable pay V qualifying earnings V Tier*
 - *Pay Reference Periods*
 - *Enrol workers*
 - *Postponement?*
 - *Opt out process*
 - *Refunds*
 - *Re-enrolment*





= Know your staging date

- The Pensions Regulator stipulates
 - 1 April 2012
 - TPR communication
 - TPR help and guidance

= Staging date

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The Pensions Regulator

Committed to increasing confidence and participation in work-based pensions

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Employers

- Why you need a scheme
- Setting up a scheme
- Running a scheme**
 - Does your existing scheme qualify?
 - Preparing for auto enrolment
 - Explaining automatic enrolment to workers
 - How we're preparing for automatic enrolment
 - Main steps to automatic enrolment
 - Planning for automatic enrolment**
 - Automatic enrolment detailed guidance
 - Staging date timeline
 - Phasing
 - Learn the terms
 - Background information
 - Explaining pensions to employees
 - Writing to workers about automatic enrolment
 - Automatic enrolment registration
 - Scheme administration
 - Contributions & funding
 - Reporting & regulatory duties
 - Retirement options
- Closing a scheme

Planning for automatic enrolment

This planner has been designed to help you identify what you'll need to do to prepare for automatic enrolment. It's most relevant for you if:

- ✓ you employ between 50 and 249 workers
- ✓ all of your workers are based in the UK
- ✓ you have one Pay As You Earn (PAYE) scheme
- ✓ you have or are planning to set up a defined contribution (DC) pension scheme

But you could still find the planner useful even if you don't tick all of these boxes.

Create your plan

Allow plenty of time to prepare. We recommend starting 12-18 months before your staging date, though this will vary depending on your individual circumstances - not all employers will need to allow so much time.

To create your plan, you'll need to enter your staging date. If you don't know it, you can find out your staging date using your PAYE reference.

Enter your staging date

01/05/2014 x [Create my plan](#)

- [Find out your staging date using your PAYE reference](#)
- [Create your plan without your PAYE reference](#)

This tool requires JavaScript to be enabled. If you don't have JavaScript enabled, our [main steps to automatic enrolment](#) will help you see what you need to do to prepare.

Registration with The Pensions Regulator

All employers must complete the online registration process to tell us what they've done to comply with their duties, for example, how many people they've automatically enrolled and which pension scheme they've enrolled them into.

You will have four calendar months from your staging date to complete your registration. There's a lot of information to provide so it's a good idea to keep notes of key data as you work through the planning process. Our [automatic enrolment registration checklist](#) details all the information you'll need to provide.

Look out for the ⓘ symbol throughout the planner - this means there's information at that step that you'll need to provide to us at registration.

Send us your feedback

If you have any comments or feedback about this planner, or thoughts on how it could be improved, please [contact us](#) with your suggestions.

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Your plan for automatic enrolment

[Print this page](#)

Timeline:

- 1** You are here **10 months left**
- 2** Your staging date **01 May 2014** [Change date](#)

Time (months): -18, -15, -12, -9, -6, -3, 0, 3

Tasks:

- Know your staging date
- Nominate a contact
- Develop a plan
- Check processes and software
- Assess your workforce
- Review pension arrangements
- Communicate to workers
- Enrol eligible jobholders
- Registration ⓘ
- Keep records
- Ongoing responsibilities

About this planner

The coloured blocks in the timeline represent the period of time during which we recommend you start that particular task. This will vary significantly between employers. The point at which you should start a particular task and how long it will take to complete will depend on your individual circumstances.

Send us your feedback

If you have any comments or feedback about this planner, or thoughts on how it could be improved, please [contact us](#) with your suggestions.

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automatic enrolment



= Project Leader

- Who payroll, HR, finance, pension provider, IT, third party consultant?
 - CIPP research shows nearly 70% have a project team
 - CIPP research shows a third believe payroll should lead, a third believe it should be HR



= Project Leader

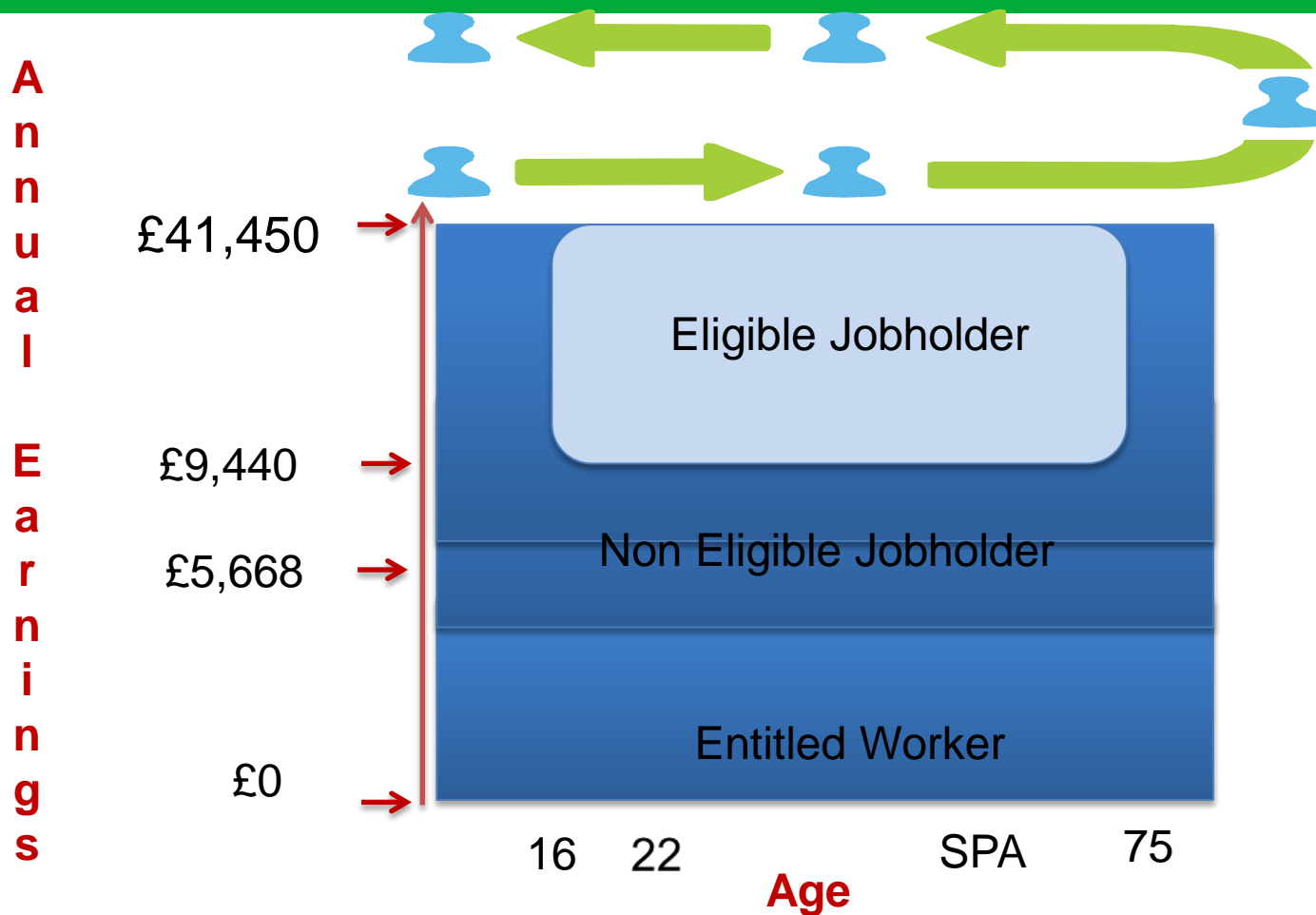
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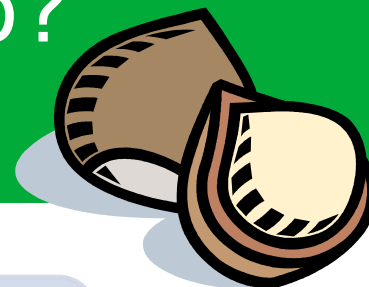
Eligible, Non Eligible, Entitled

What does your workforce
look like?

= Worker status reminder



= What must the employer do?



Eligible

- Automatically enrol into a workplace pension scheme
- Make and deduct pension contributions
- Process opt outs and then re-enrol every 3 years
- Keep records of automatic enrolment process

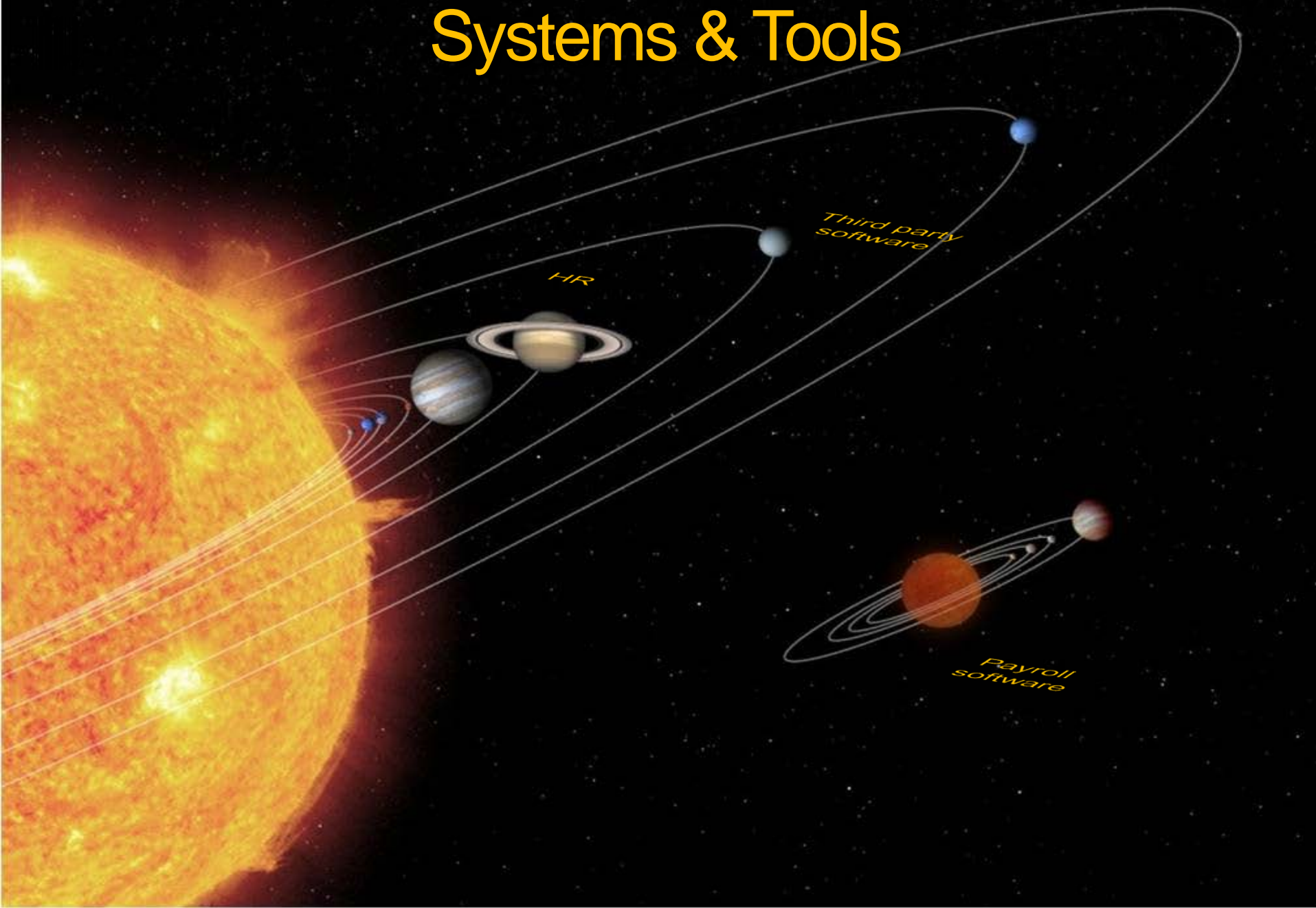
Non Eligible

- Right to opt in and then all eligible jobholder conditions and processes apply
- Must provide communication of right to opt in
- Keep records of the opt in process

Entitled

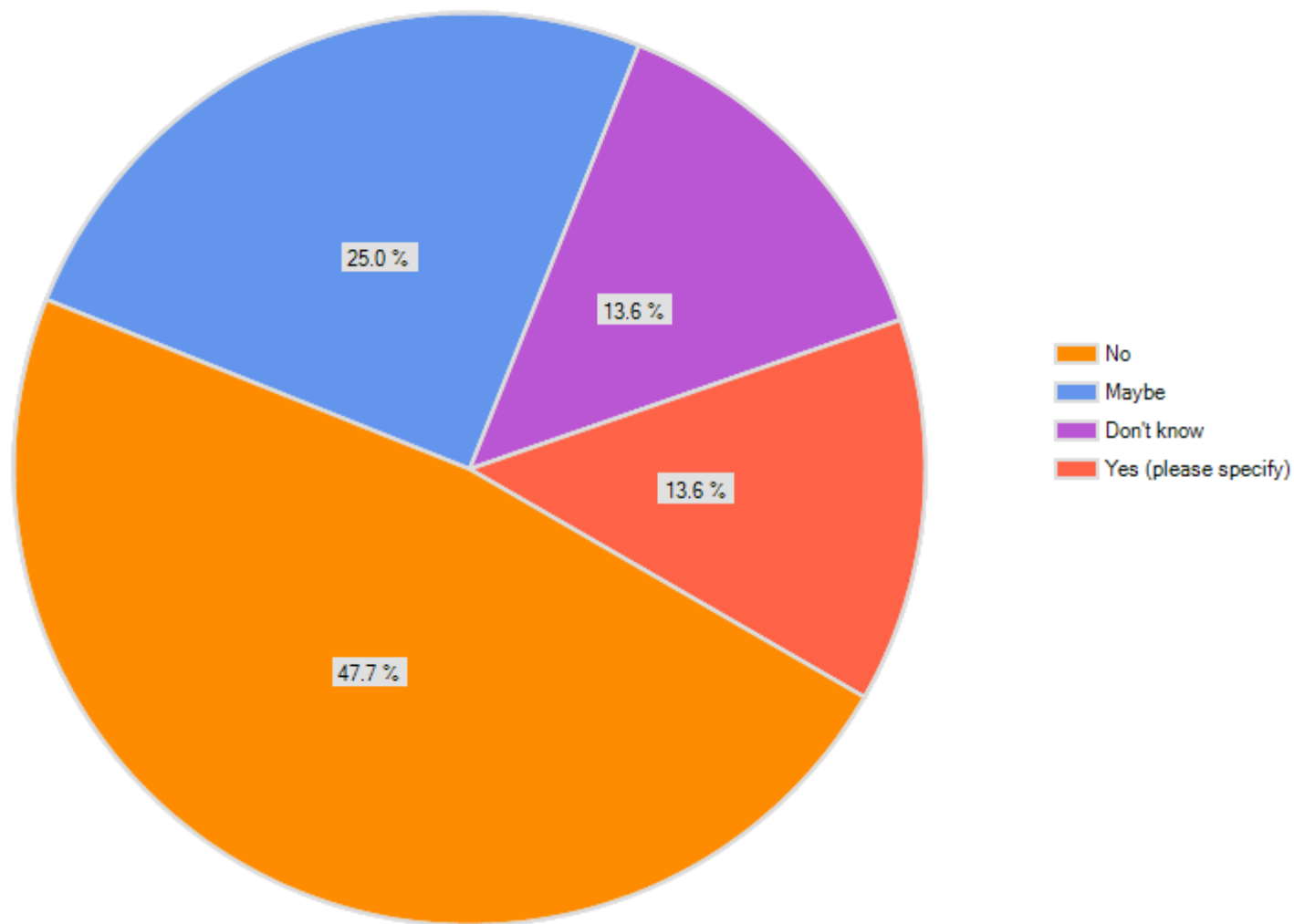
- Right to join a pension scheme – does not need to be a qualifying scheme
- Must provide communication of right to join

Systems & Tools

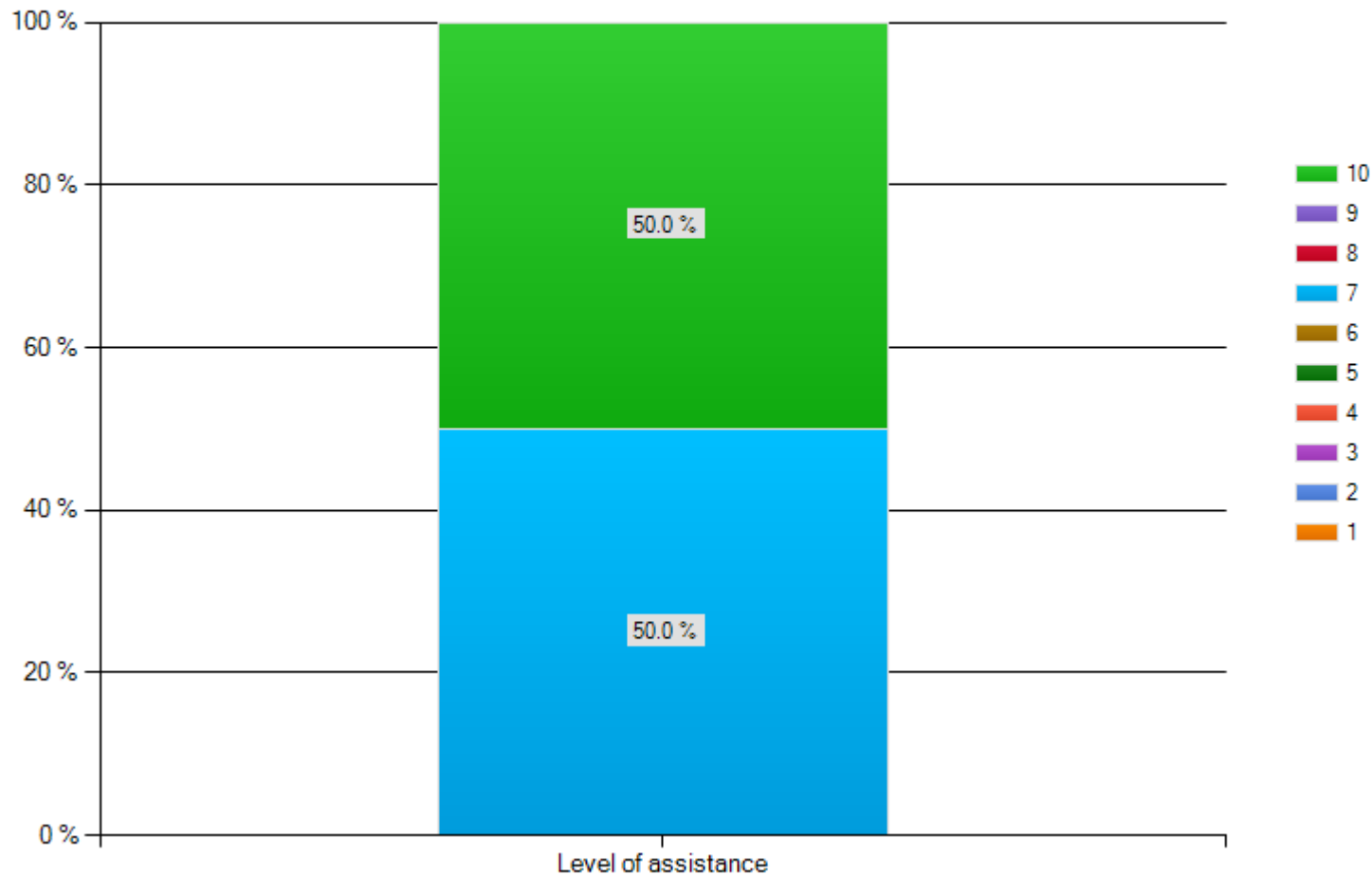




Will you require other software products in addition to payroll software to support automatic enrolment?



Will / does your software offer the basic legislative requirements for the deduction of pension contributions, or will/does it provide a fully tailored suite of tools to ensure the employer can meet all their obligations under automatic enrolment. Please answer this question based on what your final product does or will provide using the scale of 1 to 10. 1 being basic requirements and 10 being a full suite.





Third Party Providers





Home Reports Import Data Administration Content Manager Configuration DBM

HR

Impersonate
Workflow Events
Workflow Emails

DATA

Import Data
Progress Report
Data Flushing
Audit Trail
Effective Date
Data Processing
Scheduled Bulk Processing

SECURITY

Security
Login Settings
Password Settings
Generate Passwords
Forgotten Password Settings

CONTENT MANAGEMENT

Site Content

Auto-Enrolment Employee Summary

Workforce Assessment

Scheme Allocation

Scheme Membership



15 Eligible jobholder
8 Entitled worker
15 Non-eligible jobholder
0 Not assessed
2 Worker

40 Total number of Employees

Auto-Enrolment Employee Processes

Use the options below if you wish to manually run any of the Auto-Enrolment processes.

- 1 - Employee Assessment

Calculates the auto-enrolment worker category for each employee.
- 2 - Scheme Allocation

Sets the scheme that employees may be enrolled into, based on their job title and/or roles. This allows the system to determine future employee and employer contributions. It does not affect employees that are already assigned to an auto-enrolment scheme.
- 3 - Enrol Employees

Enrol any employees that should be automatically enrolled, or who have opted-into, their auto-enrolment scheme.
- 4 - Process Opt Ins

Update all the employees who have requested that they are opted-in to an auto-enrolment scheme.
- 5 - Process Opt Outs

Update all the employees who have confirmed that they have asked to opt-out of their auto-enrolment scheme. To confirm an opt-out you will need to upload the dates on which the confirmation notices were received. This step must be done manually before running this process.

Auto-Enrolment Employee Summary

Workforce Assessment

Scheme Allocation

Scheme Membership



- 15 Eligible jobholder
- 8 Entitled worker
- 15 Non-eligible jobholder
- 0 Not assessed
- 2 Worker

40 Total number of Employees

Auto-Enrolment Employee Summary

Workforce Assessment

Scheme Allocation

Scheme Membership



- 38 Aviva GPP
- 2 Not allocated to a scheme

40 Total number of Employees

Auto-Enrolment Employee Summary

Workforce Assessment

Scheme Allocation

Scheme Membership



- 15 Aviva GPP
- 20 Not in a scheme
- 5 Pru Legacy

40 Total number of Employees

Auto-Enrolment Scheme Setup

You must ensure that one pension scheme meets the minimum requirements set out by the government to be used for Automatic Enrolment. Please add the pension schemes below and we will make an assessment as to whether you can use any of your schemes for Automatic Enrolment.

Pension Name	Provider	Type	Qualifies	Qualifies for AE	
Pru Legacy	Pru	Stakeholder/ Group Personal Pension (GPP)	⚠	✗	Open Delete
Aviva GPP	Aviva	Stakeholder/ Group Personal Pension (GPP)	⚠	⚠	Open Delete

Eligibility Check Results: Aviva GPP



Date	UK Tax Exempt	Contributions	Waiting Period	Age Range	Pensionable Salary	Open to New Employees	Qualifies	Qualifies for AE
01/10/2012	✓	✓	✓	✓	✓	✓	✓	✓
01/10/2017	✓	✗	✓	✓	✓	✓	✗	✗
01/10/2018	✓	✗	✓	✓	✓	✓	✗	✗

The following dates will be used when checking scheme eligibility:

Your company staging date

01/10/2012 - Pension regulator phasing date

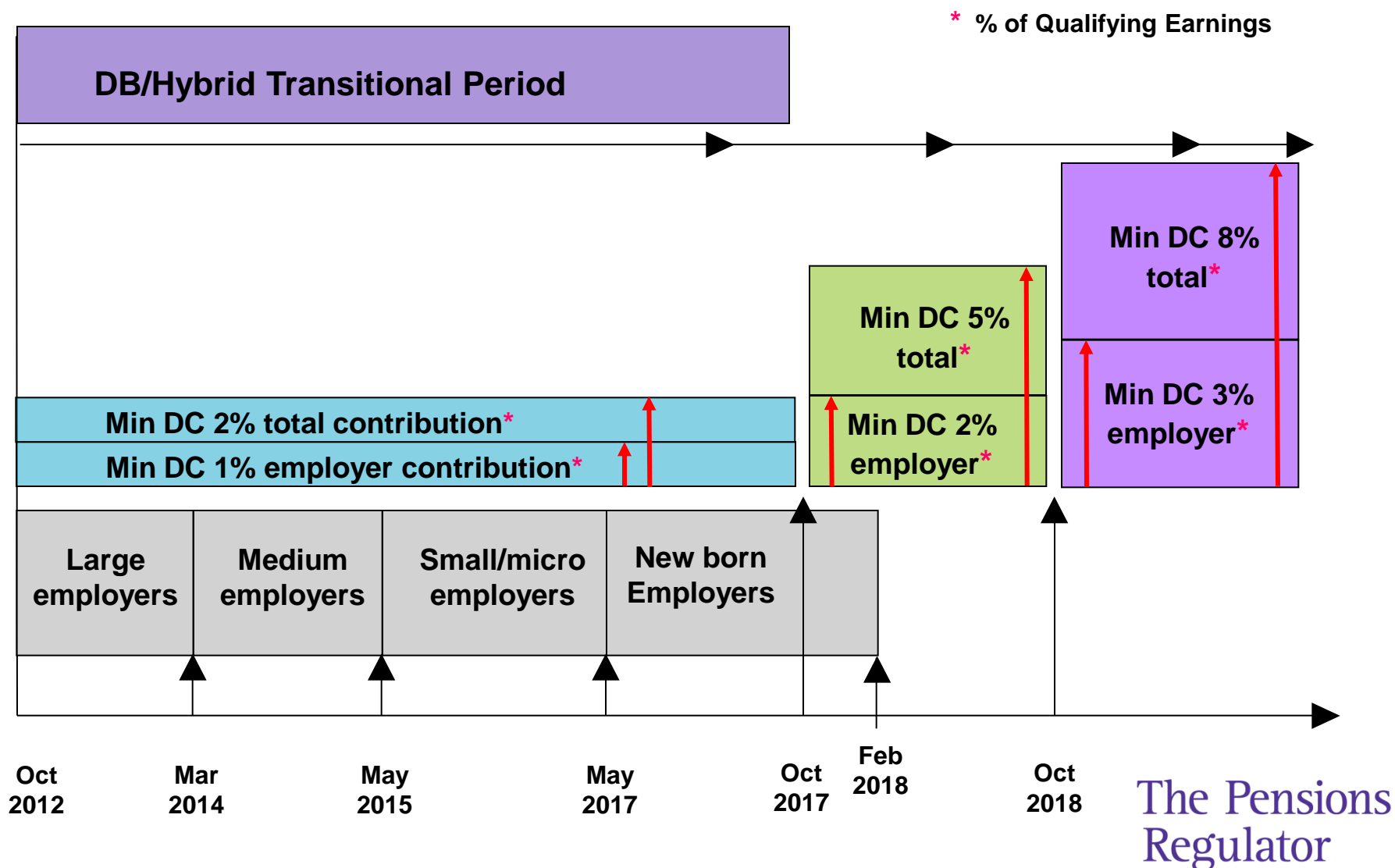
01/10/2017 - Pension regulator phasing date

01/10/2018 - Pension regulator phasing date



Assess scheme eligibility

DC Phasing / DB Transitional Period / Staging



= Payroll Considerations

Description	Considerations
System	What will it do for you? Do you need to upgrade or purchase additional modules?
Pensionable pay v qualifying earnings	Are they the same? What has the business decided in respect of the different tiers for contribution levels?
Age and earnings criteria	Can you confirm how old your employees are and what they are earning in any one pay reference period?
Postponement	Will you use this option – part months?



= Payroll Considerations = Continued

Description	Considerations
Opt –out process	How will you do this – electronically to help with timescales?
Refunds	Will payroll hold onto contributions until opt out period has elapsed?
Re-enrolment	Every three years for those eligible workers who opted out – how will you diarise these?
Pay Reference Periods	And the minefield begins!

= Qualifying Earnings

- 2 purposes
 - Assessment to determine worker category
 - Definition of pensionable earnings to assess if scheme qualifying or not!



= Qualifying Earnings Reminder

- Qualifying Earnings is defined as **all** of the following items paid to a worker:
 - salary
 - wages
 - commission
 - bonuses
 - overtime
 - statutory sick pay
 - statutory maternity pay
 - ordinary or additional statutory paternity pay
 - statutory adoption pay; **and**
 - any pay element which could be considered as any of the above.

= Pay Reference Periods



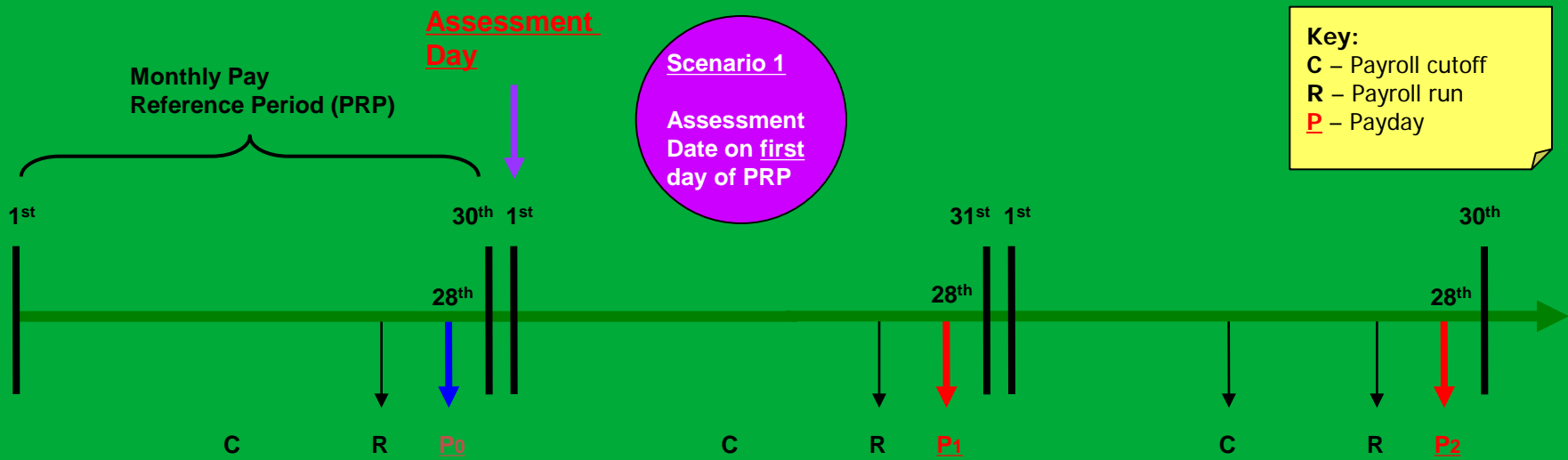
= What is it?

- Period of time by reference to which the employer pays the worker their regular wage or salary
 - It may be different to the pay frequency



= It is used to:

- Calculate the period for which the worker's earnings are assessed
- Calculate the amount of contributions to be deducted
 - it is what is paid in that pay reference period e.g. bonus for sales in January but paid in the March PRP then it is March that is used



Scenario 1

Assessment Date on first day of PRP

Key:

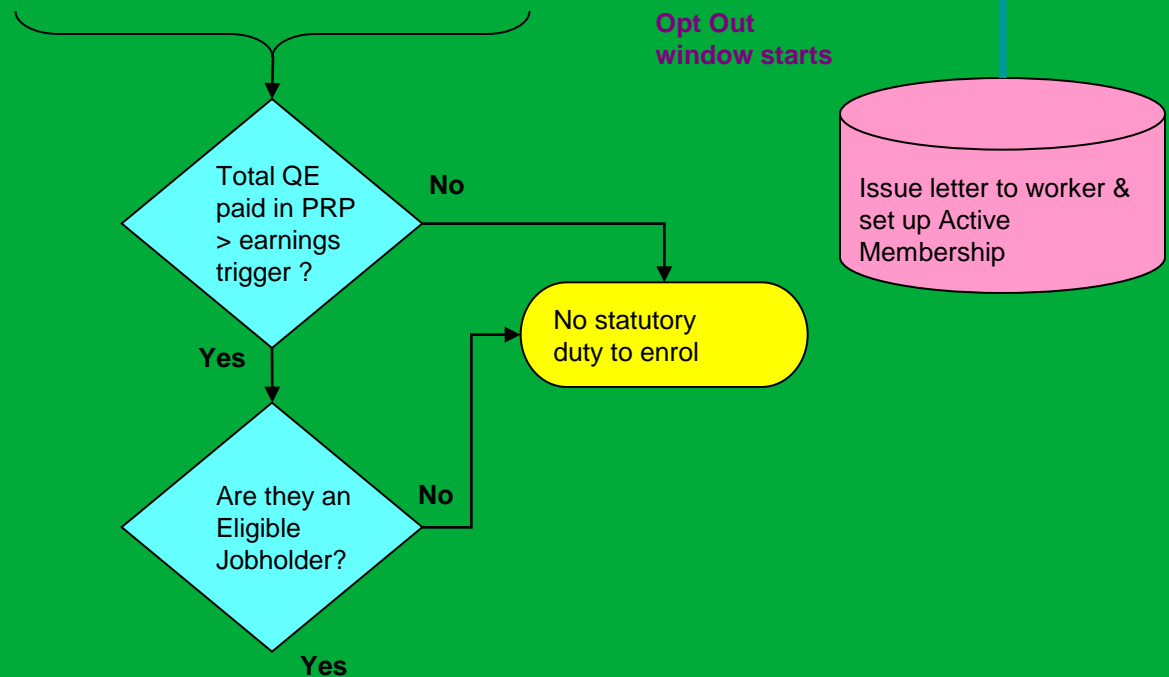
C – Payroll cutoff
R – Payroll run
P – Payday

Scenario 1

- Pay Reference Period runs from 1st to last day of each month;
- Assessment date is the 1st May;
- Total Qualifying Earnings may not be known until payroll cutoff or later.

If the worker needs to be automatically enrolled:

- First deduction needs to be made in payday P₁ on 28th May;
- Opt Out window may not start until after deduction taken;
- Scheme contribution based on 100% of May pensionable pay.



Monthly Pay Reference Period (PRP)

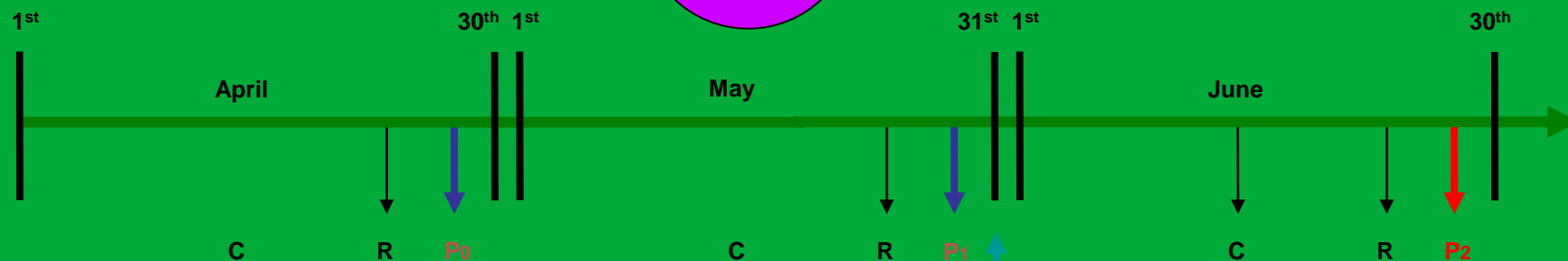
Scenario 2

Assessment Date on last day of PRP

Assessment Day

Key:

C – Payroll cutoff
R – Payroll run
P – Payday

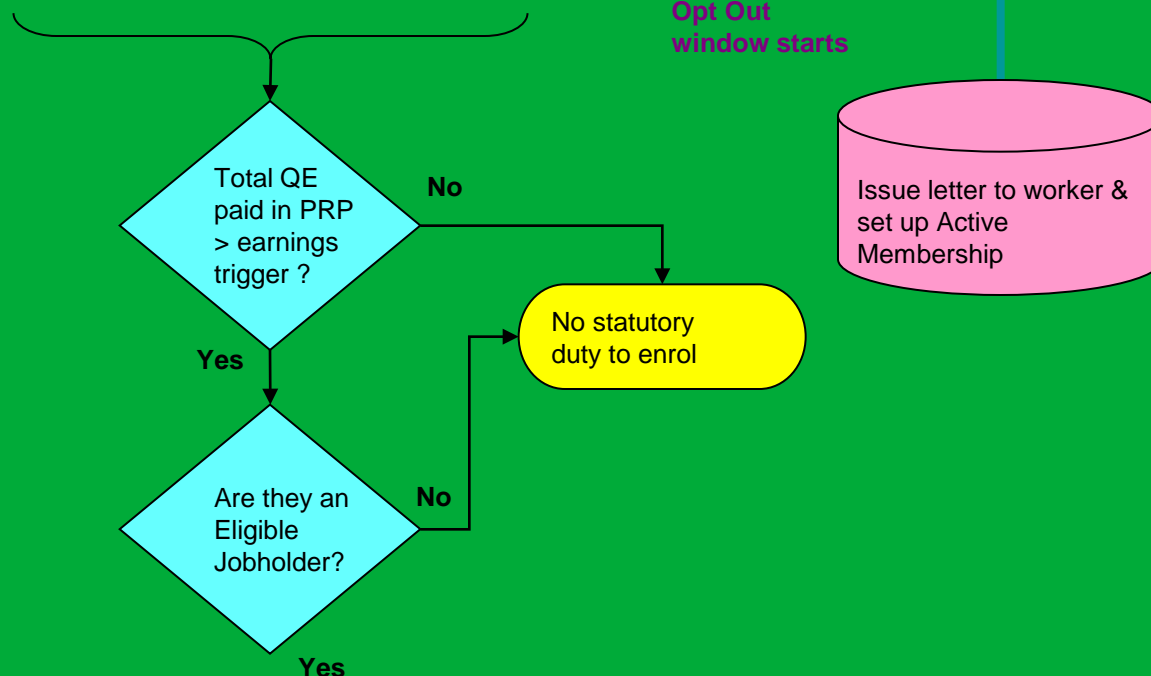


Scenario 2

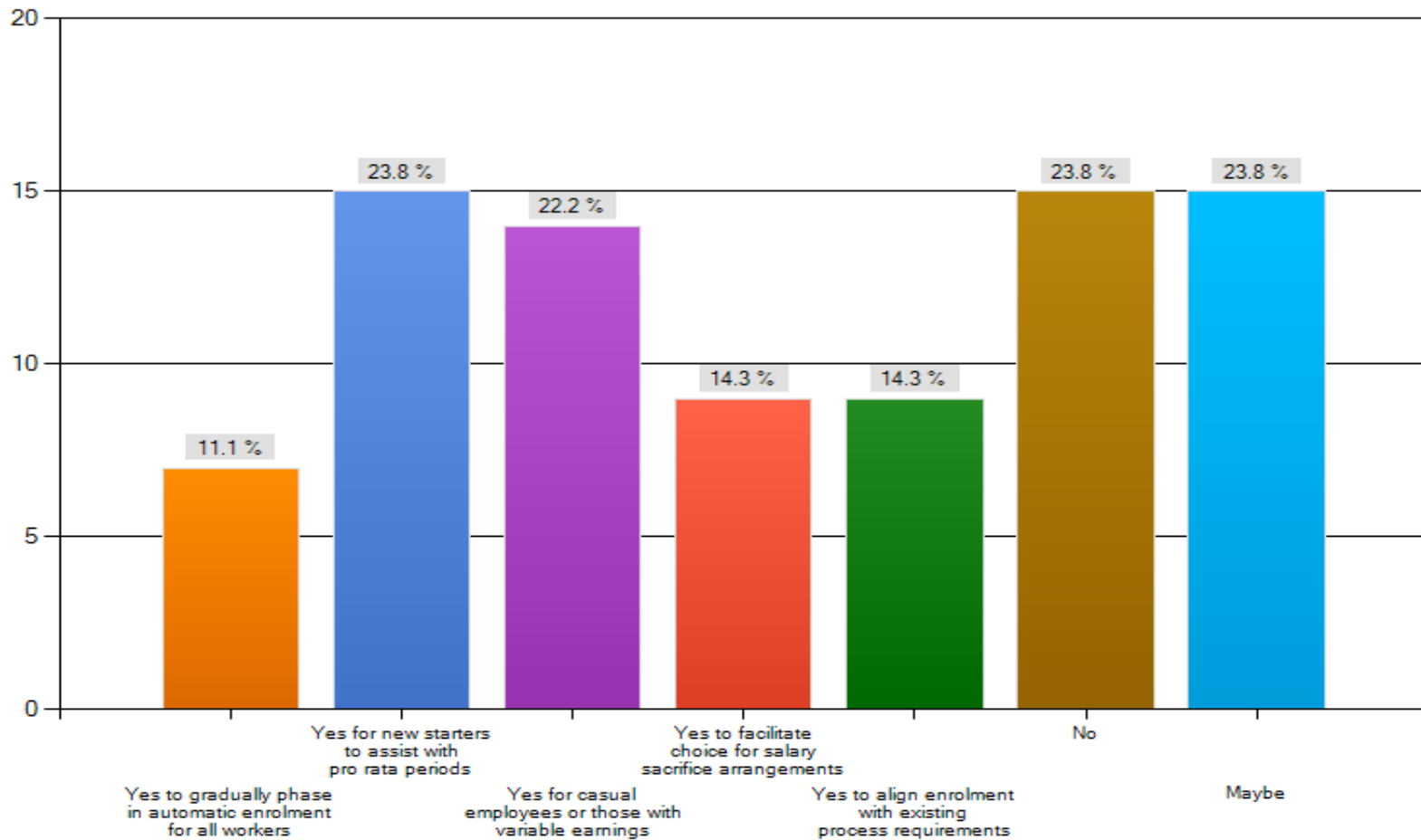
- Pay Reference Period runs from 1st to last day of each month;
- Assessment date on 31st May is the last day of the Pay Reference Period and is after the May payday on 28th;
- Total Qualifying Earnings will already be known.

If the worker needs to be automatically enrolled:

- First deduction needs to be made in the next payday - P₂ on **28th June**;
- Opt Out window will start before first deduction taken;
- Contribution based on 100% of June pensionable pay + 1/31 of May pay

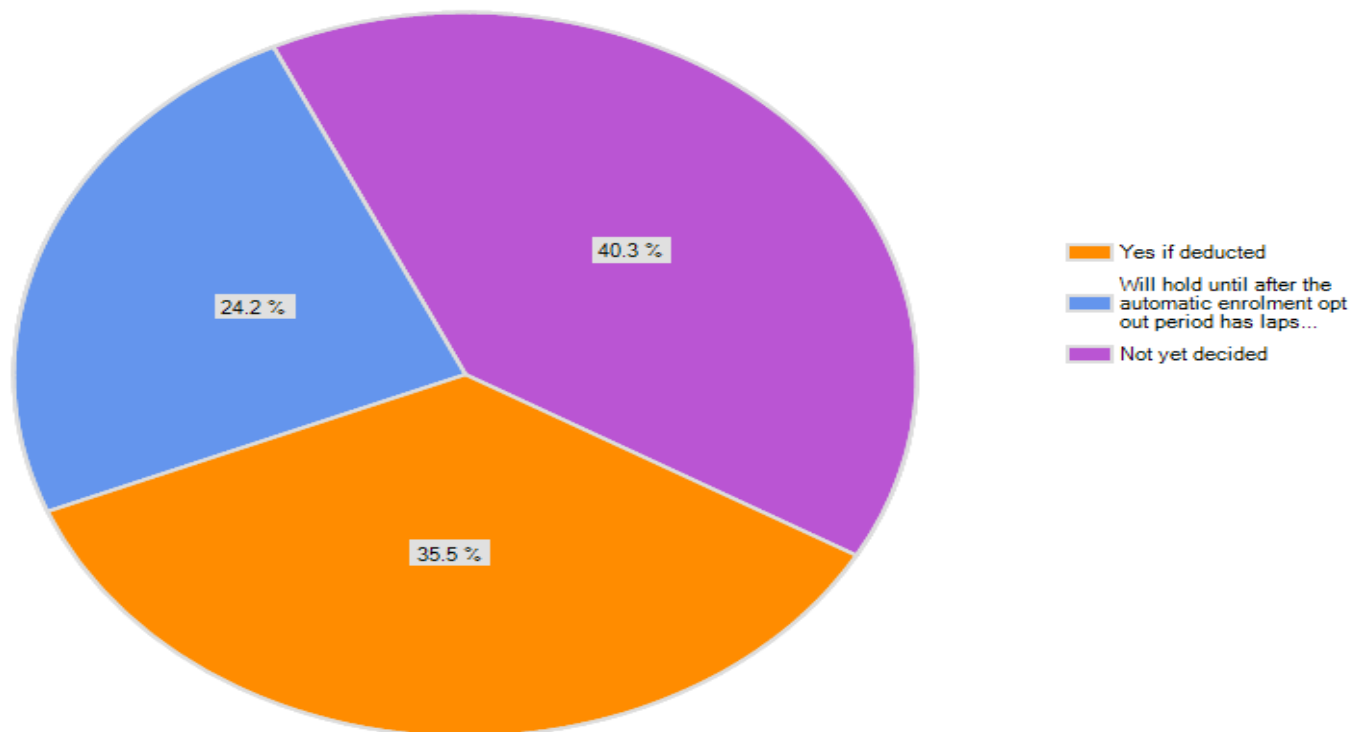


Do you intend to use the postponement legislation? Please tick all that apply.



= Refunds – will you withhold?

When a worker is enrolled will you pay the pension contributions to the pension provider during the opt out period? (You might withhold in case the worker opts out as then the pension provider would need to repay the employer)





Business Decisions For Automatic Enrolment



= Qualifying pension scheme

- Do you have a scheme in place?

YES	NO / Don't know
Does it meet the automatic enrolment legislation requirements?	Where and how will you source one?
Will it accept all your workforce?	NEST has a public service obligation
Have you spoken with your provider?	Time is of the essence!

Thresholds v Pay Reference Periods (PRP) 2013-14

Pay Reference Period †	Lower level of qualifying earnings	Earnings trigger for automatic enrolment
Annual	£5,668 pa	£9,440 pa
Bi-annual	£2,834.00	£4,720.00
1 quarter	£1,417.00	£2,360.00
1 month	£473.00	£787.00
4 weeks	£436.00	£727.00
Fortnight	£218.00	£364.00
1 week	£109.00	£182.00

† For other PRP durations, multiply the number of weeks in the PRP by the weekly amount (i.e. £182.00) or number of months by the monthly amount (i.e. £787.00) etc - or pro-rata if not an exact multiple of any of the above.

N.B. The Secretary of State will review these figures each tax year.

The Pensions
Regulator



Important business considerations

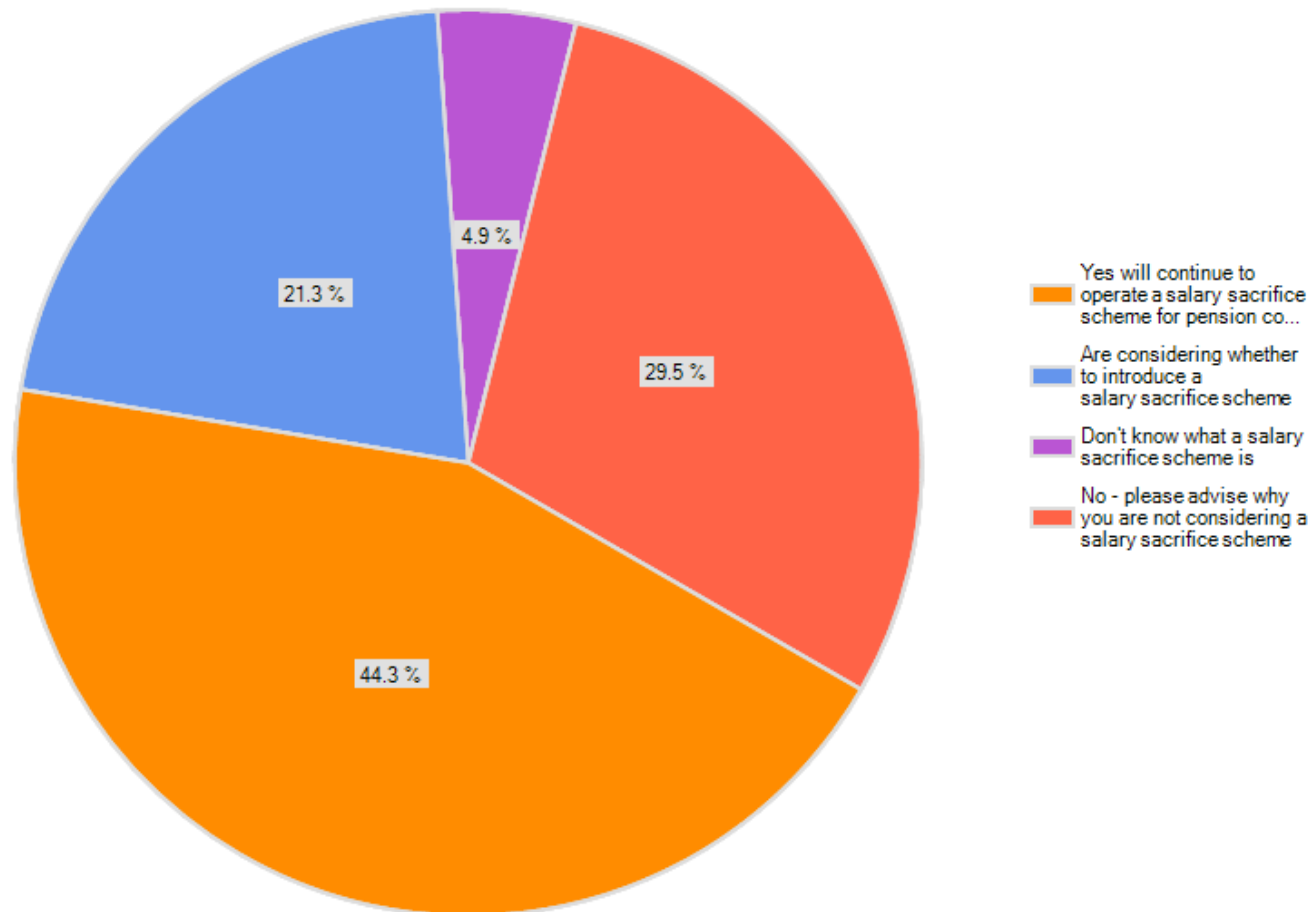
- Resource
 - Do you have enough people to implement this legislation and continue to process it?
- Finance
 - How much will it cost you – contributions and systems?
- Knowledge
 - Do your staff need training?
- Communications
 - How will you communicate?



= Continued

- Contractual enrolment
 - Caution but acceptable
- Salary sacrifice
 - Caution but acceptable
- Outsourced
 - What will your provider do for you?
- Provider
 - What will you deliver for your clients?

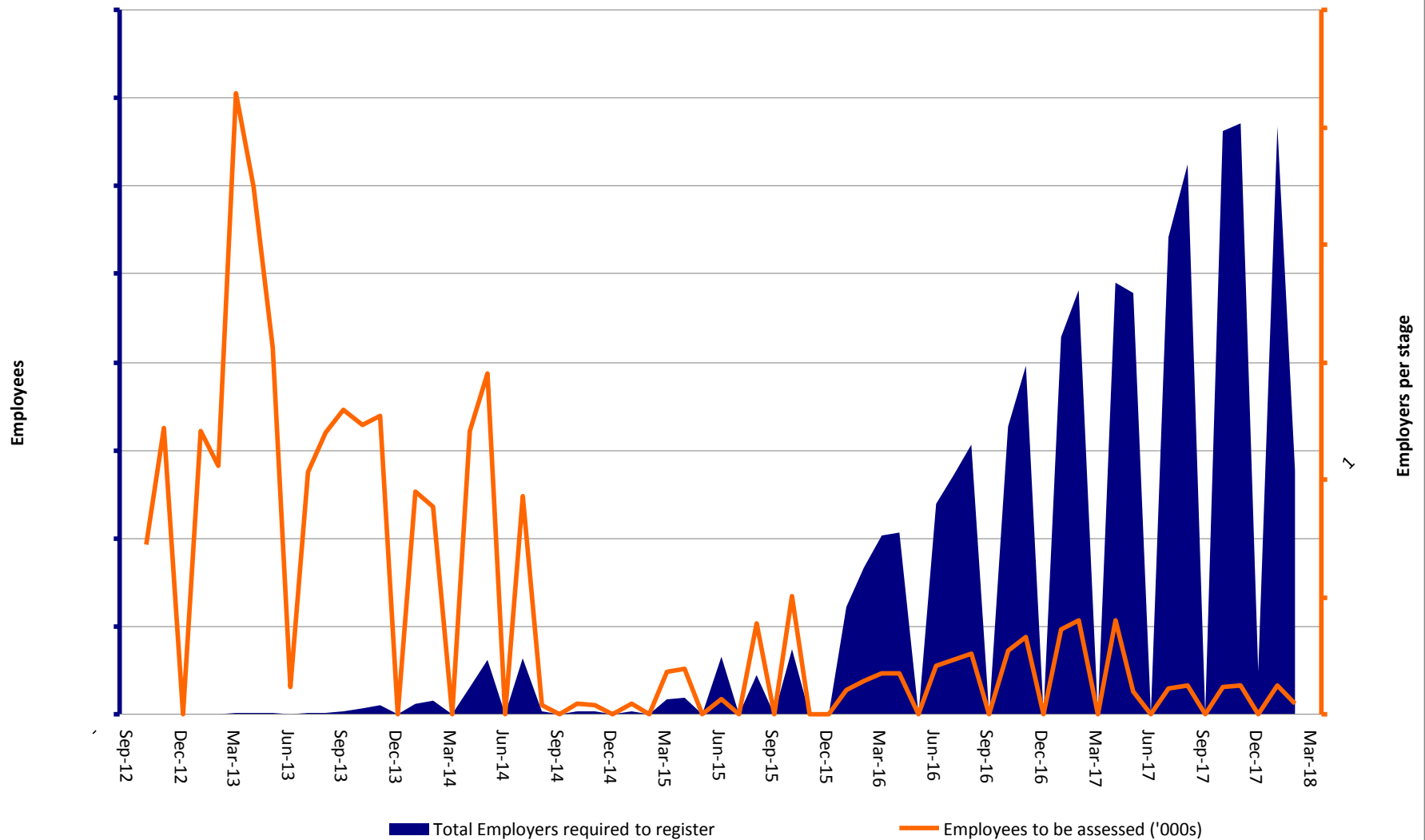
Do you/will you operate a salary sacrifice arrangement for pensions?





Staging profile (1st April 12 data)

ERSP Staging Profile set 19 January 2012, forecast on 1 April 2012 data





= Thinking about that timeline!

6,000 new pension
schemes per year on
average



15,000 to
30,000 per
month

Do you/will you
need advice?



Who will
you get it
from?



= Thinking about that timeline!

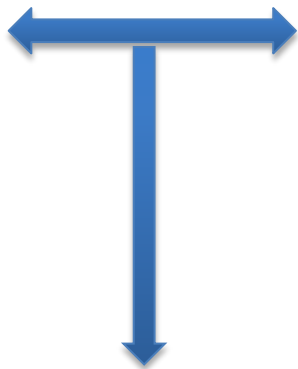


**Compliance
risks**



**Process
risks**

= Which route will you take?



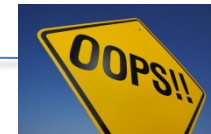
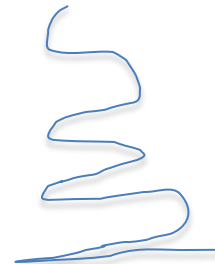
100% compliant



100% compliant



100% compliant



100% compliant

= Penalties

1. Warning – compliance /unpaid contribution notice
2. Wake up call – fixed penalty £400
3. Serious/persistent offender
 - Employer size:
 - 500+ employees = £10,000
 - 250-499 = £5,000
 - 50-249 = £2,500
 - 5-49 = £500
 - 1-4 = £50



PER DAY!

= In Summary





= And be aware that the DWP = are.....

- Consulting on complexities
 - Making assessment of the workforce easier
 - Making it easier for money purchase schemes to show they meet the scheme quality requirements
 - Exempt employees?
 - Pay reference periods



= Help and support

- The Pensions Regulator guidance and online tools
 - News alert www.tpr.gov.uk/news
- www.pensionsadvisoryservice.org.uk
- www.gov.net.uk
- www.unbiased.co.uk IFA

= Questions?



≡ Thank you for listening....



membership
qualifications
training
payroll quality partnership
government representation
events

AAT Master Class on RTI and Automatic enrolment

Karen Thomson



CIPP

Shelly House, Farmhouse Way, Monkspath, Solihull, B90 4EH
t. 0121 712 1000 f. 0121 712 1001 e. info@cipp.org.uk

cipp.org.uk

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