

Brushing away payroll teething issues

Kevin Martin considers the challenges of auto-enrolment on pensions' payroll cycles

Auto-enrolment has changed the landscape for employers and payroll professionals submitting their payroll cycles.

There's a myriad of factors to consider – eligibility, assessment, contributions and worker status. While software programmes can do much of the heavy payroll lifting, a good understanding of the data and validation fields can help save time and generate good quality outcomes for employees.

Over the past few years, payroll professionals have had to handle a lot – the first auto-enrolment staging cycle, contribution increases in 2018 and 2019 and then re-enrolling workers who've previously opted out of pensions.

For every data file uploaded to The People's Pension, there are very few exceptions that fall outside of the automated process – with only 0.075 per cent requiring an intervention to correct. In relative terms, exceptions are few and far between.

But when you look at the scale of the number of contribution files submitted, even a small percentage of exceptions can interrupt the smooth and frictionless process of uploading these files and can involve spending time requesting help and support to fix issues.

Most payroll mistakes come in the first three months of working with a pension provider. Everything's new – and it's hard to ensure all the data fields are correctly populated, particularly around qualifying earnings matching the contribution submitted.

Auto-enrolment duties can be

baffling – and some employers assume it's the job of their adviser, only discovering it's not when they've received an unwelcome fine from The Pensions Regulator (TPR).

Data entry can be an imperfect science – and sometimes we receive the wrong details for an employee. The only way to fix this is for the member to act on it. The member can engage with us digitally, over the phone or by mail to ensure we have their up-to-date personal and contact details, without having to go through the process of providing evidence of any change in circumstances.

In fact, many of the issues we see concern re-enrolment, when there's a communications gap between workers and employers. In other words, a proportion of the 7-8 per cent of workers who say they don't want to be in their company pension scheme get swept back in without knowing.

This can be a problem. Losing 5 per cent of take-home pay can be a meaningful hit to people who don't want to be in a pension scheme.

The solutions lie in communication. For example, we work closely with our employers to help them understand the implications – and ensure that re-enrolled workers get their joiner information in good time, so they can make informed decisions about their money and financial future. Our website has a wealth of material to help members, employers, and payroll professionals. In addition, our communications toolkit contains lots of letter/email templates to support employers with any communications to their employees.




More broadly, my advice for anyone handling payroll and pension contributions is to remember one thing – the better the payroll information submitted, the easier things will be in the long run.

Good payroll information means accurately working out pensionable earnings, remembering to remove leavers, re-enrolments for workers who are happy to be re-enrolled and a joined-up process between payroll, assessment, and contribution submission.

Improvements in integrated payroll technology could mean we see fewer such teething issues in the future. But it's always possible to find the odd error when people handle pension contributions for the very first time.

Focusing on getting good data into the system can mean a little extra work in those first three months – but it pays dividends, and pensions, over the long run.

If you've got any questions, please get in touch on 0333 230 1310, or you can find out more at www.thepeoplespension.co.uk/pension-duties/PA1



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