

Payroll set up guide

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1. How pensions work in payroll systems

Your payroll system is used to calculate the pension contributions that need to be deducted from employees. To do this you need to:

- Set up the workplace pension
- Put employees into it at the appropriate time
- Select the earnings on which pension contributions are payable
- Set the level of pension contributions to be paid as a percentage of earnings
- Maintain employees' records

2. Tax basis

Employee contributions to Cushon Master Trust are taken before tax is assessed in the payroll, but after National Insurance calculations (often referred to as the 'net pay' basis).

Employee contributions should therefore be collected based on the gross percentage amount due and should not be netted down by the standard rate of tax (often referred to as the 'relief at source' basis).

If contributions to Cushon Master Trust are being made via salary sacrifice (also known as salary exchange), contributions are taken before tax and National Insurance calculations.

3. Enrolment and opt out process

3.1. Enrolment when transferring to Cushon

To set up an account for an employee, an employer must enrol them. There are two options: contractual enrolment or automatic enrolment.

Automatic enrolment means that, as an employer, you perform an assessment of your workforce every pay period and you need to enrol anyone into the workplace pension (after a period of postponement if you chose to have this in place) who meets the following criteria:

- Age 22 to State Pension age; and
- Are a UK worker.
- Earns over the threshold set by the Pensions Regulator

More information on the thresholds set by the Pensions Regulator for earnings is available via the link below

<https://www.thepensionsregulator.gov.uk/en/business-advisers/automatic-enrolment-guide-for-business-advisers/automatic-enrolment-earnings-threshold>

If you are automatically enrolling employees to Cushon Master Trust then you must issue particular communications to them as part of this process. The specific automatic enrolment communications are explained further in our [Employer Portal User Guide](#).

Contractual enrolment is where membership of your workplace pension is written into employees' contracts, which means they join the workplace pension when they are employed, so they do not need to meet the criteria in place for automatic enrolment.

3.2. Opt out process

If you are automatically enrolling employees to Cushon Master Trust then we will send the appropriate automatic enrolment communications whenever a new employee is uploaded into the workplace pension. Individuals must then follow the instructions within this communication if they want to opt out.

Cushon will inform the employer of any opt outs through the 'Employee requests' section of the Cushon Employer Portal. Please see the [Employer Portal User Guide](#) for information on how to use the Cushon Employer Portal.

Contributions can be uploaded and collected by Cushon for individuals whilst in their opt out period. If an employee chooses to opt out, and the opt out request is valid, then any such contributions received by Cushon will be refunded to the bank account where contributions were collected from.

Please see our [Opt Out Process Guide](#) for further information on this process.

4. Contribution payment process

All pension contributions due to Cushon Master Trust must be submitted using the Cushon Employer Portal.

Contributions should be submitted to Cushon by the 5th day of the month following deduction from pay to ensure they reach members' accounts by the 22nd of the month, as required by the Pensions Regulator.

Contributions are paid by Direct Debit and Cushon typically debit the account 3-4 working days after a successful upload of the contribution file. After Cushon collect the contributions from the source bank account they will typically reach member accounts after a further 3-4 working days. Therefore, upon upload of the contribution file, contributions will typically take 8 working days to show within individual member accounts.

5. Data file requirements

5.1. PAPDIS

To upload pension contributions, we use the PAPDIS standard. PAPDIS is a standard format that was developed by a group of payroll and pension providers so it is likely that your payroll application can already produce a PAPDIS csv file.

If you have never prepared a PAPDIS file, we recommend asking your payroll provider for help.

5.2. Cushon upload file

If you cannot generate the PAPDIS data format using your payroll software as an alternative we can accept the Cushon upload file. The Cushon upload file is available as a standard report on a number of payroll provider's software. A full file specification is available within Appendix 1 if you cannot produce the data file using your payroll software.

The Cushon upload file can be used to:

- Confirm contribution amounts to be paid into the workplace pension for each member, and trigger payment for these contributions.
- Upload new employees to create member records and generate welcome communications.
- Confirm leavers from the employer where Cushon should not be expecting future contributions; this can also be done individually within the 'Employees' section of the Cushon Employer Portal.

5.3. General file formatting

The contribution file you upload to the Cushon Employer Portal must be in a 'CSV' comma delimited format (i.e. containing no headers) with the following additional requirements.

- Dates must be saved in dd/mm/yyyy format.
- Your file should contain no missing or inaccurate data, no commas in any text fields.
- First Name should contain a name and not just an initial.
- Do not confirm any employees as 'leavers' until they have been issued their P45 and their final contributions were processed in the last pay period.
- Do not amend payroll reference numbers without informing the Cushon Helpdesk prior to your next upload.
- Do not re-assign any previous payroll reference numbers.
- No currency symbols, special characters or commas in number formats.
- Members on each file should have the same pay frequency and within the same payroll.

5.4. *Contribution calculation and payment*

- Contributions must be deducted by net pay method (before income tax) as Cushon will not apply tax relief on employee contributions, see 2 above.
- The only exception to the above is when Salary Sacrifice is used for any employees, again see 2 above.
- Contributions are only invested by Cushon once the opt out period has elapsed.
- Contributions are only to be zero if:
 1. The employment status is 'Unpaid Maternity'.
 2. The Pensionable Earnings are zero, or fall below the Automatic Enrolment Qualifying Earnings threshold.
 3. The last contribution has been paid on a previous report and the employee is now being marked as a Leaver).

6. **Contact details and useful links**

- Cushon Employer Portal - <https://portal.cushon.co.uk/employers>
- Cushon Employer help - employerhelp@cushon.co.uk
- Cushon Employer Helpline - 0345 463 1839
- Cushon Member help - help@cushon.co.uk
- Cushon Member Helpline - 020 3926 0333

Appendix 1. Data file requirements – Cushon upload

As per 5.2 above, the Cushon Upload can be used to produce the contribution upload data file required to process contribution collections as well as to notify Cushon of leavers and new employee enrolments.

If you are required to complete the data template manually (outside of your payroll software) please ensure you follow the below data requirements to ensure compatibility with the Cushon Employer portal.

ID	Column header	Column Header Requirement	Field type (max characters)	Data Requirement	Description	Example
1	Employee Payroll Number	Mandatory	Text/number (10)	Mandatory	This is the key field the data is stored against and must therefore be unique to each employee record . This must not be the NI Number.	ABC123
2	Title	Mandatory	Text (40)	Mandatory	Values can be: Mr, Mrs, Miss, Ms, Mx, Dr, Prof	Mr
3	Forename	Mandatory	Text, e.g. Andrew (20)	Mandatory	First letter should be in upper case (initials will be rejected).	John
4	Surname	Mandatory	Text, e.g. Smith (40)	Mandatory	First letter should be in upper case.	Smith
5	NI Number	Mandatory	Alpha, numerical, alpha (2,6,1)	Mandatory	Or alternate reference used for Real-time Information reporting.	AB123456C
6	Date of Birth	Mandatory	DD/MM/YYYY (10)	Mandatory	Date of Birth	01/01/1970
7	Sex	Mandatory	Text (6)	Mandatory	Male or M Female or F PNTS – Prefer not to say X - Other	M
8	Address line 1	Mandatory	Text (100)	Mandatory	Spaces, dashes, apostrophes ('), full stops are allowed. Commas are not allowed. Default to blank if no data.	1 The House
9	Address line 2	Mandatory	Text (100)	Mandatory		The Street
10	Address line 3	Mandatory	Text (100)	Optional		The Town
11	Address line 4	Mandatory	Text (100)	Optional		The City
12	Address Line 5	Mandatory	Text (100)	Optional		The County
13	Post Code	Mandatory	Text (9)	Mandatory	Spaces are allowed.	AB1 2CD
14	Overseas Indicator	Optional	Y or N (1)	Mandatory	Defaults to N.	N

ID	Column header	Column Header Requirement	Field type (max characters)	Data Requirement	Description	Example
15	Mobile Number	Mandatory	Alphanumeric (12) '07123456789	Optional	Must be in the format as per the example, and so leading with an apostrophe in order to maintain the leading zeros.	07890123458
16	Date Joined Company	Mandatory	DD/MM/YYYY (10)	Mandatory	Date Employee joined the company/Employee start date.	01/01/2015
17	Comms date	Mandatory	DD/MM/YYYY (10)	Mandatory	Date the employer informed the employee they had been automatically enrolled, or Enrolled with opt out rights (usually the Automatic Enrolment Date).	25/01/2016
18	Date joined Scheme	Mandatory	DD/MM/YYYY (10)	Mandatory	Automatic Enrolment Date or Date Joined Scheme if not automatically enrolled. Date Joined Scheme must be on or after to Date Joined Company.	01/01/2016
19	Pay Date	Mandatory	DD/MM/YYYY (10)	Mandatory	The Pay Date which the pay period that the contribution upload relates to. In other words, the date contributions were deducted.	31/01/2016
20	Period End Date	Mandatory	DD/MM/YYYY (10)	Mandatory	Last day of the period to which the contributions relate.	31/01/2016
21	Leaving Date	Optional	DD/MM/YYYY (10)	Optional	Populated with the individual's date of leaving if the individual has left the Pension Scheme. Header and data do not need to be included if no leaver processing is required.	01/11/2016
22	Reason for Leaving	Optional	LE (2)	Optional	Must be populated with the correct code if an individual has left the pension scheme. Values can only be: Blank Left Employment = LE Death = DO Header and data are Mandatory if leaver processing is required. Header and data do not need to be included if no leaver processing is required.	LE
23	E-mail Address	Mandatory	Text, e.g. forename.surname @company.com (100)	Mandatory	All correspondence will be issued to members by Cushon via e-mail, and so each employee must have a unique email address.	<u>john.smith@e-mail.com</u>

ID	Column header	Column Header Requirement	Field type (max characters)	Data Requirement	Description	Example
24	Employee Contribution Rate	Mandatory	Number, e.g. 1 (6)	Mandatory	Must be shown as whole number as per the example rather than the percentage figure. Must meet the scheme minimum requirement.	5.00
25	Employer Contribution Rate	Mandatory	Number, e.g. 1 (6)	Mandatory	Must be shown as whole number as per the example rather than the percentage figure. Must meet the scheme minimum requirement.	3.00
26	Employee Contribution Amount	Mandatory	Number, e.g. 50.00 (10)	Mandatory	Must be greater than or equal to 0. Do not provide negative numbers. If salary sacrifice, ensure all contributions to be paid to Cushon (Employee, Employer and any salary sacrifice rebate amounts) are all shown within the Employer Contribution Amount column.	10.14
27	Employee Lump Sum	Mandatory	Number, e.g. 50.00 (10)	Optional	Must be greater than or equal to 0. Do not provide negative numbers. If salary sacrifice, ensure all contributions to be paid to Cushon (Employee, Employer and any salary sacrifice rebate amounts) are all shown within the Employer Lump Sum column.	0.00
28	Employer Contribution Amount	Mandatory	Number, e.g. 50.00 (10)	Mandatory	Must be greater than or equal to 0. Do not provide negative numbers. If salary sacrifice, ensure all contributions to be paid to Cushon (Employee, Employer and any salary sacrifice rebate amounts) are all shown within the Employer Contribution Amount column.	10.14
29	Employer Lump Sum	Mandatory	Number, e.g. 50.00 (10)	Optional	Must be greater than or equal to 0. Do not provide negative numbers. If salary sacrifice, ensure all contributions to be paid to Cushon (Employee, Employer and any salary sacrifice rebate amounts) are all shown within the Employer Lump Sum column.	0.00
30	Pensionable Earnings for the period	Mandatory	Number, e.g. 1000.00 (10)	Mandatory	Gross earnings used to calculate pension contributions (this will be used to check contributions received are correct in relation to contribution percentages). If using Qualifying earnings the figure provided must be earnings between the lower and upper thresholds only.	1014.00
31	Salary Sacrifice	Optional	Text - Y/N	Mandatory	Enter Y if the employee's contribution is paid by salary sacrifice (also known as salary exchange).	Y

Appendix 2. Cushon Employer Portal Validation Error Guide

When a file is uploaded to Cushon Master Trust various validation routines will be run on the file and the data contained within it. The following explains the difference between an Error (which will stop the upload and will require correction before the upload can complete) and a Warning

Validation Error/Warning	Validation description	Solution
Error	Date of Birth – Date cannot be recognised	Please check formatting to ensure DoB is in dd/mm/yyyy format, and with no spaces before or after.
Error	Title – Please select from the list	Please check the list of valid entries as listed above. Please ensure that there are no spaces before or after the title.
Error	Payroll Contribution – The total contribution amount is too low based on the earnings, please review the data	The combined contribution amount for employee and employer is too low, based on the Pensionable Earnings. Please ensure that contributions meet the minimum requirements as set in the scheme set up. This should be: Pensionable Earnings x employee % rate = the minimum employee amount required Pensionable Earnings x employer % rate = the minimum employer amount required
Error	The employee is not a pension member. Update Date Joined Scheme if being enrolled now, or delete the employee if they are not re-joining	This usually means that you are trying to add an employee who has already left the workplace pension once (perhaps due to leaving company / opting out). If a final contribution needs to be uploaded, re-enrol the employee into the workplace pension by adding a new 'Date Joined Scheme'. If they are being re-enrolled into the workplace pension, please add a new 'Date Joined Scheme'.
Error	Email – unrecognised email address	The email format is not recognised – please ensure it is correct and has no spaces before or after.
Error	Duplicate value of National Insurance _Number identified across multiple loaded items	There is a duplicate National Insurance number used in the data, please check and ensure that all National Insurance numbers are unique.

Validation Error/Warning	Validation description	Solution
Warning	Validation warning - This monthly payment would exceed the total Pension allowance of £60,000 over a full year	Each employee has a total pensionable allowance for the year of £60,000 (unless they are a very high earner, in which case the allowance is lower). If the contributions per month look like they will exceed the pensionable allowance after 12 months, this will be flagged so that you are aware.
Warning	Payroll Contribution – Payroll contribution data does not match change requested	<p>An employee has recently made a request to change their contribution rate – this change request will show on your Dashboard.</p> <p>The Employee Contribution % uploaded in the data is different to this change request. Please review.</p> <p>If the change request was made after this month’s payroll has been run, it can be implemented in the next pay period.</p>