

IRIS Payroll Professional

Guide to creating Friends Life pension deductions

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IRIS

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Introduction

This guide will give you an overview of how to configure your Friends Life pension deductions depending in the payroll. Creating the output file is covered in a separate guide, see the Pension Guide for more information.

The guide covers:

- Creating an employee pension deduction
- Creating an employer pension deduction

Friends Life permit employers to calculate the pension deduction based on a percentage of Qualifying Earnings or Certified Earnings; for more information contact Friends Life.

The tax basis of the pension deduction can be via Salary Exchange (also known as Salary Sacrifice) or Employee Net Contributions; for more information contact Friends Life.

For instructions on how to setup the employee and employer pension deduction, select your pension scheme option from the list:

- Salary Exchange (Salary Sacrifice) pension based on Qualifying Earnings
- Employee net contribution based on Qualifying Earnings
- Salary Exchange (Salary Sacrifice) pension based on Certified Earnings
- Employee net contribution based on Certified Earnings



Salary Exchange (Salary Sacrifice) pension - based on Qualifying Earnings

A Salary Exchange pension deduction is deducted from the employee's pay before Tax and NI is calculated, which means the employee is due to pay less Tax and NI.

A Qualifying Earnings pension deduction is calculated as a percentage of the employee's Qualifying Earnings between the lower limit and upper limit. For tax year 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

Add employee pension deduction:

- 1. Go to the **Company** menu and select 'Alter Payments / Deductions'
- 2. Click on 'Add New'
- 3. On the message asking if you want to use the wizard, click 'No'
- 4. Enter a **Name** for the pension deduction
- In the Category field, select 'Apply Before Tax & NI Calculation'
- 6. In the + or field, select 'Deduction'
- 7. In the Type field, select 'Percentage Auto Enrolment'
- 8. Range check should be the default of 'None'
- 9. Report Group should be the default of '<None>'
- When Clear Totals field is set to 'Annually', during Yearend Restart the year to-date total for this pension deduction will be clear along with other year to-date totals

Settings for New Pay	ment/Deduction 20
Number 20 Nam	ne AE Salary Sacrifice - EE
Category	
Apply Before Tax & I	NI Calculation 💌
+ of -	
Deduction	
Type	
Percentage Auto En	rolment
I crocinago riato En	% Settings
Range check	
None	
Report Group	<u>S</u> ettings
<none></none>	
Clear to-date totals	
Annually	Subtract Basic Rate Tax
🔽 Pension	🔲 Qualifying Earnings
🔲 Benefit in kind	Pensionable Earnings
	<u>O</u> K <u>C</u> ancel

11. Click 'OK'

Add employer pension deduction:

- 1. Go to the Company menu and select 'Alter Payments / Deductions'
- 2. Click on 'Add New'
- 3. Click 'No' to the message asking if you want to use the wizard



- 4. Enter a **Name** for the pension deduction
- 5. In the Category field select 'Display Item Only'

This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select **'Display Item Only – Hidden from Payslip'**

- 6. In the + or field, select 'Deduction'
- 7. In the Type field, select 'Percentage Auto Enrolment'
- 8. Range check should be the default of 'None'
- 9. Report Group should be the default of '<None>'
- 10. When **Clear Totals** field is set to **'Annually'**, during

Year-end Restart the year to-date total for this pension deduction will be cleared along with other year to-date totals

11. Click 'OK'

Enter default percentage for the employee and employer pension deduction:

- 1. Go to the Company menu and select 'Alter Payments / Deductions'
- Next to the employee pension deduction, click in the 'Standard' field and enter the default percentage
- Next to the employer pension deduction, click in the 'Standard' field and enter the default percentage

х Company Payments & Deductions Weekly Weekly Lower Upper No Description Standard Account 22 AE Net - EE 1.00 % 23 AE Net - ER 1.00 % 24 AE Gross - EE 1.00 % 25 AE Gross - ER 1.00 % 26 Salary Sacrifice - EE 27 Salary Sacrifice - ER 1.00 <mark>%</mark> 1.00 % 28 Net-EE 1.00 % 1.00 % 29 Net-ER 30 Gross - EE 1.00 🤦 31 Gross - ER 1.00 % Eormulas Edit Add New Insert <u>0</u>K Cancel

Configure pension deduction pay elements:

- Go to the Pension menu and select 'Configure Earnings'
- Tick 'Qualifying Earnings' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment

The employees' pension contribution will also be calculated on these pay elements

Configure Earnings
Solary
Robes |
Payment
Qualifying
Pensionable
Earnings
Salavy
Statutory Maternity Pay
Statutory Adernity Pay
Statutory Sick Pay
Stat

3. Click 'OK'

Settings for New Payment/Deducti	on 21
ID Number 21 Name AE Salary Sa	acrifice - ER
Category	
Display Item Only	–
+ or -	
Deduction	_
Туре	
Percentage Auto Enrolment	▼
Range check	% S <u>e</u> ttings
None	<u> </u>
Report Group	<u>S</u> ettings
<none></none>	_
Clear to-date totals	Subtract Basic Rate Tax
🔽 Pension 🔲 Qualifying	g Earnings
🗖 Benefit in kind 🛛 🧖 Pensiona	ble Earnings
<u> </u>	Cancel



Employee net contribution - based on Qualifying Earnings

An Employee net contribution pension Deduction is deducted from the employee's pay after Tax and NI is calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2014/15 the rate is 20%. Higher rate tax payers need to claim the remaining tax relief from HMRC. This method of deducting pension contributions HMRC call relief at source (RAS).

In payroll, if say the employee's pension deduction is 1%, you would enter 1% in the employee's pension contribution standard value but the actual deduction will be 0.8% from their pay.

A Qualifying Earnings pension deduction is calculated as a percentage of the employee's Qualifying Earnings between the lower limit and upper limit. For tax year 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

Add employee pension deduction:

- 1. Go to the Company menu and select 'Alter Payments / Deductions'
- 2. Click on 'Add New'
- 3. Click 'No' to the message asking if you want to use the wizard
- 4. Enter a **Name** for the pension deduction
- In the Category field select 'Apply After Tax & NI Calculation'
- 6. In the + or field, select 'Deduction'
- 7. In the Type field, select 'Percentage Auto Enrolment'
- 8. Range check should be the default of 'None'
- 9. Report Group should be the default of '<None>'
- 10. When Clear Totals field is set to 'Annually', during Yearend Restart the year to-date total for this pension deduction will be cleared along with other year to-date totals
- 11. Tick 'Subtract Basic Rate Tax' box
- 12. Click 'OK'

Add employer pension deduction:

- 1. Go to the Company menu and select 'Alter Payments / Deductions'
- 2. Click on 'Add New'
- 3. Click 'No' to the message asking if you want to use the wizard

Settings for New Payment/Deduction 22
ID Number 22 Name AE after-tax - EE
Category
Apply After Tax & NI Calculation
+ or -
Deduction
Туре
Percentage Auto Enrolment
Range check % Settings
None
Settings
<none></none>
Clear to-date totals Annually Subtract Basic Rate Tax
Pension 🔲 Qualifying Earnings
🗖 Benefit in kind 🔲 Pensionable Earnings
<u>D</u> K <u>Cancel</u>



- 4. Enter a **Name** for the pension deduction
- 5. In the Category field select 'Display Item Only'

This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select **'Display Item Only – Hidden from Payslip'**

- 6. In the + or field, select 'Deduction'
- 7. In the Type field, select 'Percentage Auto Enrolment'
- 8. Range check should be the default of 'None'
- 9. Report Group should be the default of '<None>'
- **10.** When **Clear Totals** field is set to **'Annually'**, during **Year**-

end Restart the year to-date total for this pension deduction will be cleared along with other year to-date totals

11. Click 'OK'

Enter percentage for the employee and employer pension deduction:

- 1. Go to the Company menu and select 'Alter Payments / Deductions'
- Next to the employee pension deduction, click in the 'Standard' field and enter the default percentage
- Next to the employer pension deduction, click in the 'Standard' field and enter the default percentage

No	Description	Standard		Weekly Lower	Weekly Upper	Account	-
22	AE Net - EE	1.00	%				
23	AE Net - ER	1.00	%				
24	AE Gross - EE	1.00	%				
25	AE Gross - ER	1.00	%				
26	Salary Sacrifice - EE	1.00	%				
27	Salary Sacrifice - ER	1.00	%				
28	Net - EE	1.00	%				
29	Net - ER	1.00	%				
30	Gross - EE	1.00	%				
31	Gross - ER	1.00	%				•

Number 23 Nam	e AE after-tax - ER
Category	
Display Item Only	-
+ or -	
Deduction	•
Туре	
Percentage Auto En	rolment 💌
Range check	% S <u>e</u> ttings
None	•
Report Group	<u>S</u> ettings
<none></none>	•
Clear to-date totals Annually	Subtract Basic Rate Tax
🔽 Pension	🔲 Qualifying Earnings
🔲 Benefit in kind	Pensionable Earnings
Eenefit in kind	Pensionable Earnings

Configure pension deduction pay elements:

- Go to the Pension menu and select 'Configure Earnings'
- Tick 'Qualifying Earnings' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment

The employees' pension contribution will also be calculated on these pay elements

Configure Earnings
Salary Rates | Pay/Deds |

Payment Qualifying Pensionable Earnings
Salary Earnings
Statutory Maternity Pay E
Statutory Paternity Pay E
Statutory Statutory Sick Pay E
Statutory

3. Click '**OK'**



Salary Exchange (Salary Sacrifice) pension - based on Certified Earnings

A Salary Exchange pension deduction is deducted from the employee's pay before Tax and NI is calculated, which means the employee is due to pay less Tax and NI.

Certified Earnings is calculated as a percentage of the tiered earnings you specified when setting up the Friends Life scheme by choosing one of the following options:

- **Tier 1 (set 1)** must be at least equal to the employee's basic pay, for example the employee's salary. This doesn't take into account any additional pay elements, such as overtime, bonuses, commission or shift premium pay.
- **Tier 2 (set 2)** must be at least 85% of the employee's Total Earnings. This includes any additional pay elements, such as overtime or bonuses.
- **Tier 3 (set 3)** all of the employee's earnings are pensionable. This includes any additional pay elements, such as overtime or bonuses

Add employee pension deduction:

- 1. Go to the **Company** menu and select 'Alter Payments / Deductions'
- 2. Click on 'Add New'
- 3. Click 'No' to the message asking if you want to use the wizard
- 4. Enter the **Name** of the pension deduction
- In the Category field select 'Apply Before Tax & NI Calculation'
- 6. In the + or field, select 'Deduction'
- 7. In the Type field, select 'Percentage'
- 8. In the Range check field, leave the default as 'None'
- In the Report Group field, leave the default as '<None>'
- When Clear Totals field is set to 'Annually', during Year-end Restart the year to-date total for this pension deduction will be cleared along with other year to-date totals

ettings for New Payment/Deduc	tion 26
Category	
Apply Before Tax & NI Calculation	-
Deduction	•
Туре	
Percentage	•
Range check	% S <u>e</u> ttings
None	•
Report Group	<u>S</u> ettings
<none></none>	•
Clear to-date totals Annually	Subtract Basic Rate Tax
🔽 Pension 🔲 Qualifyir	ng Earnings
🗖 Benefit in kind 🛛 🧖 Pensior	able Earnings
<u>0</u> K	Cancel



- 11. Tick the 'Pension' box
- **12.** Click the **'% Settings'** and then tick all the pay elements you want the pension deduction to be calculated on
- 13. Click 'OK' on the Percentage calculation screen
- **14.** Click **'OK'** on the **Settings for New Payment/Deduction** screen to save the new employee pension deduction

Percentage calculation for Sala	ry Sacrifice - EE based on
Basic Pay Elements Salard Basic Hours Pay 0/T Hours Pay SSP SMP, SAP, OSPP & ASPP Holiday Pay Less Tax Less NI	Payments/Deductions Included All Previous Payments/Dedns (Flierarchical) C Listed Items Only
	<u>O</u> K <u>C</u> ancel

Add employer pension deduction:

- 1. Go to the Company menu and select 'Alter Payments / Deductions'
- 2. Click on 'Add New'
- 3. Click 'No' to the message asking if you want to use the wizard
- 4. Enter the **Name** of the pension deduction
- 5. In the Category field select 'Display Item Only'

This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select **'Display Item Only – Hidden from Payslip'**

- 6. In the + or field, select 'Deduction'
- 7. In the Type field, select 'Percentage'
- 8. In the Range check field, leave the default as 'None'
- In the Report Group field, leave the default as '<None>'
- **10.** When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals
- 11. Tick the 'Pension' box
- **12.** Click the **'% Settings'** and then tick all the pay elements you want the pension deduction to be calculated on
- 13. Click 'OK' on the Percentage calculation screen
- 14. Click 'OK' on the Settings for New Payment/Deduction screen to save the new employer pension deduction

Settings for New Payment/Deducti	ion 27
ID Number 27 Name Salary Sacri	fice - ER
Category	
Display Item Only	•
+ or -	
Deduction	•
Туре	
Percentage	•
Range check	% S <u>e</u> ttings
None	•
Report Group	<u>S</u> ettings
<none></none>	•
Clear to-date totals	Subtract Basic Rate Tax
🔽 Pension 🔲 Qualifyin	g Earnings
🗖 Benefit in kind 🔲 Pensiona	able Earnings
<u>0</u> K	Cancel



Enter default percentage for the employee and employer pension deduction:

- 1. Go to the **Company** menu and select 'Alter Payments / Deductions'
- Next to the employee pension deduction, click in the 'Standard' field and enter the default percentage
- Next to the employer pension deduction, click in the 'Standard' field and enter the default percentage

No	Description	Standard		Weekly Lower	Weekly Upper	Account -
22	AE Net - EE	1.00 9	6			
23	AE Net - ER	1.00 🤊	6			
24	AE Gross - EE	1.00 🤊	6			
25	AE Gross - ER	1.00 🤊	6			
26	Salary Sacrifice - EE	1.00 9	6			
27	Salary Sacrifice - ER	1.00 9	6			
28	Net - EE	1.00 9	6			
29	Net - ER	1.00 9	6			
30	Gross - EE	1.00 🤊	6			
31	Gross - ER	1.00 9	6			

Configure Qualifying Earnings:

- Go to the Pension menu and select 'Configure Earnings'
- Tick 'Qualifying Earnings' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment
- Configure Earnings
 Salaxy
 Rates Pay/Deds
 Payment
 Payment
 Cualifying
 Parnings
 Salaxy
 Statutory Maternity Pay
 Statutory Maternity Pay
 Statutory Caternity Pay
 Statutory Caternity Pay
 Statutory Statemate Pay
 G
 Statutory Sick Pay
 G
 Statutory Sick Pay
 G
 Statutory Sick Pay
 G
 Statutory
 Statutory
 Statemate
 Statema

3. Click 'OK'



Employee net contribution - based on Certified Earnings

An Employee net contribution is deducted from the employee's pay after Tax and NI is calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2014/15 the rate is 20%. Higher rate tax payers need to claim the remaining tax relief from HMRC. This method of deducting pension contributions HMRC call relief at source (RAS).

In payroll, if say the employee's pension deduction is 1%, you would enter 1% in the employee's pension contribution value but the actual deduction will be 0.8% from their pay.

Certified Earnings is calculated as a percentage of the tiered earnings you specified when setting up the Friends Life scheme by choosing one of the following options:

- Tier 1 must be at least equal to the employee's basic pay, for example the employee's salary. This doesn't take into account any additional pay elements, such as overtime, bonuses, commission or shift premium pay.
- **Tier 2** must be at least 85% of the employee's Total Earnings. This includes any additional pay elements, such as overtime or bonuses.
- **Tier 3** all of the employee's earnings are pensionable. This includes any additional pay elements, such as overtime or bonuses

Add employee pension deduction:

- 1. Go to the Company menu and select 'Alter Payments / Deductions'
- 2. Click on 'Add New'
- 3. Click 'No' to the message asking if you want to use the wizard
- 4. Enter the Name of the pension deduction
- In the Category field select 'Apply After Tax & NI Calculation'
- 6. In the + or field, select 'Deduction'
- 7. In the Type field, select 'Percentage'
- 8. In the Range check field, leave the default as 'None'
- In the Report Group field, leave the default as '<None>'
- When Clear Totals field is set to 'Annually', during Year-end Restart the year to-date total for this pension deduction will be clear along with other year to-date totals
- 11. Tick the 'Pension' box
- **12.** Tick the **'Subtract Basic Rate Tax'** box

Settings for New Pay	ment/Deduction 24
ID Number 24 Nan	ne After-tax - Total Pay
Category	
Apply After Tax & NI	Calculation 💌
+ or -	
Deduction	▼
Туре	
Percentage	▼
Range check	% S <u>e</u> ttings
None	▼
Report Group	<u>S</u> ettings
<none></none>	▼
Clear to-date totals	Cubtract Pasia
Annually	Rate Tax
Pension	🔲 Qualifying Earnings
E Benefit in kind	Pensionable Earnings
	<u>D</u> K <u>C</u> ancel



C All Previous Payments/Dedns (Hierarchical)

<u>A</u>dd <u>D</u>elete

<u>O</u>K <u>C</u>ancel

Listed Items Only

✓ Salary
 ✓ Basic Hours Pay

♥ SSP ♥ SMP, SAP, OSPP & ASPP

🔽 0/T Hours Pay

Holiday Pay

Less NI

- **13.** Click the **'% Settings'** and then tick all the pay elements you want the pension deduction to be calculated on
- 14. Click 'OK' on the Percentage calculation screen
- **15.** Click **'OK'** on the **Settings for New Payment/Deduction** screen to save the new employee pension deduction

Add employer pension deduction:

- 1. Go to the **Company** menu and select 'Alter Payments / Deductions'
- 2. Click on 'Add New'
- 3. Click 'No' to the message asking if you want to use the wizard
- 4. Enter the **Name** of the pension deduction
- 5. In the Category field select 'Display Item Only'

This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select **'Display Item Only – Hidden from Payslip'**

- 6. In the + or field, select 'Deduction'
- 7. In the Type field, select 'Percentage'
- 8. In the Range check field, leave the default as 'None'
- In the Report Group field, leave the default as '<None>'
- **10.** When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals
- **11.** Tick the **'Pension'** box
- **12.** Click the **'% Settings'** and then tick all the pay elements you want the pension deduction to be calculated on
- 13. Click 'OK' on the Percentage calculation screen
- **14.** Click **'OK'** on the **Settings for New Payment/Deduction** screen to save the new employer pension deduction

Settings for New Payn	nent/Deduction 20
ID Number 20 Name	After-tax - Total Pay -ER
Category	
Display Item Only	•
+ or -	
Deduction	•
Туре	
Percentage	•
Range check	% S <u>e</u> ttings
None	▼
Report Group	<u>S</u> ettings
<none></none>	•
Clear to-date totals	Subtract Basic
Annually	Rate Tax
✓ Pension	🔲 Qualifying Earnings
🔲 Benefit in kind	Pensionable Earnings
	<u>O</u> K <u>C</u> ancel



Enter percentage for the employee and employer pension deduction:

- 1. Go to the **Company** menu and select 'Alter Payments / Deductions'
- Next to the employee pension deduction, click in the 'Standard' field and enter the default percentage
- Next to the employer pension deduction, click in the 'Standard' field and enter the default percentage

No	Description	Standard		Weekly Lower	Weekly Upper	Account
14	Protected Earnings Order	0.00				850368
15	Priority Court Order	0.00				850368
16	Other Court Order	0.00				850368
17	SSP/SMP Contra	0.00				1002
18	Salary Deduction	0.00				800519
19	CSA	0.00				850754
20	AE Salary Sacrifice - EE	1.00 9	%			
21	AE Salary Sacrifice - ER	1.00 9	%			
22	AE after-tax - EE	1.00	%			
23	AF after-tax - FB	1.00 •	%			

Configure Qualifying Earnings:

- Go to the Pension menu and select 'Configure Earnings'
- Tick 'Qualifying Earnings' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment
- 3. Click '**OK'**

Payment	Qualifying Earnings	Pensionable Earnings
Salary	Ľ	
Statutory Maternity Pay	Ľ	
Statutory Paternity Pay	M	
Shared Parental Pay	Ľ	
Statutory Adoption Pay	Ľ	
Statutory Sick Pay	Ľ	
Holiday Pay	E	



Additional Software and Services Available

IRIS AE Suite™

The IRIS AE Suite[™] works seamlessly with all IRIS payrolls to easily manage auto enrolment. It will assess employees as part of your payroll run, deduct the necessary calculations, produce files in the right format for your pension provider* and generate the necessary employee communications.

IRIS OpenPayslips

Instantly publish electronic payslips to a secure portal which employees can access from their mobile phone, tablet or PC. IRIS OpenPayslips cuts payslip distribution time to zero and is included as standard with the IRIS AE Suite[™].

IRIS Auto Enrolment Training Seminars

Choose from a range of IRIS training seminars to ensure you understand both auto enrolment legislation and how to implement it within your IRIS software.

Useful numbers

HMRC online service helpdesk		HMRC employer helpline		
Tel:	0300 200 3600	Tel:	0300 200 3200	
Fax:	0844 366 7828	Tel:	0300 200 3211 (new business)	
Email:	helpdesk@ir-efile.gov.uk			

Contact Sales (including stationery sales)

For IRIS Payrolls	For Earnie Payrolls		
Tel: 0844 815 5700	Tel: 0844 815 5677		
Email: sales@iris.co.uk	Email: earniesales@iris.co.uk		

Contact support

Your Product	Phone	E-mail
IRIS PAYE-Master	0844 815 5661	payroll@iris.co.uk
IRIS Payroll Business	0844 815 5661	ipsupport@iris.co.uk
IRIS Bureau Payroll	0844 815 5661	ipsupport@iris.co.uk
IRIS Payroll Professional	0844 815 5671	payrollpro@iris.co.uk
IRIS GP Payroll	0844 815 5681	support@gppayroll.co.uk
IRIS GP Accounts	0844 815 5681	gpaccsupport@iris.co.uk
Earnie or Earnie IQ	0844 815 5671	support@earnie.co.uk



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