

# Administration of Pension Programs: Record-keeping practices

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- ➔ Liability management is at the core of the business of pension administration
- ➔ Liabilities need to be clearly defined and accounted, which is facilitated by records of member accounts
- ➔ Hence, importance of strong systems of identification, transaction management, and personified accounting

# I. Identification

- ➔ Who manages the ID system?
- ➔ Is the same ID used outside of the pension program?
- ➔ What are the weaknesses of the ID system and **how they impact the business of pension administration?**
- ➔ Are there plans for a new identification system or linking to a national ID, etc?

# Implications of weak ID systems

- ➔ Duplicate IDs
- ➔ Duplicate accounts
- ➔ Dormant/unclaimed accounts
- ➔ Poor linkages with external systems (civil register, etc.)
- ➔ Weak monitoring systems

## **Implying poor management & decision-making**

- ➔ Complicated validation of earnings/contribution records
- ➔ Complex benefit calculations at retirement

## **Implying higher administrative costs**

# Diagnosics of accounts

Country	Burkina Faso	Denmark	Ghana	Guyana	Indonesia	Jordan	Kenya	Malaysia	Malaysia	Pakistan	Philippines	Singapore	Sri Lanka	Uganda	USA	Vanuatu
Agency	CNSS	ATP	SSNIT	NIS	ESS	SSC	NSSF	EPF	SSO	EOBI	SSS	CPF	EPF	NSSF	TSP	VNPF
Year	2004	2007	2006	2002	2007	2006	2007	2007	2006	2007	2007	2007	2005	2005	2008	2006
Registered	150	3,800	1,200	590	23,700	1,500	3,600	12,000	11,800	2,700	27,000	3,100	11,900	248	3,900	40
Active	73	3,100	850	130	7,900	660	900	5,400	5,500	1,800	7,900	1,500	2,100	138	2,600	28
Activity rate	49%	82%	71%	22%	33%	44%	25%	45%	47%	67%	29%	48%	18%	56%	67%	70%

- Low member activity is often suggestive of duplicates. How to organize record cleaning exercise?
- In many cases, duplicate accounts is a result of decentralized system of record keeping. How to organize record consolidation?

## II. Contributions accounting

- ➔ What are the modes of submitting payroll information?
- ➔ How personified data gets verified and reconciled with payments?
- ➔ How to optimize role of other institutions (Tax Admin, Central Bank, clearing house, etc.)?
- ➔ How to achieve right balance between quantity , quality, and timeliness of information that you collect and the compliance costs?

**Try to get as much as possible of the original data in electronic form**

# E-filing: International Experiences

	Armenia	Czech Republic	Chile	Hungary	Kosovo	Maldives	Mexico IMSS	Moldova	Morocco	Philippines	St. Chris. & Nevis	United Kingdom
Mandate	NA	NA	Voluntary	NA	100+ emp'ees	All	NA	NA	NA	NA	NA	Yes(*)
Participating employers	0.8%	15%	NA	2%	8%	100%	NA	NA	8%	23%	1%	98%
Covered employees	17%	48%	Around 80%	71%	49%	100%	>60%	75%	26%	74%	4%	NA
E-payment available	NA	NA	Yes	NA	No	No	Yes	NA	Yes	NA	NA	NA

Source: Compilation based on data from national SS agencies (World Bank, 2009, 2010)

(\*) In UK, e-filing was made mandatory for large employers (250+ employees) in 2004/05; then for medium employers (50-250 employees) in 2005/06; and then for small employers (<50 employees) in 2010.

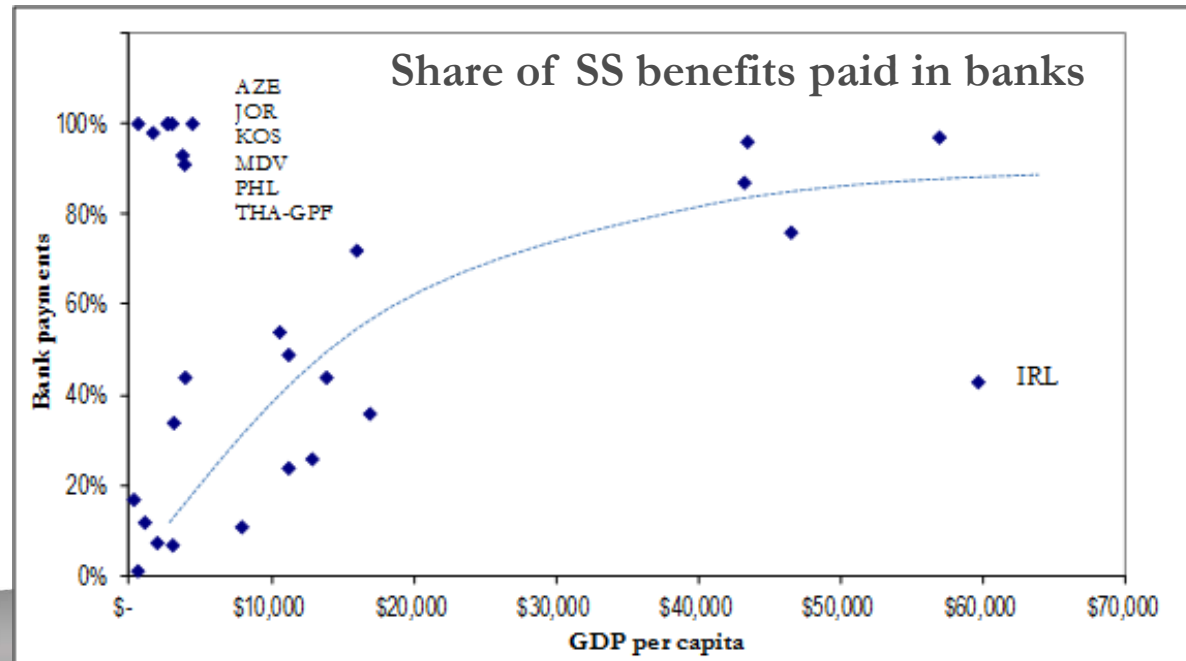
# III. Accounts management

- ➔ Can the business of accounts management be outsourced?
- ➔ Or are there off-the-shelf MIS solutions?
- ➔ What is the optimal balance between diversity of investments and administrative simplicity?
- ➔ What is your model of investment accounting?
- ➔ What are your admin policies on unidentified revenues, interim returns on unreconciled funds, lost interest due to errors & underpayments, etc.?
- ➔ What are the members reporting requirements?



## IV. Benefit payments

- ➔ How automated is your eligibility & benefit calculation?  
How much time does an average claim take?
- ➔ What is the optimal mix of delivery methods, with view of convenience to beneficiary and low admin costs?
- ➔ What are obstacles to uses of the banking sector?



## V. Modernization initiatives

- ➔ What processes can be outsourced?
- ➔ Can synergies with other institutions be developed?
- ➔ How to organize record cleaning, digitization and consolidation?
- ➔ Which new technologies can facilitate coverage expansion?
- ➔ How to ensure that old institutions can work in sync with new technologies?

**THANK YOU**