



PENSION FUND ADMINISTRATION: FOCUSING ON THE CUSTOMER

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TWO ELEMENTS OF ACCUMULATION SCHEME

◆ **MONEY**

◆ **DATA**

➔ **BOTH MUST BE TIMELY AND
ACCURATE**



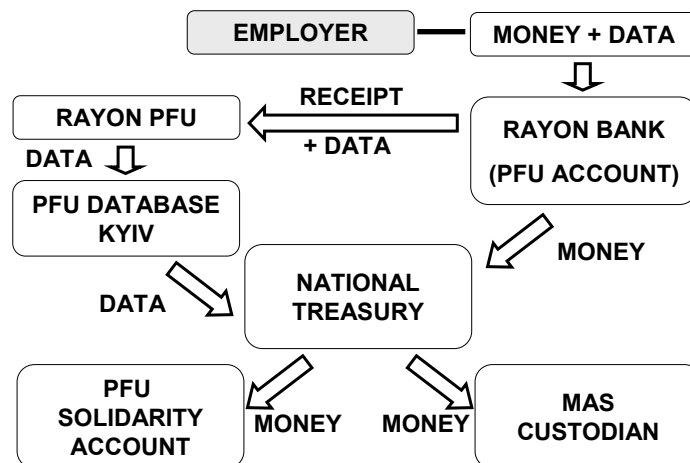
NEXT DAY DELIVERY OF CONTRIBUTIONS TO THE CUSTODIAN

◆ CONTRIBUTIONS NEED TO BE WITH THE CUSTODIAN & EARNING INTEREST THE NEXT DAY

➔ CONTRIBUTIONS CAN ONLY BE WITH THE CUSTODIAN IF THE DATA IS UPLOADED OVERNIGHT



HOW TO GET MONEY TO CUSTODIAN?





TECHNOLOGY IS THE KEY

◆ INSTANTANEOUS TRANSMISSION OF DATA NEEDED

- ➔ From RAYON BANK → LOCAL TREASURY → TREASURY IN KYIV**
- ➔ From RAYON PFU OFFICE → DATABASE IN KYIV**



TECHNOLOGY IS THE KEY

◆ PFU PROGRAM TASKS

- ➔ IDENTIFY ACCUMULATION SCHEME MEMBERS**
- ➔ CALCULATE THE CONTRIBUTION THAT GOES TO MAS BY EACH EMPLOYER**
- ➔ AGGREGATE THE CONTRIBUTIONS OF ALL EMPLOYERS TO MAS**
- ➔ INFORM THE TREASURY HOW MUCH SHOULD BE WIRED TO MAS CUSTODIAN**



IF SOMETHING GOES WRONG

◆ **BASIC PROBLEM FOR ACCUMULATION SYSTEM ADMINISTRATOR:**

MONEY AND DATA DON'T MATCH!

◆ **WHICH IS RIGHT – MONEY OR DATA?**

◆ **IF MONEY < DATA**

... HOW DO YOU CORRECT THE MISTAKE?

(YOU CAN ONLY PUT INTO INDIVIDUAL ACCOUNTS MONEY THAT YOU HAVE)



RECORDING THE INCREASE IN UNITS WHEN NEW CONTRIBUTIONS ARE MADE

- **DAY1 - Payment of contribution into PFU account triggers increase in participant's unit value**
- **DAY2 - Start of investment**

◆ **HOW DO YOU MAKE THIS HAPPEN?**

PFU MUST RECORD THE DATE OF PAYMENT OF EACH NEW CONTRIBUTION SO AS TO CALCULATE THE NUMBER OF ADDITIONAL UNITS ACCRUING TO A MEMBER'S INDIVIDUAL ON ACCOUNT OF THAT NEW CONTRIBUTION



TELLING PARTICIPANTS ABOUT THEIR INDIVIDUAL ACCOUNT

- ◆ **COMMUNICATION IS A KEY ELEMENT OF ACCUMULATION SCHEMES**
- ◆ **PARTICIPANTS NEED TO BE CONFIDENT ABOUT WHAT IS HAPPENING TO THEIR MONEY**
- ◆ **ADMINISTRATION SYSTEM NEEDS CAPACITY FOR INDIVIDUALS TO ACCESS THEIR INDIVIDUAL ACCOUNT FROM ANYWHERE IN THE COUNTRY**
- ◆ **BUT PAPER DOCUMENTS ARE ALSO VALUABLE**



HOW MUCH WILL IT COST?

- ◆ **MOST RECENT ANALOGY IS N.E.ST. – COMPULSORY SECOND PILLAR SCHEME IN THE U.K.**



HOW MUCH WILL IT COST?

◆ **WHAT IS THE MANAGEMENT CHARGE?**

◆ **Reasonable?**

“A yearly management charge of 0.3% plus a charge 2% of contributions in the shorter term.” (Angela Eagle, UK Minister For Pensions And Ageing)

◆ **Excessive?**

“We are concerned that a 2% charge on contributions means charges will be relatively high - higher than in an existing scheme.” (Nigel People, Director of Policy, National Association of Pension Funds (NAPF))

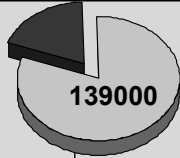


ARE ADMINISTRATION COSTS IMPORTANT - YES BUT!

WAGE	ADMINISTRATION COST	ASSET MANAGEMENT CHARGE	TOTAL ACCUMULATION (40yrs)	TOTAL DEDUCTION	AMOUNT TO BUY ANNUITY
2000 p.m.	1% OF CONTRIBUTIONS	0.3% OF FUND VALUE	172000	12000	160000
2000 p.m.	2% OF CONTRIBUTIONS	0.3% OF FUND VALUE	172000	14000	158000



ARE ADMINISTRATION COSTS IMPORTANT - YES BUT!

WAGE	ADMINISTRATION COST	ASSET MANAGEMENT CHARGE	TOTAL ACCUMULATION (40yrs)	TOTAL DEDUCTION	AMOUNT TO BUY ANNUITY
2000 p.m.	1% OF CONTRIBUTIONS	1% OF FUND VALUE	172000	33000	
2000 p.m.	2% OF CONTRIBUTIONS	1% OF FUND VALUE	172000	35000	