Data and Payment Systems -
Lessons from India, Uganda, Kenya and Mexico

November 5th, 2019
Ernesto Brodersohn
ernesto@pensionpolicy.net
Consultant

Pensions Core Course
Why identity is important in contributions?

It is essential to know to which individual the benefits and/or contributions should be accredited to or deposited.

Employees benefits are eroded because contributions are not accrued.

- Inefficient contribution collection affects both Defined Contribution and Defined Benefit pension schemes can have long term administrative costs that are usually addressed with very manual processes and absorbed by the employees and employers, as well as the scheme stakeholders.

- Individuals in many cases can see their pension eroded or sometimes even do not qualify to reach a benefit due to these issues, eroding trust in the pension schemes.
Identity verification

Most challenges start showing up when enrolling an employee and authenticating his or her identity, making sure that everyone is who they say they are.

• Contributions made by employers as well as those made voluntarily by workers (formal or informal) should be matched with data already recorded in the database from the enrolment and registration processes.

• Every time a contribution is made, a solid mechanism should be put in place to reduce contributions fall into suspense accounts.

An individual is traditionally identified through some form of official ID, physical appearance, and a signature (when available).

Typographical errors are eliminated by having accurate and reliable information pulled by the authentication entity.
Mexico’s mandatory contribution collection experience

- The contributions are authenticated from the point of collection and online
- The transaction is traceable in every step of the process and available for participants
- The amount of contributions is validated before being deposited
Mexico’s voluntary contribution experience
Introducing collection channels that connect all participants

- The contributions are authenticated from the point of collection and online.
- The transaction is traceable in every step of the process and available for participants.
- Convenience store and some Mobile APPs contributions transaction cost is fixed to a minimum fee base.
Kenya’s voluntary contribution experience
MBAO: Mobile money contributions

- Throughout the MBAO pension scheme contributions made through mobile money have a low or no cost
- Contributions are authenticated loosely late in the process has a high risk, especially for the savers
- Information’s collection and transfer methods can be slow and erode performance
Uganda’s experience

- Throughout the Voluntary pension scheme contributions made through mobile money have a low cost.
- Having contributions authenticated until very late in the process has a high risk, especially for the savers.
- Information’s collection and transfer methods can be slow and erode performance.

Informal Sector Workers

Markers

Mobile

Transfers Contributions and information

MTN

ALEXANDER FORBES INVESTMENTS

Fee

Fee

Transfer

Insurers

Fee

Fee

Stakeholders

Voluntary Pension Scheme

Custodian

Bank of Uganda

Fund Manager

Savers

Channels

Telcos

Administrator

Bank of Uganda
Differences between online and offline systems for contribution collections

**Offline**
- Validation notifies which ones were accepted and which were rejected
- The contributions of the accepted records are the only ones that are registered in the database and the accounts of the employees
- Even if the employer modifies the data for the next payment of contributions, those paid with wrong data will remain in the communal fund until the employee claims it.

**Online**
- Instant match validation
- Contributions are received only from the records that were accepted
- All data is reliable and contributions and quoted time are recorded for each employee
- There is no communal fund for rejected contributions
Final comments
Payment fees in Mexico for collection contributions

Banks earns their income by receiving contributions by:

- 2 day stay of the money entering from contributions
- Charge to the social security institute that manages the private sector for each payment received

1. Electronic payments $0.56 USD
2. Brach offices payments old system $1.63 USD, new system $1.08 USD

Additionally, the Switch charges 0.14% of total amount that will receive each administrator from contributions collected.

Private Sector

Banks earns from the 2 day stay of the money entering from contributions

Public Sector

Voluntary contributions

Convenience stores charge the administrators $0.20 USD for each payment received, which represents 8% of the minimum contribution value which is $2.50 USD

Under any circumstances the employee pay for contributions made by himself or his employer.