Social Insurance Administration: From Crisis Management to Best Practices

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The World Bank
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Social Insurance Service Delivery

- Identification & registration of members
- Contribution collection & financial management
- Data exchange with other institutions
- Member communications and appeals
- Benefit award & payments management
- Data collection & records management
- Business analytics

Institutions, Financing, Information, Interface, Systems & Governance
Part I

Principles of Prudent Management
Principles of Prudent Management

- **Identification and registration of members**
  Support effective tracking of member contributory liabilities and benefit rights by associating such liabilities and rights with established identities of the members.

- **Contribution collection / Financial management**
  - Provide range of payment methods tailored to diverse needs of clients.
  - Process and reconcile payments in timely fashion with minimal errors.
  - Develop effective liability management and enforcement.
  - Ensure transparent accounting of all funds, preventing frauds.

- **Data collection / Management of individual records**
  Ensure availability of quality data, obtained at minimal costs, to support (i) timely and accurate execution of all transactions associated with emergence, accumulation, management, and discharge of individual member rights, (ii) accurate assessment of all outstanding liabilities towards members of the scheme.
Principles of Prudent Management (cont’d)

- **Benefit award / Payment (service) management**
  - Ensure accurate decisions, with minimal effort, on status of member’s eligibility for benefit(s) or service(s), including changes in the status (e.g. death or recovery from disability) or in benefit amounts
  - Ensure that correct amounts are paid (service provided) on time to the right persons

- **Communication with members / Appeals and complaints**
  - Keep clients (workers, employers, beneficiaries) well-informed about their individual rights, obligations, entitlements, and options of corrective actions where needed
  - Build confidence in the system, enable management to identify errors and enable targeted training through effective system of appeals and complaints

- **Data exchange mechanisms**
  - Enhance quality and availability of institutional data to support operational decisions and business analytics through mechanisms of data acquisition from external sources or using external sources to verify data received
  - Duly and legally share institutional data with external parties, ensuring data security and confidentiality
Principles of Prudent Management (cont’d)

- **Business analytics**
  Enhance analytical capabilities of program management and guide continuous improvements in service provision by effective utilization of institutional data and application of data analysis and information presentation technologies.

- **Information system**
  - Support reliable and coherent operation of the social insurance system, including effective interactions between its different components.
  - Store, manage, mobilize, and safeguard institutional data as a key corporate asset.
  - Deploy ICT and human resources in optimal combination to achieve business and corporate objectives in delivering a range benefits and services at lowest costs.
Part II

When things go wrong...
‘Perfect storm’ of ID crisis:
Government sacked (Japan’07)

... when the government implemented the unified pension identification number system [1997], it found that there were some 300 million pension identification numbers, while the number of eligible persons was around 100 million at the time...

... records kept in yellowing files instead of on computers...

The panel found internal agency documents indicating embezzlement of pension money by employees. But the fund's flaws were largely clerical; it failed to properly match some 50 million claim records with the correct individuals, and more than 14 million records aren't computerized, meaning they can't be readily retrieved when claims are submitted. The government has not released an estimate for the number of people affected or amount of money involved, so estimates of the sum in limbo fluctuate widely, between $25 billion and $175 billion.

But it was Mr. Abe’s mishandling of a bookkeeping problem surrounding the national pension system that contributed the most to his party’s devastating loss in the upper house election. While the problem had existed for many years, Mr. Abe simply kept quiet after learning about it early this year.

Following the scandal, in 2010, it was decided to rebrand the agency from Social Insurance Agency to Japan Pension Service
$1.2 trillion in unidentified wages (USA)

- US Social Security Administration (SSA) maintains Earnings Suspense File (ESF), containing 333 million of individual wage records over the period starting from 1937 until now

- ESF consists of: 95% Name & SSN mismatches; 3% dead or underage SSN holders; 2% wrong SSNs.

- SSA actively follows up with employers and manages data verification. To contain growth of the file, since 2005, it provides SSN Verification service to the employers.

- Each year, 3-4% of individual annual wage records added to ESF out of total 240 million new records

- ESF generates $13bn in Social Security tax revenues annually, associated mostly with the unauthorized immigrants
Prevalence of inactive accounts

- Inactive accounts is a norm but excessive numbers may flag duplicates or other weaknesses of administrative systems
- It is a symptom of a problem elsewhere, e.g., poor ID management system, weak and decentralized system of record keeping, etc.

Registered and active accounts
(in thousands)

<table>
<thead>
<tr>
<th>Country</th>
<th>Burkina Faso</th>
<th>Denmark</th>
<th>Ghana</th>
<th>Guyana</th>
<th>Indonesia</th>
<th>Jordan</th>
<th>Kenya</th>
<th>Malaysia</th>
<th>Malaysia</th>
<th>Pakistan</th>
<th>Philippines</th>
<th>Singapore</th>
<th>Sri Lanka</th>
<th>Uganda</th>
<th>USA</th>
<th>Vanuatu</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
<td>CNSS</td>
<td>ATP</td>
<td>SSNIT</td>
<td>NIS</td>
<td>ESS</td>
<td>SSC</td>
<td>NSSF</td>
<td>EPF</td>
<td>SSO</td>
<td>EOBI</td>
<td>SSS</td>
<td>CPF</td>
<td>EPF</td>
<td>NSSF</td>
<td>TSP</td>
<td>VNPF</td>
</tr>
<tr>
<td>Registered</td>
<td>150</td>
<td>3,800</td>
<td>1,200</td>
<td>590</td>
<td>23,700</td>
<td>1,500</td>
<td>3,600</td>
<td>12,000</td>
<td>11,800</td>
<td>2,700</td>
<td>27,000</td>
<td>3,100</td>
<td>11,900</td>
<td>248</td>
<td>3,900</td>
<td>40</td>
</tr>
<tr>
<td>Active</td>
<td>73</td>
<td>3,100</td>
<td>850</td>
<td>130</td>
<td>7,900</td>
<td>660</td>
<td>900</td>
<td>5,400</td>
<td>5,500</td>
<td>1,800</td>
<td>7,900</td>
<td>1,500</td>
<td>2,100</td>
<td>138</td>
<td>2,600</td>
<td>28</td>
</tr>
<tr>
<td>Activity rate</td>
<td>49%</td>
<td>82%</td>
<td>71%</td>
<td>22%</td>
<td>33%</td>
<td>44%</td>
<td>25%</td>
<td>45%</td>
<td>47%</td>
<td>67%</td>
<td>29%</td>
<td>48%</td>
<td>18%</td>
<td>56%</td>
<td>67%</td>
<td>70%</td>
</tr>
</tbody>
</table>
‘Ghost’ pensioners collect payments & make news

• Greece’11 “120,000 families claiming 'ghost pensions' for relatives who died years ago… The authorities claimed they did not have the right computer systems to check ages of pension claimers”

• USA’11 “In the last five years, the Office of Personnel Management has made more than $601 million in payments to dead federal retirees… Total annual payouts range between $100 million and $150 million.”

• Nigeria’11 “It had been losing 28 billion naira ($175 million) annually on pensions for non-existent government 'ghost workers’” [estimated 71,000]

• Uganda’13 “Government pays ghost pensioners again, new inquiry shows…A huge sum of the Shs70 billion [$28m] that government paid out in pension has again gone to ghost pensioners… Last year, police discovered a racket in which more than Shs300 billion was swindled using ‘ghost’ (non-existent) claimants and bank accounts”

• Pakistan’15. “Audit confirms ghost pensioners exist”. Initially 600,000 cases suspected by National Bank of Pakistan as result of introducing a biometric identification and ATM card for all pensioners.
“As relates to the pension agency where I work or a pension scheme in my country that I am familiar with, the ‘Ghost pensioners’ is...”

A. NOT a problem that I am aware of
B. A problem but there is no action or strategy to address it at the moment
C. A problem and there is a strategy and mechanisms in place to control for it or fix it

22%
31%
47%
$40m attempted to off-shores (Russia’09)

Pension financial management systems are exposed to significant fraud threats

- Fake payment order from the Pension Fund (PFRF) to the Central Bank (CB) to transfer Rb 1.25bn to external accounts to supposedly finance PFRF infrastructure upgrades
- Payment executed - but later identified as fraudulent and money returned
- Glitch: a private phone call to CB to accept a paper Payment Order supposedly due to a downtime in the electronic document exchange system between PFRF and CB
In 1999, NATO launched its bombing campaign in Kosovo (ex-Yugoslavia), following failed negotiations.

The Social Insurance Fund in Pristina sustained a collateral damage from a cruise missile that hit the post and telecommunication building.

While data on past recipients survived, records of past contributors who had not reached pension age were severely damaged.
Unrecoverable data: fires and floods

• The US Military Personnel Records Center, July 1973. Over 70% of personnel records for veterans from 1912 to 1963 were destroyed or damaged by fire, water.

• More than 40 years later, two Records Reconstruction teams handle about 2,300 fire-related reference requests each week for veterans who served in 1912-1963.
Disasters waiting to happen…

Afghanistan Pension Department. Kabul’ 2011
and emerging best practices...
Part III

Fixing systems
Establishing best practices
Digitization of paper files

Philippines Government Service Insurance System (GSIS)’04
• Cleansed and digitized its records into a centralized database as a core of the new system. This enables GSIS to automate processing of claims and loans.

Kenya Civil Service Pension Scheme’12
• New Electronic Document Imaging (EDI) Module helps digitize all the file records. E-files preserve original presentation. This was anticipated to improve records management and speed up decisions related to benefit payments.

Palestinian Pension Agency (PPA)’15
• New Documents Management Administration System (DMAS) converts paper files into digitized records and supports workflows involving such documents.
• Reduced amount of paper processing and archiving requirements, improved accuracy and availability of data, secured records against environmental or security risks of destruction. On-going migration of documents to the new digital archive.

Ukraine Pension Fund’16 (plans)
• Today, 12 million alive and 10 million deceased pensioner files take 75,000 sq. m (800,000 sq. ft) of specialized space, implying costs. Plans to digitize.
Records clean-up and consolidation

Uganda (National Social Security Fund)’05
- National campaign to re-register, update and clean member records, using biometrics, and to give members a new electronic membership card
- Total registered employee accounts reduced from 1 mil in 2002 to 250,000 (number of registered employer accounts reduced from 11,200 to 5,600).

Trinidad and Tobago (National Insurance Board)’06
- “Our pre-pensioner Data-Clean-up project contributed to the reduced turnaround time experienced in processing Long Term Benefits” (AR, 2006)

Serbia’10 (and ongoing) / Croatia REGOS’2002 (completed)
- On-going effort to create Central Registry responsible for maintaining all records for all social insurance programs, with easy access for all administrators

Azerbaijan’14
- Abolition of the paper work books (in circulation since 1938) and full transition to a consolidated on-line System of Registration of Employment Contracts
- Information is provided by employers and can be accessed by relevant government agencies and by employees
## Electronic reporting on contributions

- Verification at source improves quality of data received by the pension agency
- Speeds up reconciliation and attribution of payments to individual accounts
- Participation of large employers ensures quality data for most members

### Mandate

<table>
<thead>
<tr>
<th>Country</th>
<th>Armenia</th>
<th>Czech Republic</th>
<th>Chile</th>
<th>Hungary</th>
<th>Kosovo</th>
<th>Maldives</th>
<th>Mexico IMSS</th>
<th>Moldova</th>
<th>Morocco</th>
<th>Philippines</th>
<th>St. Chris. &amp; Nevis</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandate</td>
<td>NA</td>
<td>NA</td>
<td>Voluntary</td>
<td>NA</td>
<td>100+ emp’ees</td>
<td>Public sector</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>Yes(*)</td>
</tr>
<tr>
<td>Participating employers</td>
<td>0.8%</td>
<td>15%</td>
<td>NA</td>
<td>2%</td>
<td>8%</td>
<td>100%</td>
<td>NA</td>
<td>NA</td>
<td>8%</td>
<td>23%</td>
<td>1%</td>
<td>98%</td>
</tr>
<tr>
<td>Covered employees</td>
<td>17%</td>
<td>48%</td>
<td>Around 80%</td>
<td>71%</td>
<td>49%</td>
<td>100%</td>
<td>&gt;60%</td>
<td>75%</td>
<td>26%</td>
<td>74%</td>
<td>4%</td>
<td>NA</td>
</tr>
<tr>
<td>E-payment available</td>
<td>NA</td>
<td>NA</td>
<td>Yes</td>
<td>NA</td>
<td>No(*)</td>
<td>No</td>
<td>Yes</td>
<td>NA</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

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.
“As relates to the pension agency where I work or a pension scheme in my country that I am familiar with, the **electronic submission of data on wages and contributions**...”

A. Either does not exist or is utilized by less than 10% of employers
B. Is used by no more than half of all employers
C. Is used by 50 to 90% of employers
D. Is used by over 90% of employers
Tracing records of past contributions

Workers move between jobs and may have several pensions plans over their career. Name changes, employer bankruptcies, employer name or address changes, fund administration transfers make tracing pension rights difficult.

Australia

• The Australian Tax Office (ATO) maintains a Lost Members Register
• All pension funds and providers of IRAs are required to provide details of members with whom they have lost contact
• That information is required to be provided twice a year
• If a worker is unable to contact a pension plan, the worker can contact ATO

UK

• The Pension Tracing Service (PTS) under Department of Work and Pensions is a free service that helps trace a pension where contact has been lost
• Operates a database with details of over 200,000 pension schemes
• Estimated value of unclaimed pensions is close to £3 billion
• PTS received 145,000 inquiries in 2014, with 87% successful traces
Tracing record of the dead

• The US SSA ‘Death Master File’ (or Social Security Death Index file) made available for other agencies (for fee) since 1980

• Used by public and private agencies to prevent identity fraud

• Contains over 86 million records of those who had Social Security numbers and whose deaths were reported to the Social Security Administration from 1962 to the present and some pre-1962 records

• The file is managed and distributed via National Technical Information Service

• Records are being regularly added AND sometimes removed

• Users advised NOT to rely exclusively on this file when making operational and eligibility decisions
Payment system modernization reforms

Thailand (Government Pension Fund)’2013
- GPF collaborated with Citi bank to create a tailored solution to streamline payments. Its various features have reduced manual processes while improving efficiency and member satisfaction. The entire disbursement process has now been outsourced to Citi, which issues and distributes checks directly to beneficiaries. Payment advices are scanned and stored electronically, enhancing efficiency and eliminating manual document filling.

Mexico Social Security Institute (IMSS)
- Until 1996, all payments in cash. By 1998 only 1% used bank accounts. Campaign launched encouraging bank accounts: (i) banks allowed to open booths at IMSS offices, (ii) special no-fee accounts*, (iii) instant authorization of loans equivalent to 12 months of pension payments at 0% interest, to be paid back in 12 months.
- Today, 97% of 2.6m pensioners are paid through a centralized electronic system
- Savings of MXN11.5bn ($900m) annually in administrative costs

Brazil (Dataprev)
- Bidding process to service payments produced negative prices as banks seek to service pensioner loans through guaranteed payroll deductions by Dataprev
Payment system modernization reforms

- Significant infrastructure constraints still exist for payments using bank accounts in less developed countries
- But there are notable successes of the “reform” countries

**Share of social security benefits paid via banks**

Source: Compilation based on data from national SS agencies (World Bank, 2009)
As relates to the pension agency where I work or a pension scheme in my country that I am familiar with, the share of benefit payments in banks is...

A. Zero or under 10%
B. 10 to 50%
C. 50 to 90%
D. Close to 100% (universal)
Part IV

Citizen interface: case of Maldives
Member access to individual accounts

Maldives: country and program context

- Small island economy with highly disbursed population (200 habituated islands)
- Population: 300,000. Labor force: 150,000. GDP per capita = US$6,600

- Initial conditions: no formal pension scheme for private sector; only a legacy DB civil service pension scheme; no specialized pension agency in place.
- New pension system introduced in 2009 consisting of (i) basic pension (BP), and (ii) retirement savings pension (MRPS)
- A new agency, MPAO was established with an independent board
- The old rights of the civil servants calculated and converted to recognition bonds (RB). For each individual with RB, a sub-account was established where value of that individual’s RB was credited (35,500 RB sub-accounts, indexed annually).

- Today: 83,000 active MRPS accounts and 16,000 BP recipients
- Total pension assets around $500 million. Admin charge of 0.9% of assets applies to cover costs of managing the pension program
- All contributions collected and all benefits paid via banks
- All data received electronically. Contributions cannot be paid unless data verified
- Very active engagement with the citizens
MPAO mobile app

• A mobile app was released in May 2015
• The application developed in 3 months on a $3,000 budget
• Available for both Apple iOS and Android

• 5000+ mobile application downloads
• 33,000+ members registered with a web access
• 82,000+ registered active members of the Maldives Retirement Pension Scheme
The Official Mobile Application for Maldives Pension Administration Office. Available features include:

- Retirement Savings Account Balance Checking
- RSA Summary

User reviews:

- **Yameen Shaminm December 26, 2015**
  - Cannot connect with any network, Tried several mobiles, With several networks, Problem wasn't resolved.

- **Leem Mustafa February 24, 2016**
  - Frustrating cannot even register to the site even how to check our own balances now? Public service?

- **Rittery Mohamed October 28, 2015**
  - Perfect

- **Abdulla Nazeer October 21, 2015**
  - Perfect
Features

- View RSA balance and an aggregate summary of all transactions
- View cash flow between different portfolios
- View contribution history
- View payout history
- Customer Feedback and FAQ
Your Retirement Savings Account Balance is:

MVR 38,225.06

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>OpeningBalance</td>
<td>312.20</td>
</tr>
<tr>
<td>+ Government Recognition Bond</td>
<td>0.00</td>
</tr>
<tr>
<td>+ Employer contributions</td>
<td>17,576.44</td>
</tr>
<tr>
<td>+ Employee contributions</td>
<td>16,326.81</td>
</tr>
<tr>
<td>+ Interest charge on late contributions</td>
<td>0.00</td>
</tr>
<tr>
<td>+/- Investment Gain/Loss</td>
<td>3,526.12</td>
</tr>
<tr>
<td>- Payouts</td>
<td>0.00</td>
</tr>
<tr>
<td>- Transfers</td>
<td>0.00</td>
</tr>
<tr>
<td>- Fees</td>
<td>-459.91</td>
</tr>
<tr>
<td>+/- Adjustment to RB</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Closing value on 12 April 2016: 38,225.06

* Interest charge on late contributions
This item refers to interest charged for not contributing on time as a compensation for the member. The charges are paid by employers and credited to members’ account.

* Payouts
This item refers to monthly pension payouts made to members. Monthly pension payouts are calculated based on life expectancy annually and prorated on monthly basis.

Distribution
This item refers to lump payments to courts in settlement of claims by heirs of the deceased member.
## Contributions

This statement shows the history of contributions made by you and your employer and the month for which they are accounted for.

<table>
<thead>
<tr>
<th>Date</th>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-2016</td>
<td>Mandatory Employee Contributions (7%)</td>
<td>2,226.32</td>
</tr>
<tr>
<td>Mar-2016</td>
<td>Mandatory Employer Contributions (7%)</td>
<td>1,113.16</td>
</tr>
<tr>
<td>Feb-2016</td>
<td>Mandatory Employee Contributions (7%)</td>
<td>1,098.01</td>
</tr>
<tr>
<td>Feb-2016</td>
<td>Mandatory Employer Contributions (7%)</td>
<td>1,098.01</td>
</tr>
<tr>
<td>Jan-2016</td>
<td>Mandatory Employee Contributions (7%)</td>
<td>1,111.22</td>
</tr>
<tr>
<td>Dec-2015</td>
<td>Mandatory Employee Contributions (7%)</td>
<td>1,111.22</td>
</tr>
<tr>
<td>Nov-2015</td>
<td>Mandatory Employee Contributions (7%)</td>
<td>2,240.00</td>
</tr>
<tr>
<td>Oct-2015</td>
<td>Mandatory Employee Contributions (7%)</td>
<td>2,240.00</td>
</tr>
<tr>
<td>Sep-2015</td>
<td>Mandatory Employee Contributions (7%)</td>
<td>2,240.00</td>
</tr>
<tr>
<td>Aug-2015</td>
<td>Mandatory Employee Contributions (7%)</td>
<td>2,240.00</td>
</tr>
<tr>
<td>Jul-2015</td>
<td>Mandatory Employee Contributions (7%)</td>
<td>312.46</td>
</tr>
</tbody>
</table>

**Maldive Pension Administration Office**

- 31.03.2016 Mandatory Employee Contributions (7%) 1,113.16
- 31.03.2016 Mandatory Employer Contributions (7%) 1,113.16
- 07.03.2016 Mandatory Employee Contributions (7%) 1,098.01
- 07.03.2016 Mandatory Employer Contributions (7%) 1,098.01
- 03.02.2016 Mandatory Employee Contributions (7%) 1,111.22
- 03.02.2016 Mandatory Employer Contributions (7%) 1,111.22
- 03.02.2016 Mandatory Employee Contributions (7%) 1,111.22
- 03.02.2016 Mandatory Employer Contributions (7%) 1,111.22
- 03.02.2016 Mandatory Employee Contributions (7%) 1,111.22
- 03.02.2016 Mandatory Employer Contributions (7%) 1,111.22
- 03.02.2016 Mandatory Employee Contributions (7%) 1,111.22
As relates to the pension agency where I work or a pension scheme in my country that I am familiar with, the following access to member information is available…”

A. None

B. *Only* in paper format (upon request or periodically mailed)

C. Electronic access (web interface and/or mobile app)
Part V

Service provision at reasonable costs
Scheme design and administrative costs

Scheme design, institutional organization, and scope of services do have impact on costs. While certain patterns exist, it is a case by case investigation.

Costs of managing pension liabilities (percentage of total assets or IPDs)

Sources: Sluchynsky, 2015. Defining, Measuring and Benchmarking Administrative Expenditures of Publicly mandated Pension Programs
Effect of admin costs on individuals

Administrative expenditures of public pension programs as share of imputed covered wage

Sources: Sluchynsky, 2015. Defining, Measuring and Benchmarking Administrative Expenditures of Publicly mandated Pension Programs
Economies of scale are important

- Fragmented programs often result in loss of efficiency and extra costs to members
- Some reforms involved consolidation of public and private sector schemes (Jordan, Ghana, Zambia, Cape Verde, USA. Plans in Iraq, Egypt)

Per-beneficiary costs relative to per-beneficiary costs of a plan with 5m beneficiaries

Sources: Sluchynsky, 2015. Defining, Measuring and Benchmarking Administrative Expenditures of Publicly mandated Pension Programs
Cost optimization

- Several agencies recently went through complex restructuring: Marshal Islands SSA (2003), Swaziland (2007), Uganda NSSF (2010), Afghanistan PD (2011), with staff cuts in the range of 30-40%
- Technology drives the trend of delivering more services with less resources


For the same 20 year period:
- ✓ 25% reduction in staff
- ✓ 30% expansion in beneficiary numbers

Source: Compilation based on data from the SSA.
Summary of administrative costs studies

- Significant economies of scale in benefit administration
- Labor costs is a major single component of costs. Overstaffing is often a leading reason for inefficiencies
- Costs of benefit delivery remain high in some cases. As countries develop, banking/electronic mechanisms tend to be utilized more often
- Evidence of cost savings from unifying collection of pension contributions with taxes is mixed but there are emerging best practices in collection management
- Young systems are more expensive, so need to have transition financing strategies
- As economies develop they employ better technologies in both systems and processes, which drives costs down
Thank you!