

OLD MUTUAL SUPERFUND AUTHORISED COLLECTION



When you have a retirement fund in place there are certain legislative requirements that govern both member data and contributions. The requirements can be confusing. Old Mutual, in the past, provided two alternatives for payment of monies. These were EFT transfer or Authorised Collection.

EFT and potential issues

EFT Transfer allowed the employer to make an electronic payment separately to the submission of the member data.

This often resulted in:

- a) An EFT Transfer without submission of member data, or
- b) Late payment, or
- c) An EFT Transfer amount that did not match the authorised data

This mismatch of money and data often led to a delay in the investment of member contributions, and a delay in payment of member benefits. There was also the potential to miss a payment. A late or missed payment has legal risks for the employer, including late payment interest penalties (which must be applied in terms of Section 13A of the Pension Funds Act.)

The EFT option is also more complex as there are additional steps required of the payroll servicer (i.e. making the actual payment). The EFT option also makes the admin process for Old Mutual more complicated as we need to reconcile the data received with the monies paid.

As payrolls are not processed automatically there is additional pressure on the claims process. Claims cannot be processed where either contributions or member data are not up to date.

EFT method is a more expensive and less efficient process.

Authorised Collection

With this in mind Old Mutual has launched a drive to implement the Authorised Collection payment method. It is simpler for clients and because it does not require the reconciliation burden of the EFT option it is far easier to administer. Authorised Collection is cheaper and more reliable and will be the only payment option for SuperFund schemes in future.

What is Authorised Collection?

In its simplest form Authorised Collection is an approach that allows the client to manage the submission of the data and payment of contributions in an integrated manner. The client authorises the electronic transfer in a way that stipulates the **exact amount** for transfer as well as the **date of collection**.

The client submits the payroll data in the prescribed format. Once the member data has been confirmed, a bill is generated in respect of that specific month's contributions. The client has the opportunity to authorise or reject the bill. If the client rejects the bill the process is halted. If the bill is correct the client will authorise Old Mutual to collect the exact contribution amount indicated on the bill, on the specific date selected by the client (can be future dated up until the 6th of each month.) The outcome for the client is identical to the EFT option, except that Old Mutual is ensuring that the data and the contributions match to the cent. What is important to note is that, because the client controls the data submission and the authorisation of the bill, they retain control of the process.



AUTHORISED COLLECTION

Authorised Collection simply explained

- It's a bit like on-line shopping, once you've added to your shopping basket, you submit your approval and payment is executed
- It's similar to the SARS e-filing and payment method that we are all so familiar with.
- No collection can take place without data submission and authorising of the payment.
- Authorised Collection is similar to giving Old Mutual permission (on a monthly basis) to authorise an EFT, hence saving time and money.

	IN STORE PURCHASE WITH A CARD	OLD MUTUAL AUTHORISED COLLECTION
Totalling your cost	Teller rings up your purchases	Payroll verification process matches your members & contributions
Checking the cost	You look at the till total	You look at the online bill generated by Old Mutual
Authorising payment	You give the teller your card & authorise with a pin number.	You authorise by clicking submit
Controlling your payment date	No choice its an immediate transaction	You pre-select the payment "release" date
Paying	The store pulls the money from your account	Old Mutual pulls the money from your account
Now that you've paid	You walk away with your purchases	Old Mutual deducts costs and invests your contributions

Authorised Collection will have the following benefits for:

The Employer

- Automatically matches contributions and data which in turn means quicker turnaround times for:
 - Investing members' contribution
 - Processing monthly contribution files
 - Paying member benefits

Contribution money is typically made available to the investment manager within 3 days compared to the 10 – 15 days if payment is made by EFT.

- It is cost efficient
 - No bank charges for employers (as these are paid by the Fund)
 - No costly reconciliations between data and money.
 - The cost savings of Authorised Collection is passed on to the employer where the scheme is exclusively costed. Members benefit in the form of increased contribution towards savings for inclusively costed funds.
 - The current administrative interventions to reconcile member data to payment could potentially result in increased costs.
- Enhanced governance & control
 - Reduced risk of non-compliance (in terms of Section 13A)
 - The employer retains control over their bank account.
 - Cash flow management: Authorised Collection makes provision for the employer to choose the day when the contributions should be "released"
 - The principle is that money must be available in the Scheme's clearing account prior to authorisation of data. Authorisation before the due date does not however require immediate deposit of physical contributions until 12 noon on the elected "release" date.

In order to ensure that the contributions reach the SuperFund bank account by the 7th of the month, (as determined by legislation), Old Mutual must receive the "release" instruction at least 2 business days before the 7th.



The Intermediary

- A simpler data submission process resulting in less queries and issues
- No confirmation of EFT's or deposits required
- No need to track or monitor employer payments
- Peace of mind that the data authorised will always match money

The Member

An enhanced service experience;

- The automatic matching of contributions and data in turn means quicker turnaround times for:
- Investment of members' contributions
- Benefit payment turnaround times greatly improved

How should clients make the change to Authorised Collection?

To make the change, employers need to complete and sign an Authorised Collection form and then submit it to Old Mutual as per the contact details on the form. This form makes provision for Old Mutual to act on the employer's instruction to collect contributions for the amount authorised.

Disclaimer: The scheme's data submission and payments need to be up to date at time of implementation of the Authorised Collection payment process.

Monthly Contributions exceeding R1 million

In the case of monthly bills exceeding R1 million, the money will be **transferred** from the Employer's Standard/Nedbank/ABSA Bank Employer Account, in terms of a signed **mandate** on the Employer's account, to SuperFund's Bank Account.