

Pension Administration

CASHFAC SECTOR LITERATURE



Introduction

Pension/superannuation administrators are responsible for the day-to-day administration of pension schemes (or plans). The service may be operated on a group basis or on individual plans, and schemes may be a defined benefit or, increasingly, defined contribution and may be self-invested (SIPP and SAAS) or self-choice schemes. Cashfac provides a platform for all types of administration service.

The precise and controlled management of cash entering the scheme, being paid out or being managed within the scheme is a key aspect. A pension administrator's duties in processing cash will normally involve:

- Collecting, processing and allocating pension contributions
- Registering new beneficiaries and opening a cash account for each beneficiary
- Processing additional voluntary contributions
- Transferring cash to other pension providers if a beneficiary changes employer
- Transferring cash to fund managers for long-term investment
- Managing the proceeds of disinvestment
- Managing the cash balance of group schemes to minimise the low-performing cash balance
- Maintaining the client cash account records and producing statements
- Internally/externally reconciling client cash
- Applying interest to client cash accounts
- Payment of pensions to beneficiaries
- Payment of death benefits to beneficiaries
- Return of contributions after deducting tax
- Accounting to the tax authorities for net tax deducted

The cash operations of pension administrators are complex. Using technology to automate the processes, freeing up managers from arduous manual tasks, releasing resources to enable more business to be acquired, and operating a logical and transparent platform to enable swift uptake of new business is important for competitive pricing, compliance and long-term feasibility.

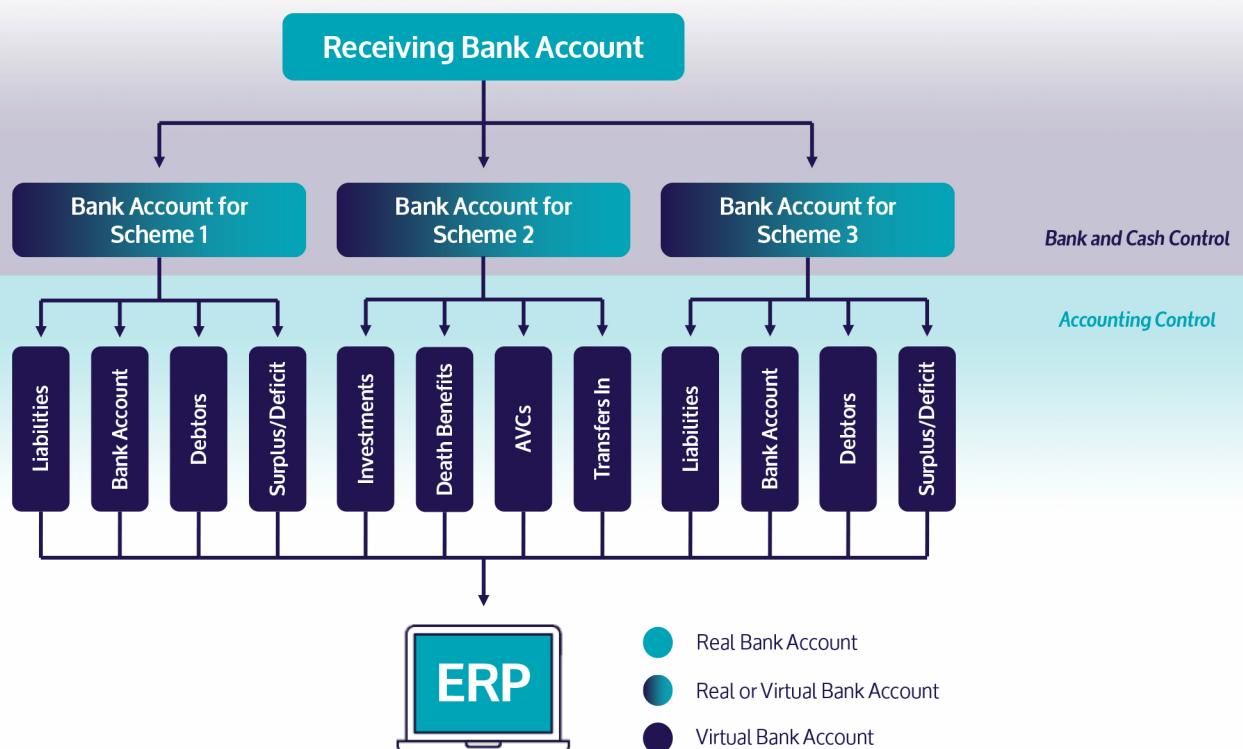


Pension administration firms may either:

- Operate a receiving bank account to control cash receipting, clearance management and allow for identification and analysis of the receipt before being allocated to the relevant scheme bank account, or
- Operate a bank account per scheme for the segregated collection of group scheme contributions. This option may be imposed under the service level agreement with the employer or trustee.

Whichever method is used to control scheme receipts, the cash must be accounted for as it is received, invested, accumulated and distributed.

Working in unison with your accounting systems, our virtual bank account solution integrates with your bank and internal systems to deliver automatic cash control and accounting.



Our pension platform can operate a mix of bank accounts (from one or multiple different banks) and virtual accounts. The platform is used by pension administrators to operate thousands, sometimes hundreds of thousands, of accounts in this way.

Our solution can virtualise real bank accounts to release the administrative savings of pooled bank accounts for some or all pension schemes. The inherent change management in Cashfac helps administrators to progressively migrate to new processing models. We can manage any number of bank accounts for all pension schemes under an administrator's control. The solution can replace many of your real bank accounts with fully functional virtual bank accounts that segregate pension scheme funds.

For each scheme, Cashfac offers a virtual account structure to provide:

1. Precise and up-to-date cleared cash positions across each scheme e.g. investment, AVCs, transfers in, death benefits and income tax. The solution links to payroll and accounting systems.
2. Automatic segregation at scheme level using rules-based automation.
3. An accurate, online view of the client cash position, allowing payment instructions to be issued with a credit check to reduce business risk e.g. payroll payments.
4. More efficient banking through fewer real bank accounts - cash movements between scheme virtual accounts do not require a cash movement at the bank.
5. Automated self-service in areas such as interest rate management, statements and sweeping.
6. Cashfac virtual accounts also add another dimension through the concept of "expectations" of receipts or payments to drive faster reconciliation. These are future-dated transactions to which the cash movement is allocated, and which drive accounting and onward sweeping of cash.
7. The solution allows administrators to control relationships with multiple banks all within a single cash management infrastructure. Taking on new business from established schemes is faster and of a lower risk.
8. More effective treasury management through a single view of cash across each scheme allows scheme administrators to optimize the performing cash balance.

Collections Management

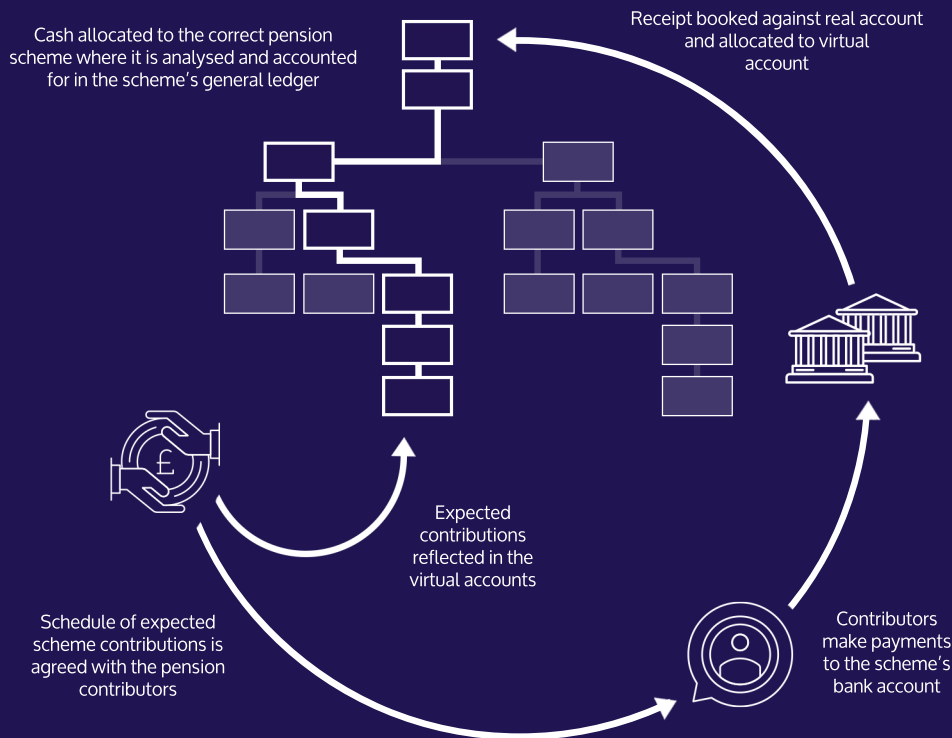
One of the lasting challenges of cash operations in pension administration is identifying cash received - determining who sent it and what it was sent for. Virtual accounts drive the following benefits:

1. Automatic Allocation

Our solution has a range of features and functionality for the automatic allocation of receipts to the correct virtual account using virtual IBANs and transaction narratives. Pension Administrators can easily set up virtual bank accounts for each contributor to the scheme. Using our solution, which is fully integrated into the banking network, these virtual bank accounts can be given their own virtual IBAN to make them "externally addressable". This, in turn, allows customers or counterparties to lodge funds directly to their virtual bank account through the bank clearing network either by bank transfer, direct debit or request-to-pay. This enables you to immediately identify the payer as they are the only individuals that have access to that specific virtual IBAN, and therefore are the only individuals that can pay into that virtual account.

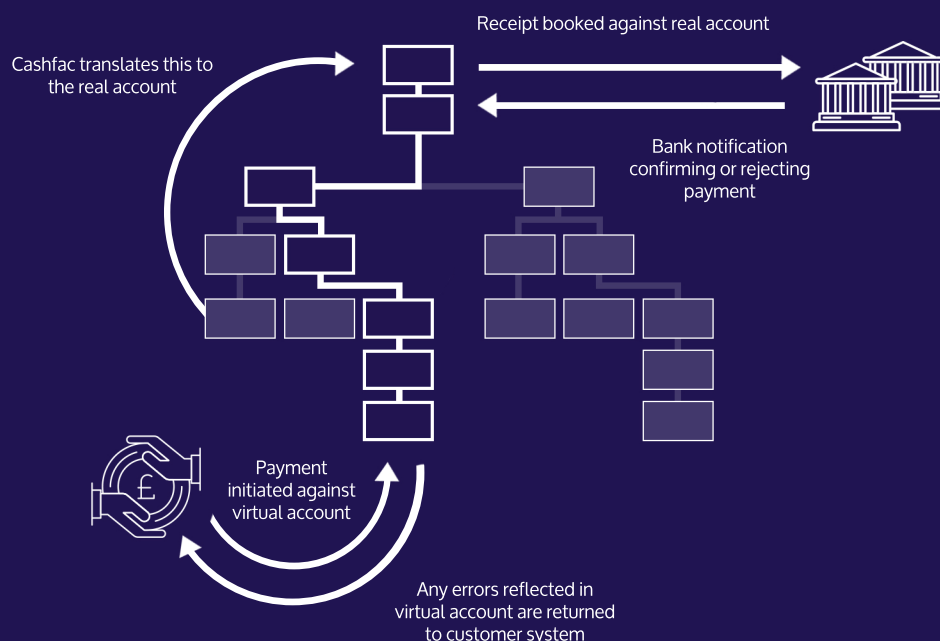
2. Automatic Reconciliation

The Cashfac solution can also load receipt and payment expectations for subscriptions and funding from an administrator's ERP or other back office system. When receipts appear in the scheme's bank account, the system automatically matches the cash to the expectation and posts the cash to the scheme's virtual bank account. Through transaction analysis codes the system can then drive the accounting for the cash receipt - and it's onward sweeping for payment or investment as required. For example, investments and disinvestments can post to a single "investment" virtual account against each scheme - as each fund manager and AVC Provider will be stored as analysis codes against each scheme, this will drive the nominal ledger code to post in the export to your primary systems.



Streamlined Payments

When the scheme wishes to make a payment, payment instructions can be automatically loaded into the Cashfac solution from a scheme's ERP and/or manually input. Cashfac credit checks the payment requests against the scheme's virtual and real bank accounts to ensure there are sufficient funds to make the payment, before passing it to your bank or other payment service provider for execution.



Enhanced Accounting

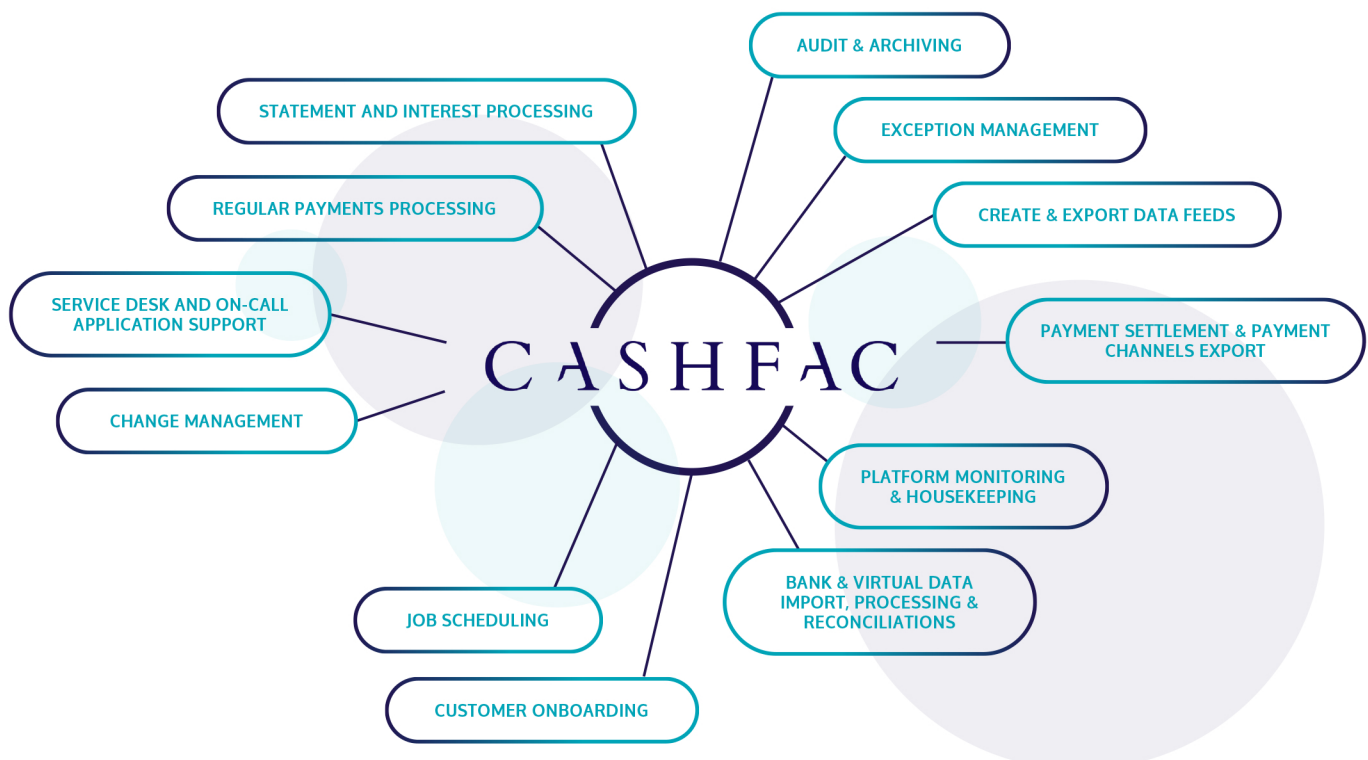
Cashfac's virtual banking solution delivers full double-entry accounting for cash. The pension administrator's existing ERP or administration systems may be able to fully account for all the scheme's transactions, and if so, Cashfac uses its API-based interface to update the ERP with details of cash transaction and/or clearance.

However, if your existing ERP system does not have sufficient accounting functionality, our solution can analyse cash receipts and payments into their constituent elements, as described above, through analysis codes. It then posts them to the general ledger that Cashfac maintains for each bank account, virtual or real. This allows you to fully account for your scheme's cash and related positions.

Cashfac can maintain these records and act as the primary operational accounting record, or, it can generate summarised/bulk journals for the double-entry postings to your ERP or administration systems to account for them there.

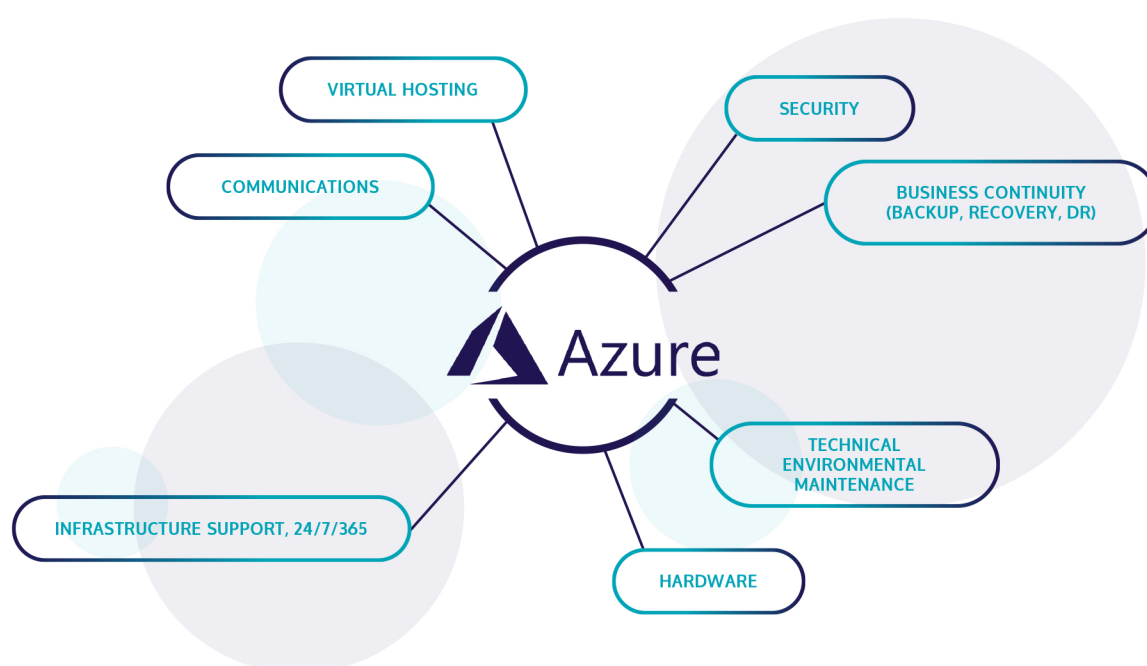
Managed Services

Cashfac Managed Service offers a single point of contact for all support issues, removing the need for employing dedicated customer staff to operate the virtual banking platform and thereby minimising change management and specialist training.



Hosted Services

Cashfac hosts the service via Microsoft Azure infrastructure and manages the entire release and upgrade process, including platform testing before release, and will assist you with your own testing. Our deep knowledge of our product and a detailed understanding of the features that have been enhanced in each release, combined with proximity to the development team, ensure this process is executed with accuracy, knowledge and expediency.



For product information, to request a demonstration or to speak to us about your business needs, please contact us at www.cashfac.com/contact



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