

**PUBLIC PENSION ADMINISTRATION
BENCHMARKING ANALYSIS**

SUMMARY OF FISCAL YEAR 2011 TO
THE LEOFF PLAN 2 BOARD
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INTRODUCTION

- CEM Benchmarking
 - Founded in 1991 in Toronto, Ontario
 - Started with investment management in Canada and US
 - Currently serve over 350 blue chip corporate and government clients worldwide
- There are four components to the pension administration service:
 - A comprehensive survey and benchmarking report
 - A targeted best practice analysis
 - Access to a peer network
 - An annual peer conference



WHY BENCHMARK?

- Per CEM's website:
 - An independent source of peer comparisons
 - A comprehensive, data-driven approach
 - Data/ideas for continuous improvement
 - Service and cost information

**What gets measured
gets managed**

PARTICIPANTS

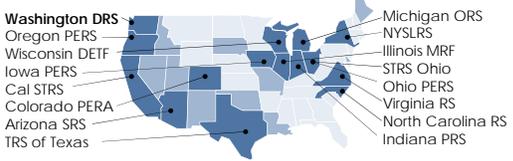
- 69 pension systems participated in FY 11
 - 32 from the United States
 - 11 from Canada
 - 9 from the Netherlands
 - 1 from Denmark
 - 1 from Sweden
 - 8 from Australia*
 - 7 from the United Kingdom*



*Systems from Australia and the UK complete a separate benchmarking survey so they are not reflected in the report but they are accessible via the peer network and in best practice analyses

DRS' PEER GROUP

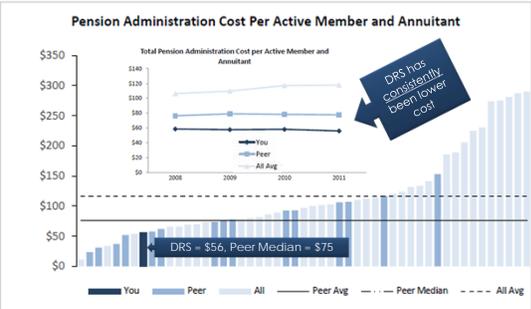
- DRS' peers are the larger US systems
- A few larger US systems don't participate
- DRS is close to the median in size



Legend:
 ■ Peer/participant from state
 ■ Smaller participant from state
 ■ No participant from state (includes Alaska and Hawaii)

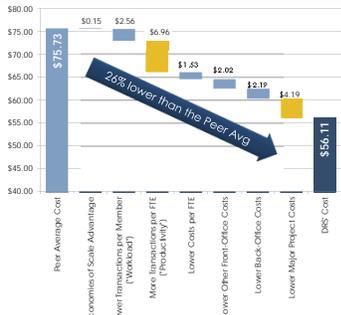
TOTAL COST

Pension Administration Cost Per Active Member and Annuitant



EXPLAINING DRS' LOW COST

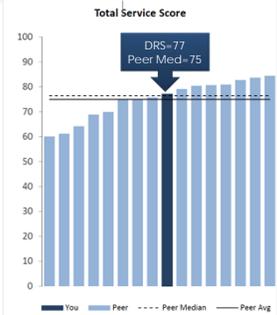
- CEM analyzes six reasons for the differences in total cost
 - High Productivity was the largest for DRS
 - Low Major Project Costs was second



Category	Value
Peer Average Cost	\$75.73
Economies of Scale Advantages	\$0.15
Fewer Transactions per Member	\$2.56
More Transactions per FTE	\$6.96
Lower Costs per FTE	\$1.23
Lower Other Front Office Costs	\$2.02
Lower Back Office Costs	\$2.19
Lower Major Project Costs	\$4.19
DRS Cost	\$56.11

SERVICE

- DRS' total service score is just above the peer median (and it doesn't include DRS' high score for service to employers)
- DRS scores higher than the Peer Avg in 8 of the 12 activity level measures
 - Many of these include direct member transactions (aka, "responsiveness")
 - The others include high touch, high cost elements (e.g., direct mailings, field counseling, comprehensive statements)



Measure	DRS	Peer Median
DRS	77	75

RESPONSIVENESS

Transaction	DRS	Peer Median
Issue a refund check	21 days	38 days
Provide service credit purchase estimate	3 days	10 days
Issue decision on disability application	1 mo	3 mos
Wait in phone queue for "RSA"	18 sec	119 sec
Wait for pre-scheduled counseling session	0 days	4 days
Wait for walk-in counseling session	2 min	9 min
Age of data on annual statement	2 mos	3 mos
Provide formal written estimate	4 days	7 days

INCREASING OUR SERVICE SCORE

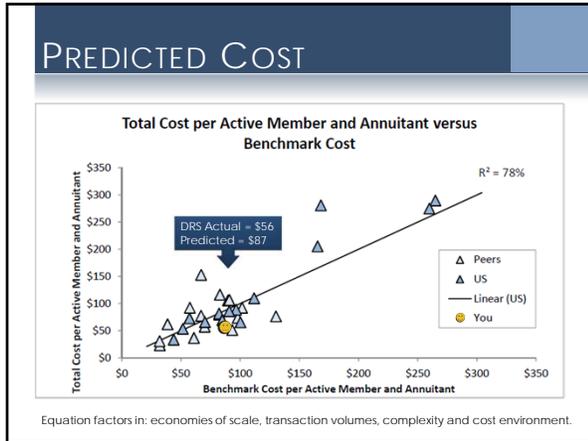
- The top 5 items that would impact DRS' score are:
 - 1. Eliminate daytime voice mail
 - 2. Review phone calls for coaching purposes
 - 3. Reduce incoming call wait time to 20 seconds
 - 4. Increase web services (add transaction types)
 - 5. Estimate the future pension on annual statements
- Implementing all 5 would push DRS' score above the peer maximum
- **However**, CEM cautions participants that:
 - Higher service may produce higher cost and
 - CEM's weighting method may not align with our customers' values

COMPLEXITY

- We continue to administer one of the most complex systems (although some are gaining ground as they implement plan changes)
- We're higher than the Peer Average in 12 of 15 causes. In the other 3, some:
 - Allow employers to change the benefit structure
 - Provide more disbursement options
 - Publish materials in multiple languages

INFORMATION TECHNOLOGY

- We spend 15% less on IT than the peer median
- Consider where we're at in the IT investment cycle
- It's more expensive to develop and maintain IT systems for plans with complex rule sets
- Yet our systems score as more "capable" than the peer avg/median



- ### SUMMARY
- ⊙ Comprehensive benchmarking shows that DRS is a larger US administrator who:
 - Is low cost (in total and in most components of cost)
 - Provides solid service (and is very responsive to customers)
 - Has a relatively complex group of public pension systems
 - Has cost-effective automated systems
 - Is lower cost than its benchmark ("predicted") cost
 - ⊙ DRS uses this data with customer feedback to identify lean and continuous improvement efforts
- Any questions?**
