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# PUBLIC PENSION ADMINISTRATION BENCHMARKING ANALYSIS

## SUMMARY OF FISCAL YEAR 2014

LEOFF PLAN 2 RETIREMENT BOARD - JULY 22, 2015



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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
- Comprehensive pension administration benchmarking is one component of the service

# PARTICIPANTS

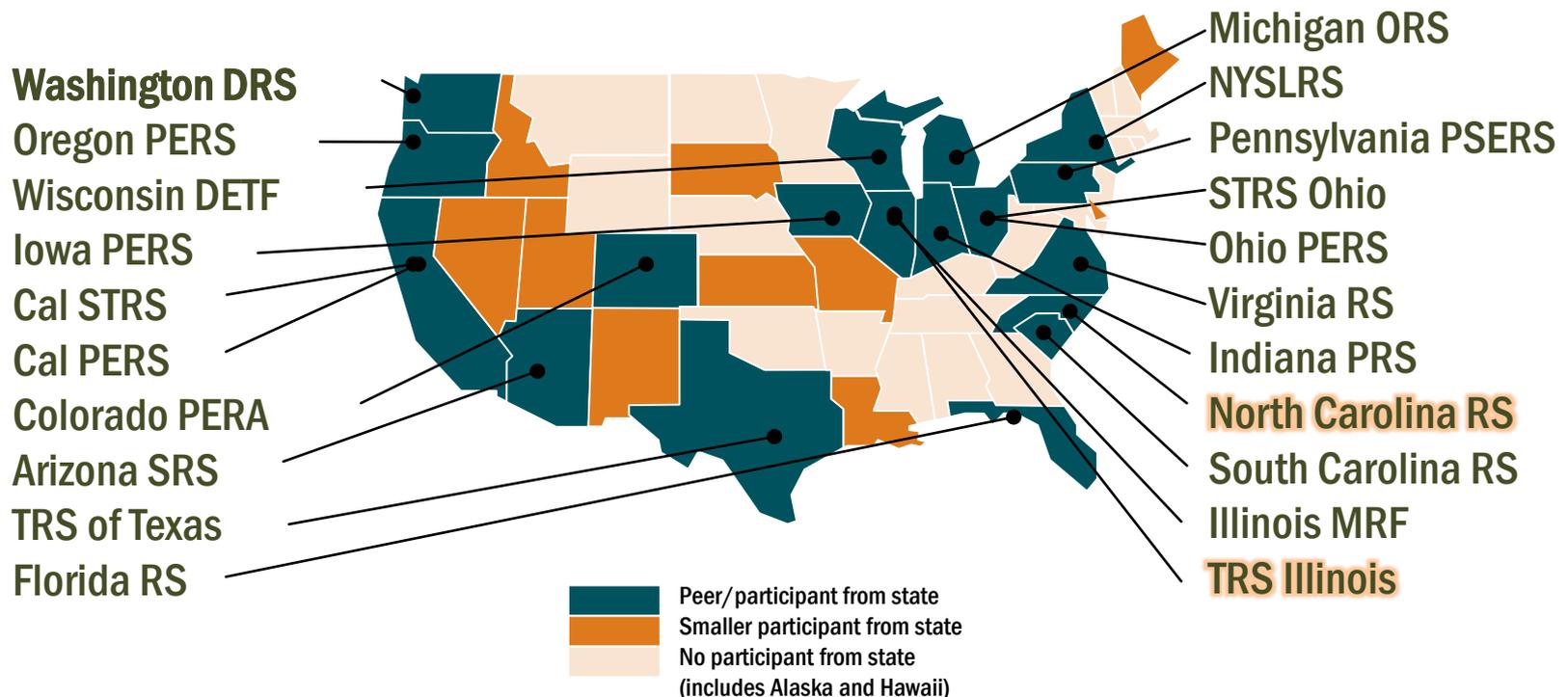
- 74 pension systems participated in FY 14
  - 33 from the United States
  - 14 from Canada
  - 7 from the Netherlands
  - 1 from Denmark
  - 1 from the United Arab Emirates
  - *10 from Australia\**
  - *8 from the United Kingdom\**



*\*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*

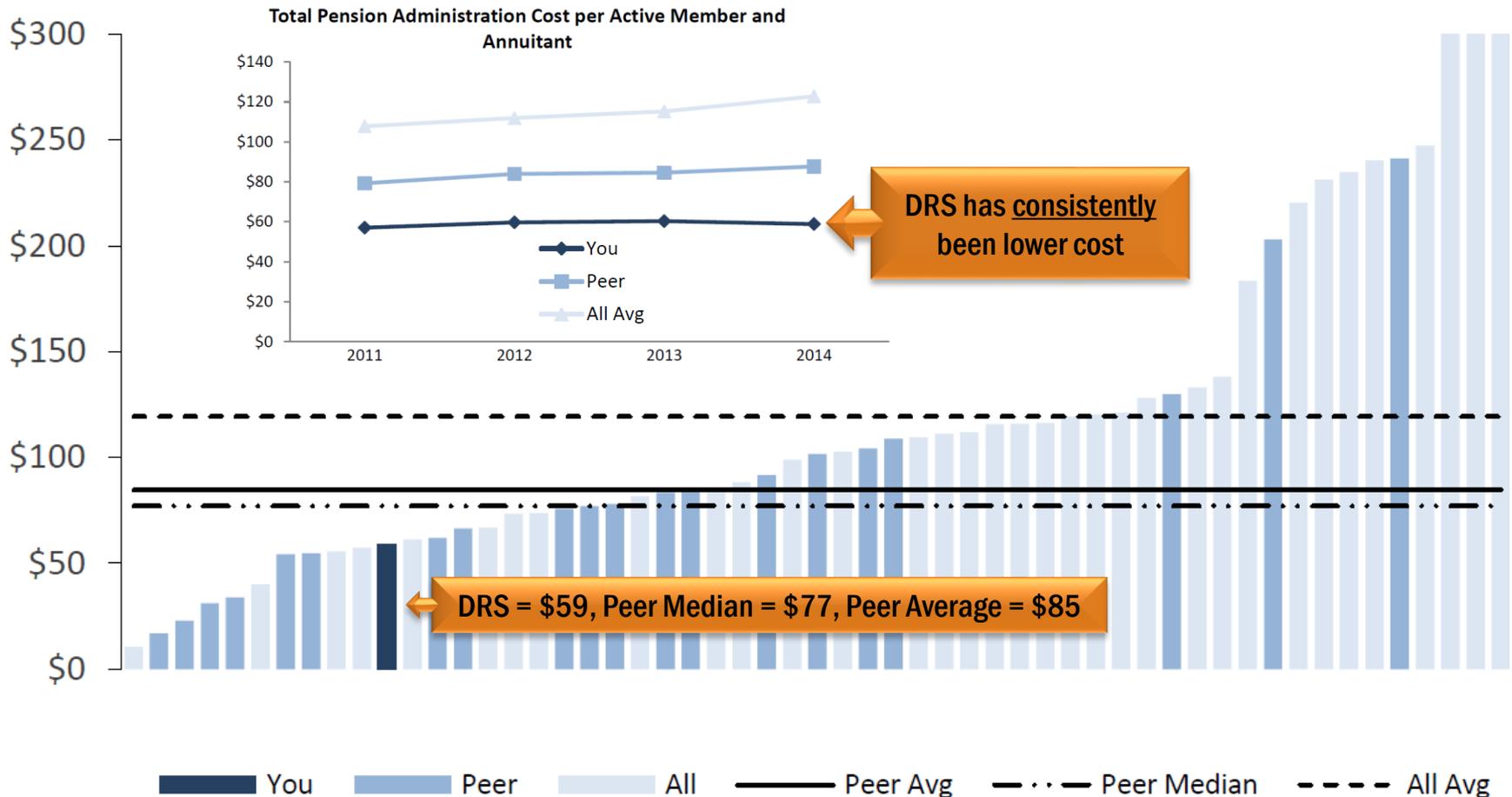
# DRS' PEER GROUP

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



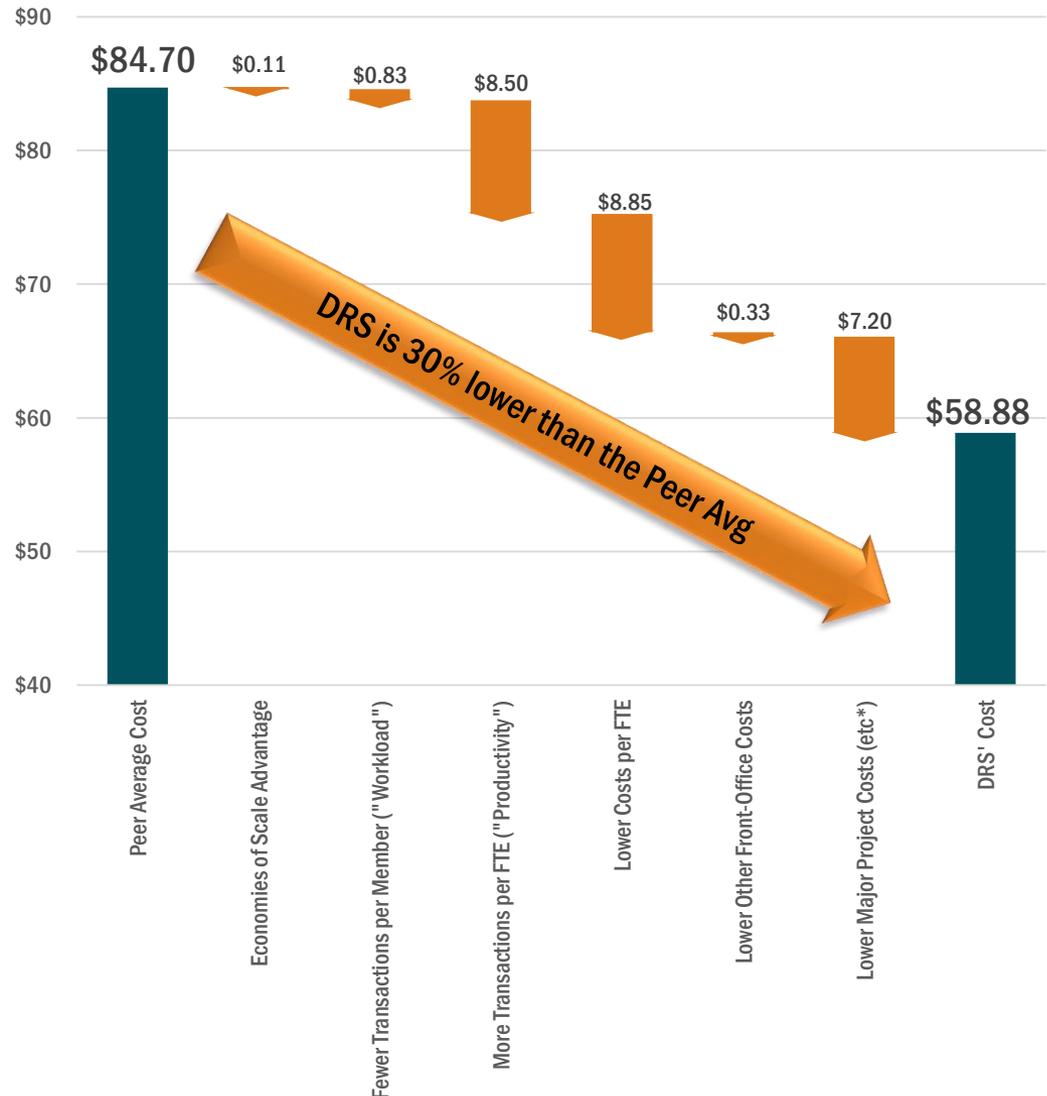
# TOTAL COST

## Pension Administration Cost Per Active Member and Annuitant



# EXPLAINING DRS' LOW COST

- CEM analyzes six reasons for the differences in total cost. The top 3 for DRS were:
  - Low Costs per FTE was the largest
  - High Productivity was second
  - Low Major Project Costs\* was third

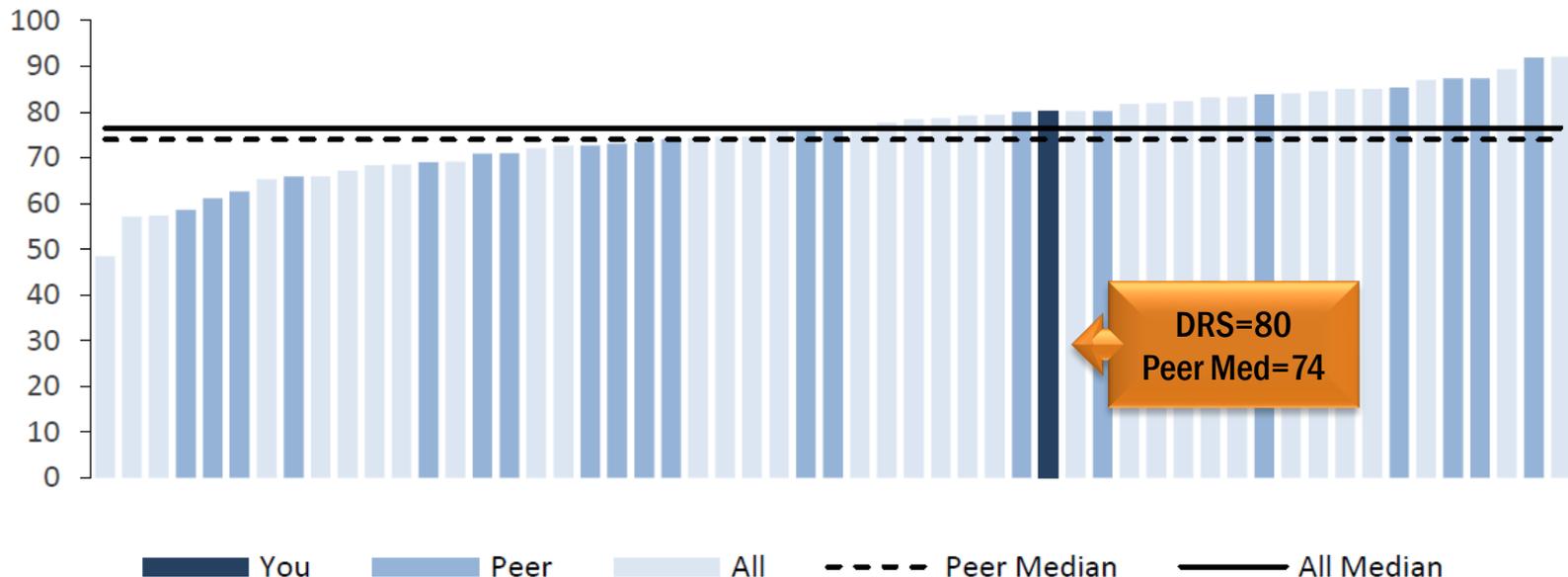


\*This category includes slightly higher costs for Legal and Actuarial services

# SERVICE

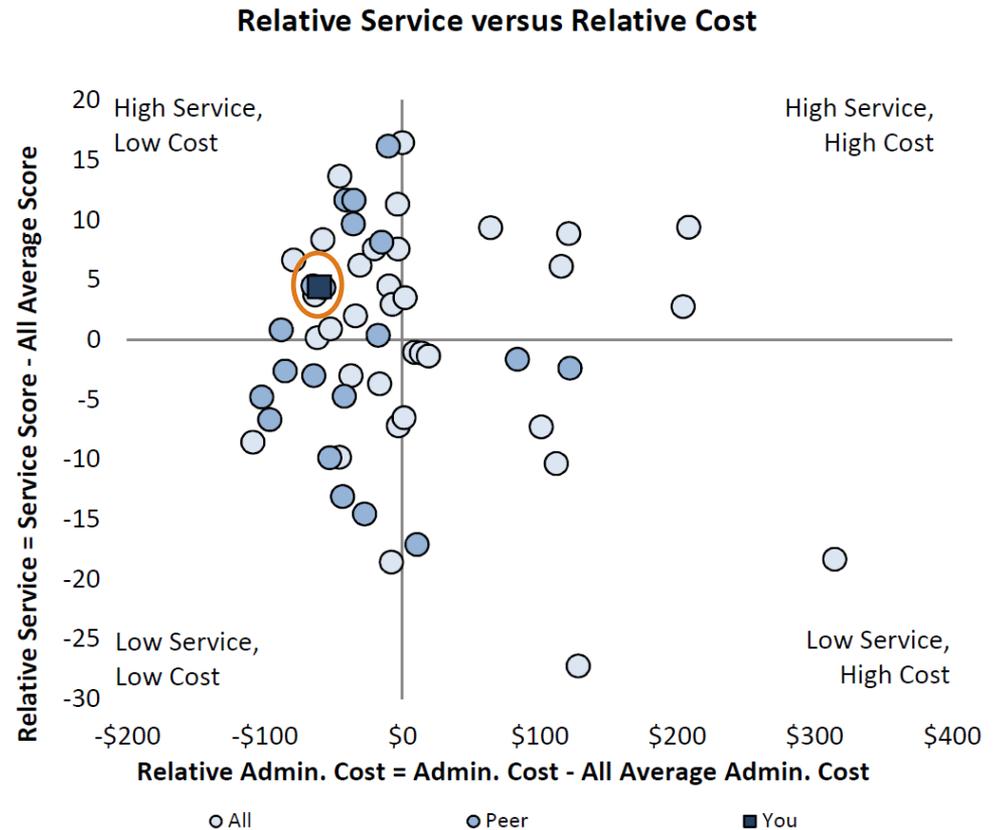
- DRS' total service score is higher than the peer median
- DRS scores at or above the Peer Median in 11 of the 14 activity level measures
  - Many of these include direct member transactions (aka, "responsiveness")
  - The others include high touch, high cost elements (e.g., field counseling, comprehensive statements)

## Total Service Score



# SERVICE AND COST

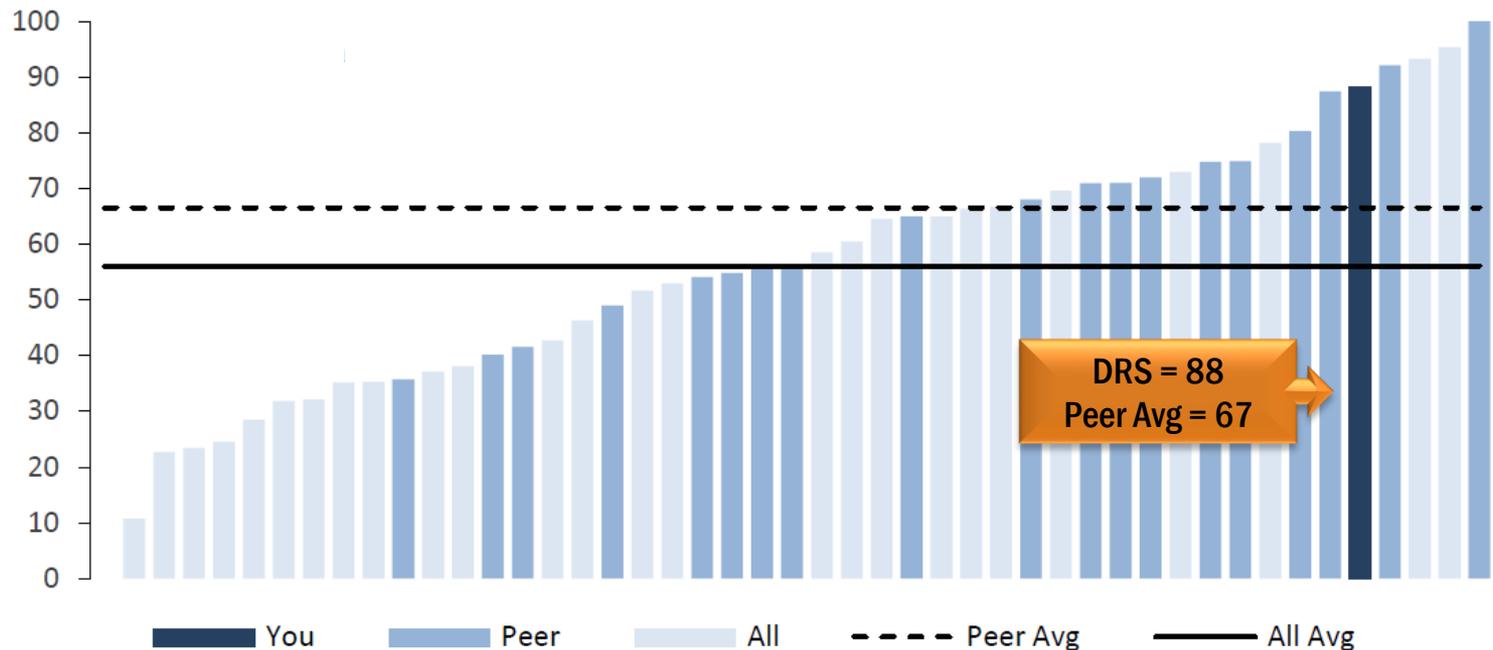
- There isn't a linear relationship between Service and Cost
- However, DRS is in the desirable quadrant of **High Service and Low Cost**



# COMPLEXITY

- We continue to administer one of the more complex systems  
(although others are gaining ground as they implement plan changes)
- We're higher than the Peer Average in 13 of 15 causes. In the other 2, some:
  - Allow employers to change the benefit structure
  - Publish materials in multiple languages

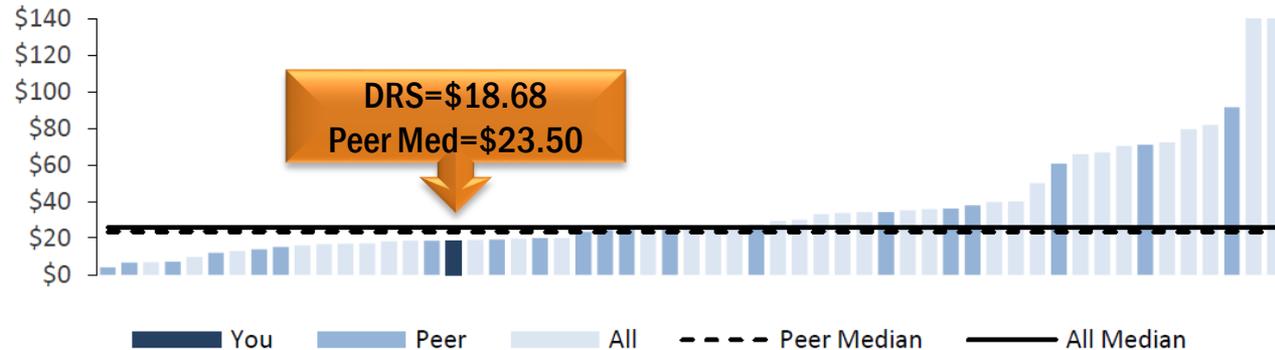
Total Relative Complexity



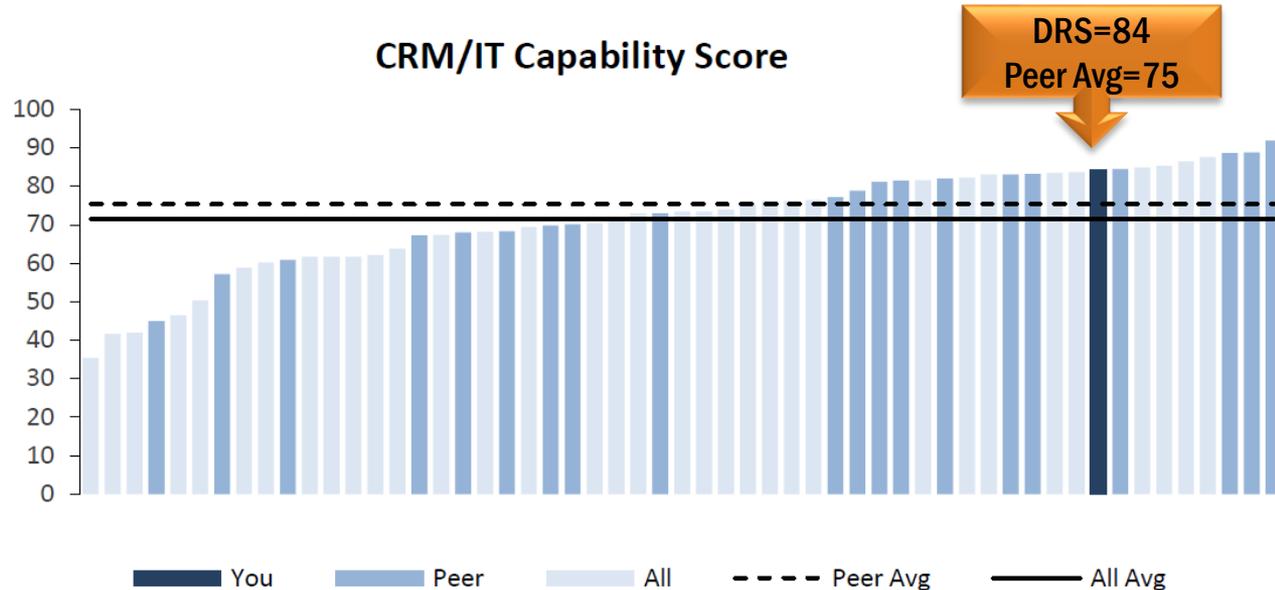
# INFORMATION TECHNOLOGY

- We spend 21% 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 average

**Total Pension IT/IS Cost**  
per active member and annuitant

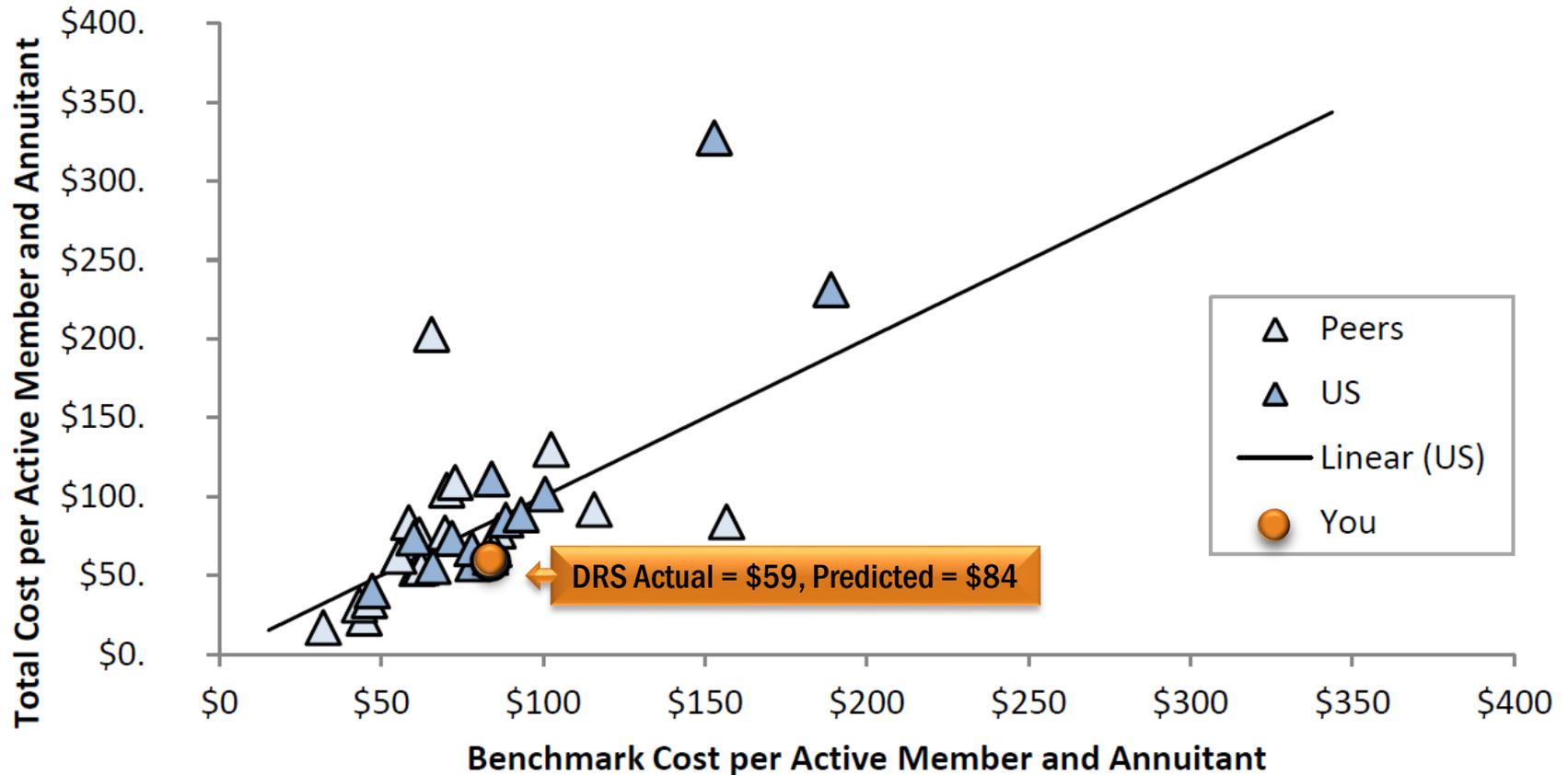


**CRM/IT Capability Score**



# PREDICTED COST

## Total Cost per Active Member and Annuitant versus Benchmark Cost



Equation factors in: economies of scale, transaction volumes, complexity and cost environment.

# WHY DRS PARTICIPATES

- **Why?**
  - **Comprehensive/independent analysis**
  - **Data-driven comparisons to our peers**
    - **Low cost, high service, high complexity and capable IT**
  - **An operational network of peers**
  - **Ideas for continuous improvement**

**Any questions?**