



2006 DB Administration Benchmarking Analysis

Summary of CEM's Report on FY 05 Data
Presented to the LEOFF 2 Board

May 24, 2006





International Participants

55 public pension administrators participated in the FY 05 survey:





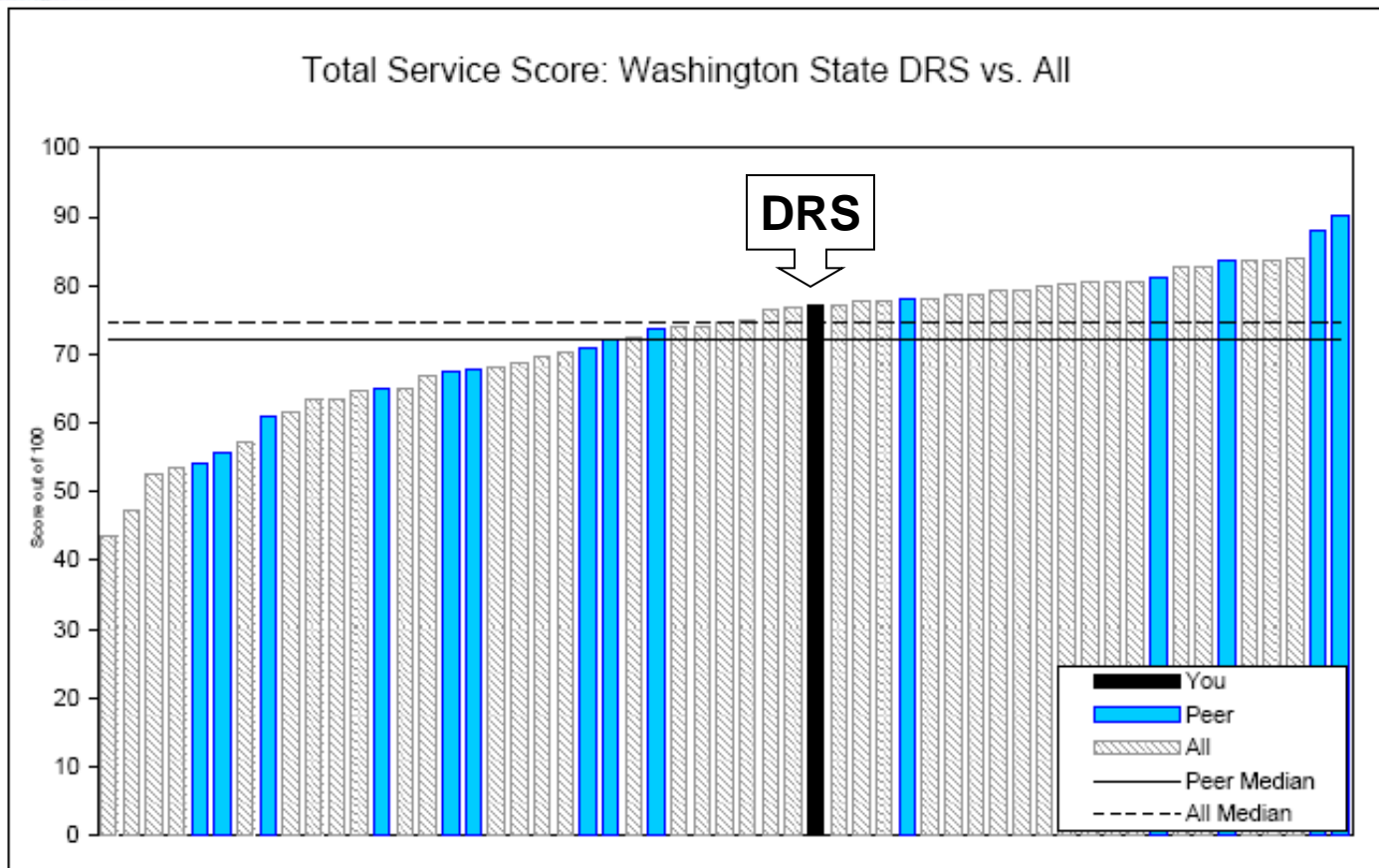
DRS' Peer Group Profiles

DRS' Custom Peer Group	Membership			Member Groups						Plan Types							
	Annuitants	Actives	Inactives	State Employees	Teachers	School	Police/Fire	Local Gov't	Other (judges, etc.)	DB	Cash Balance	DB/Cash Bal	DB/Money Match	Drop	DC	Hybrid DB/DC	Investments
Participant Profiles (ranked by total Annuitants + Actives)																	
CalPERS	789	425	228	Y		Y	Y	Y	Y	Y							Y
NYSLRS	541	334	107	Y			Y	Y	Y	Y							Y
CalSTRS	450	201	124		Y					Y	Y					Y	Y
North Carolina RS	427	184	59	Y	Y	Y	Y		Y	Y							
Ohio PERS	375	148	283	Y					Y	Y	Y					Y	Y
Virginia RS	325	119	98	Y	Y	Y	Y	Y	Y	Y							Y
Washington State DRS	291	115	154	Y	Y	Y	Y	Y	Y	Y						Y	
Pennsylvania PSERS	248	152	72	Y	Y	Y				Y							Y
South Carolina RS	216	104	147	Y	Y	Y	Y	Y	Y	Y				Y			Y
Arizona SRS	212	76	150	Y	Y	Y		Y		Y						Y	Y
STRS Ohio	208	135	117		Y					Y					Y	Y	Y
Illinois MRF	169	80	101			Y		Y		Y							Y
Oregon PERS	163	100	48	Y		Y	Y	Y	Y							Y	Y
Iowa PERS	161	80	65	Y	Y	Y		Y		Y							Y
Kansas PERS	154	61	34	Y		Y	Y		Y	Y							Y



Service Score

DRS = 77, Peer Median = 72, All Median = 75





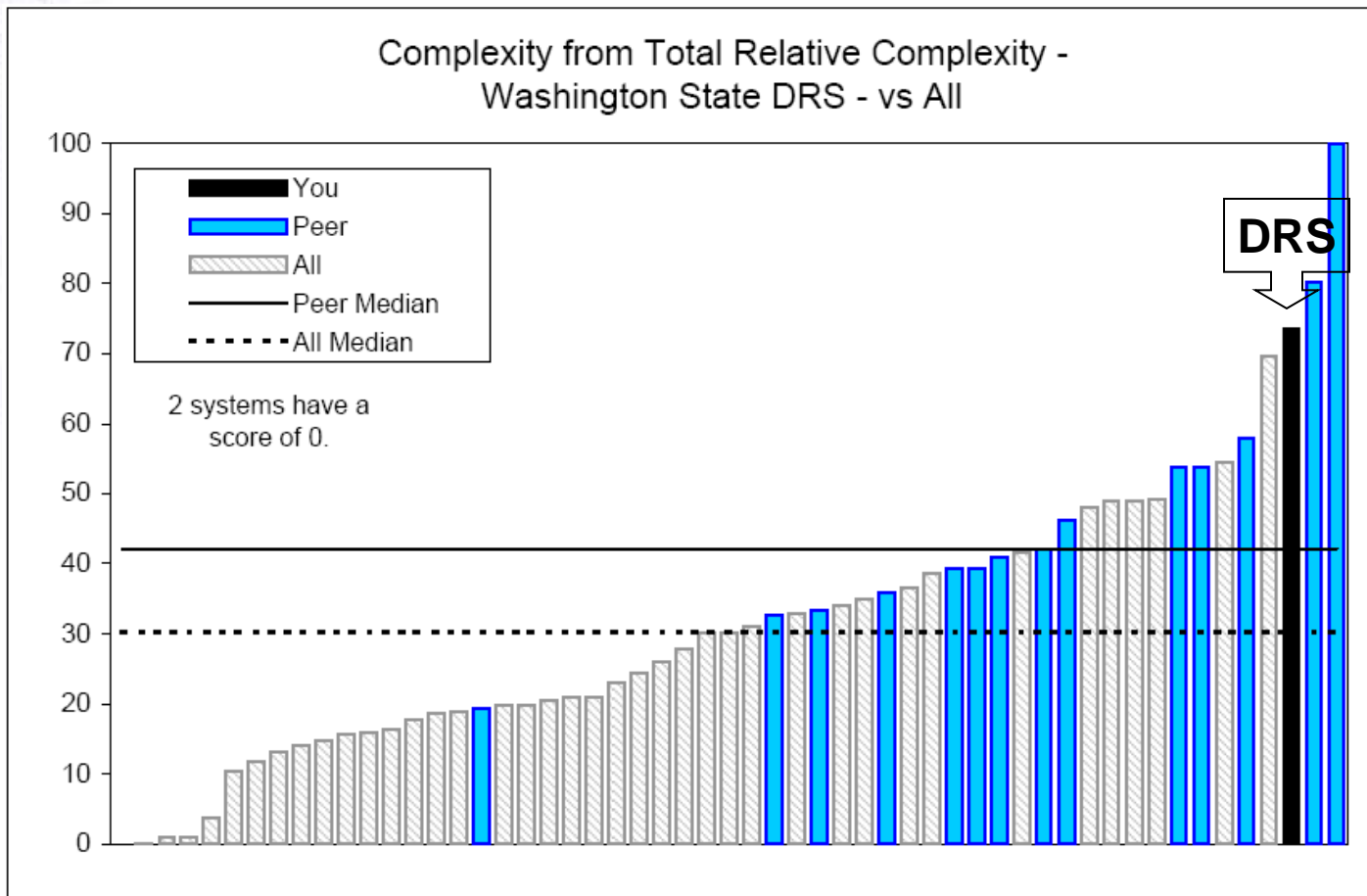
Service Observations

- Why we score higher most areas of Service:
 - DRS is very responsive to customers (to phone calls, letters, walk-ins, requests for estimates, etc.)
 - DRS' automated systems support this responsiveness and offer certain services 24 hours a day, 7 days a week
- Why we score lower in some areas of Service:
 - We've implemented more cost-effective automated services, instead of "high touch" options
 - State budget pressures have also limited us to maintenance of existing service options



Complexity Score

DRS = 74, Peer Median = 42, All Median = 30





Complexity by Cause

Summary of Your Relative Complexity by Cause				
Cause	Weight	Relative Complexity (0 least - 100 most)		
		DRS	Peer Avg	All Avg
A Pension Payment Options	15.0%	56	59	45
B Customization Choices	20.0% ⇨	2	11	6
C Multiple Plan Types and Overlays	10.0%	65	28	27
D Multiple Benefit Formula	16.0%	63	45	32
E External Reciprocity	3.0%	35	29	15
F COLA rules	4.0%	91	28	30
G Contribution Rates	3.0%	89	49	41
H Variable Compensation	4.0%	85	77	69
I Service Credit Rules	3.0%	74	51	46
J Divorce Rules	3.0%	55	58	63
K Purchase Rules	5.5%	90	73	51
L Refund Rules	4.0%	87	66	54
M Disability Rules	6.0%	77	79	60
N Translation	0.5% ⇨	0	7	21
O Defined Contribution Plan Rules	3.0%	55	12	6
Weighted Average (before scaling)	100.0%	54	43	34
Scaled Total Complexity - Average		74	50	32
Scaled Total Complexity - Median		74	42	30



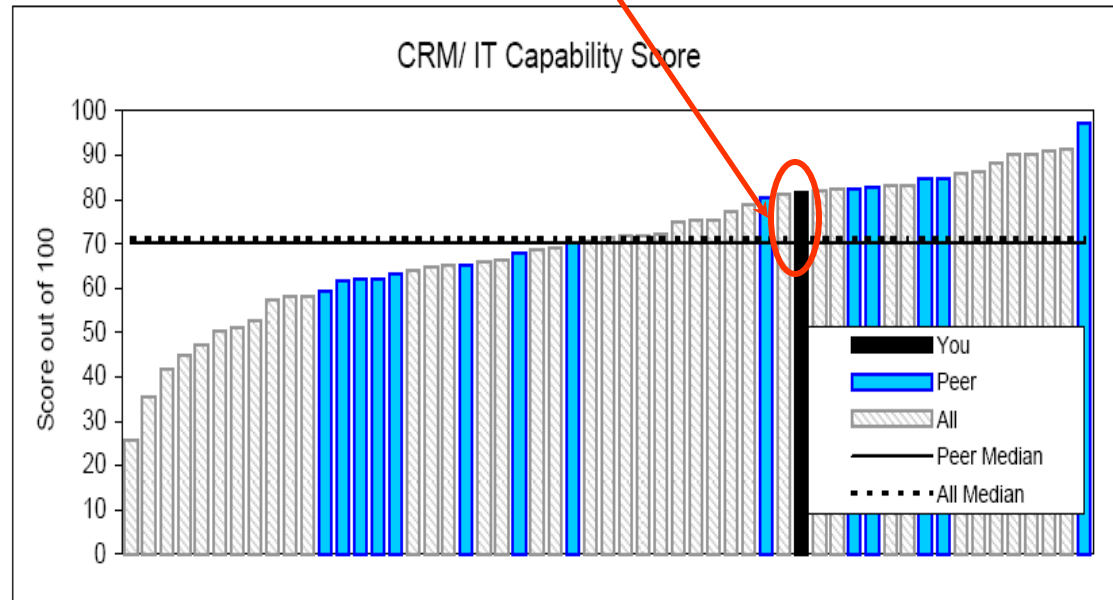
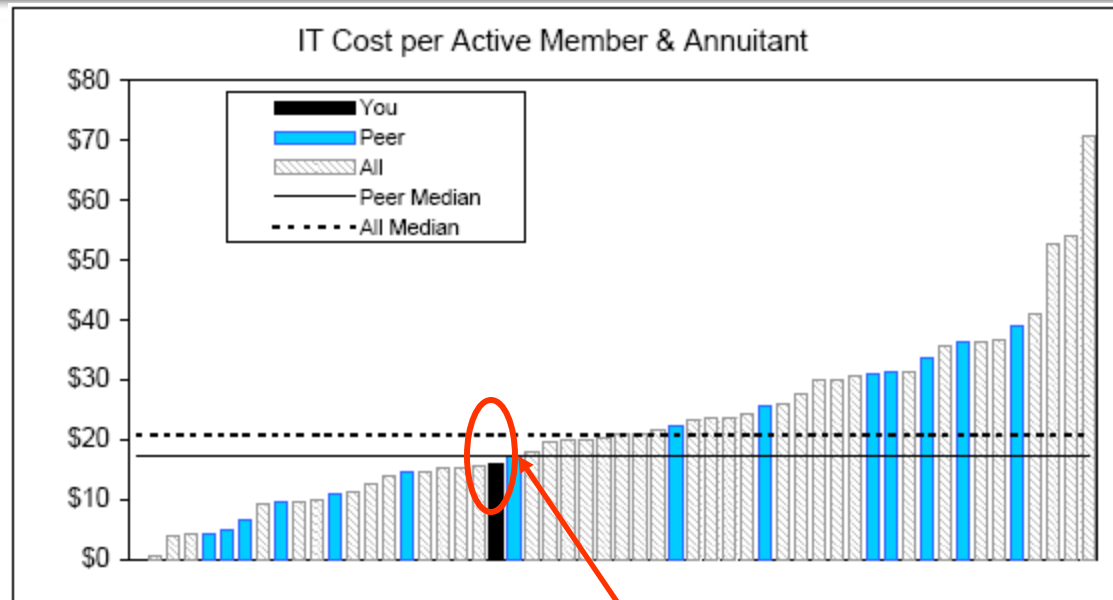
Information Technology (IT)

Cost per Member:

- DRS = \$16
- Peer Median = \$17
- All Median = \$21

Capability Score:

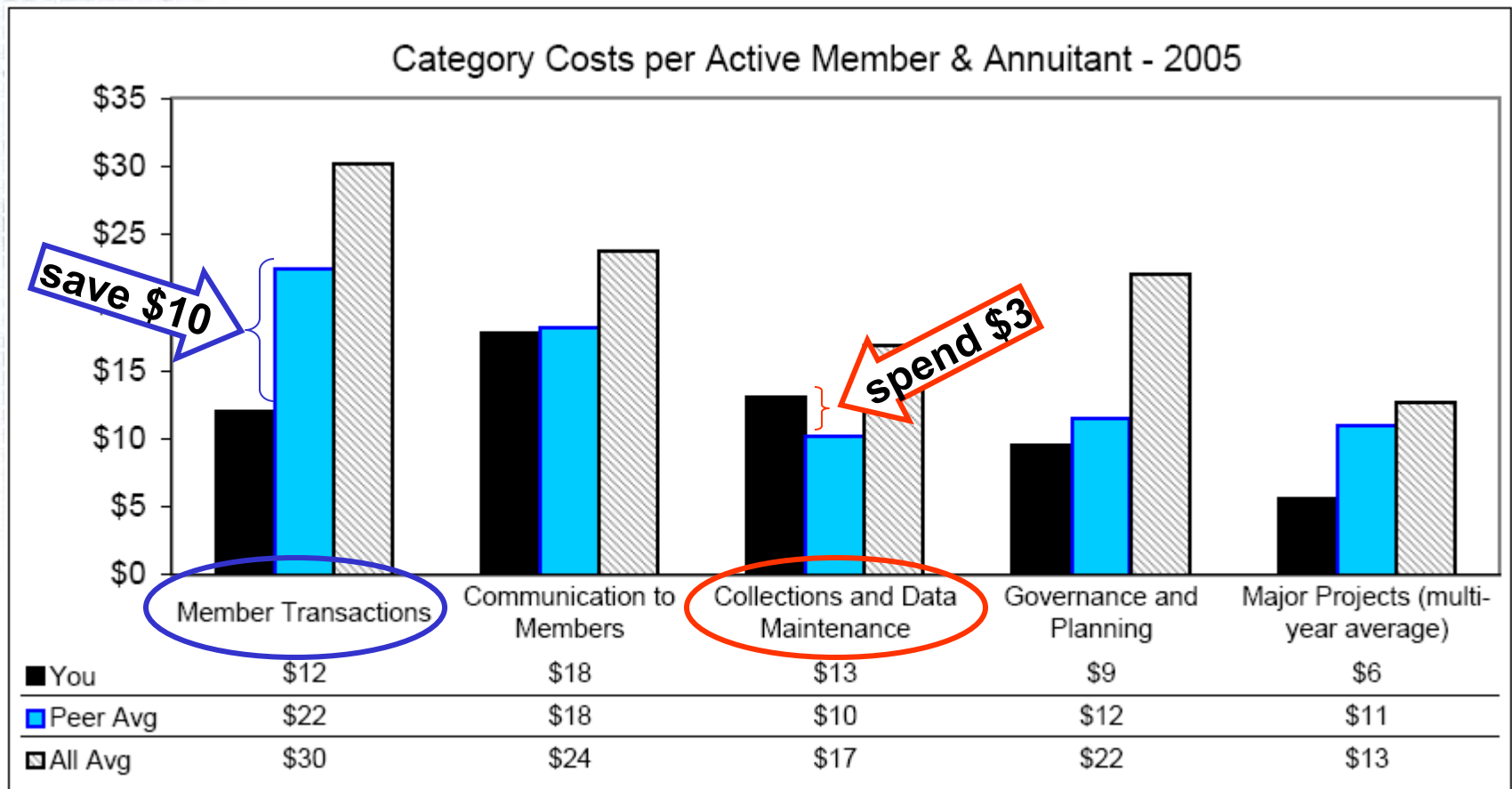
- DRS = 82
- Peer Median = 70
- All Median = 71





Spending by Category

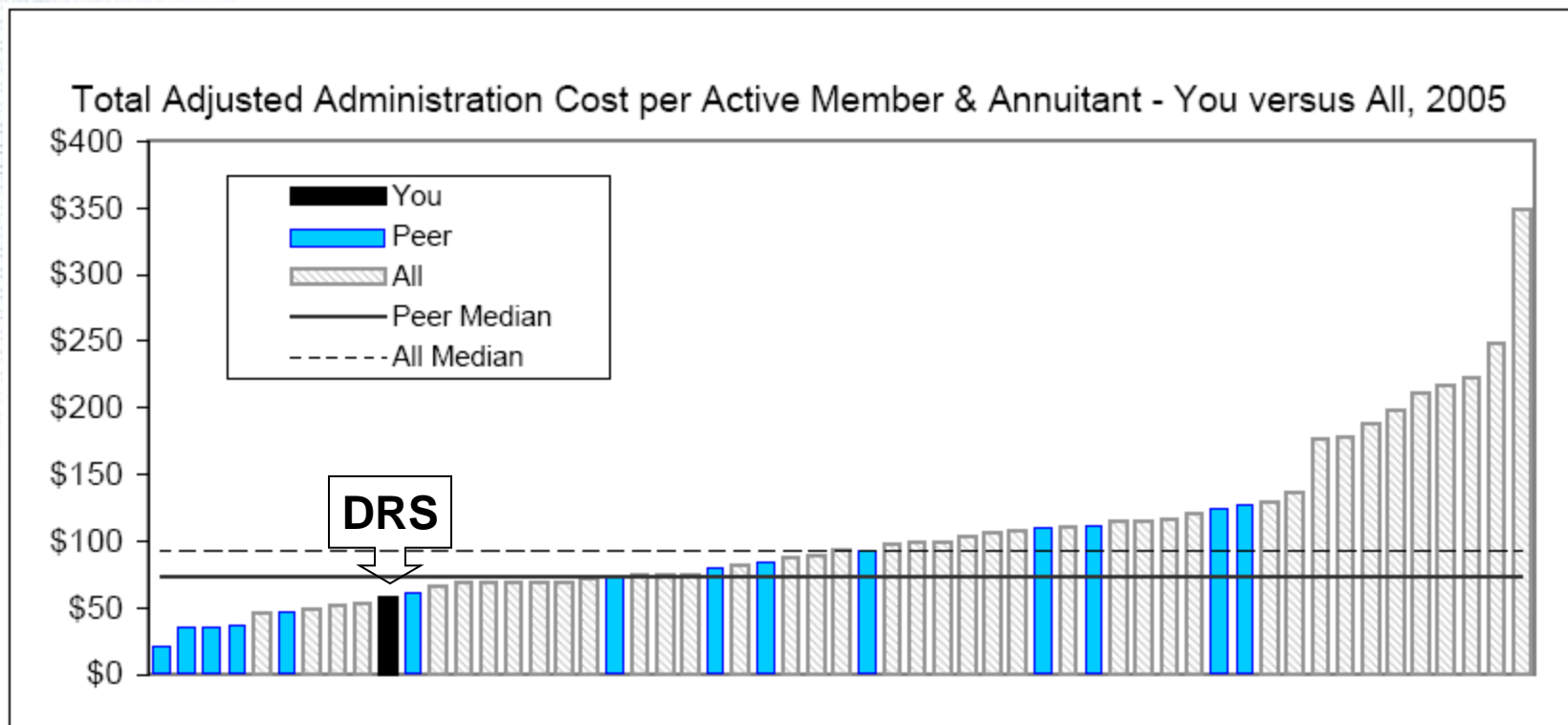
Spending up front improves future processes.





Total Adjusted* Admin Cost

DRS = \$58, Peer Median = \$73, All Median = \$93
(*Adjusted for 3-yr average major projects cost)





Benchmark Cost (and Cost Effectiveness)

- CEM identified that the strongest statistical relationship (“predictor”) they could find for costs was transaction types and volumes
 - DRS’ actual cost = \$58, the predicted cost = \$61
- However, CEM also identified that service, size and complexity drive costs at the extremes
 - When complexity is factored in, the predicted cost = \$72

Questions?