Public Pension Administration Benchmarking Analysis

Summary of Fiscal Year 2013

LEOFF Plan 2 Retirement 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

- Comprehensive pension administration benchmarking is one component of the service

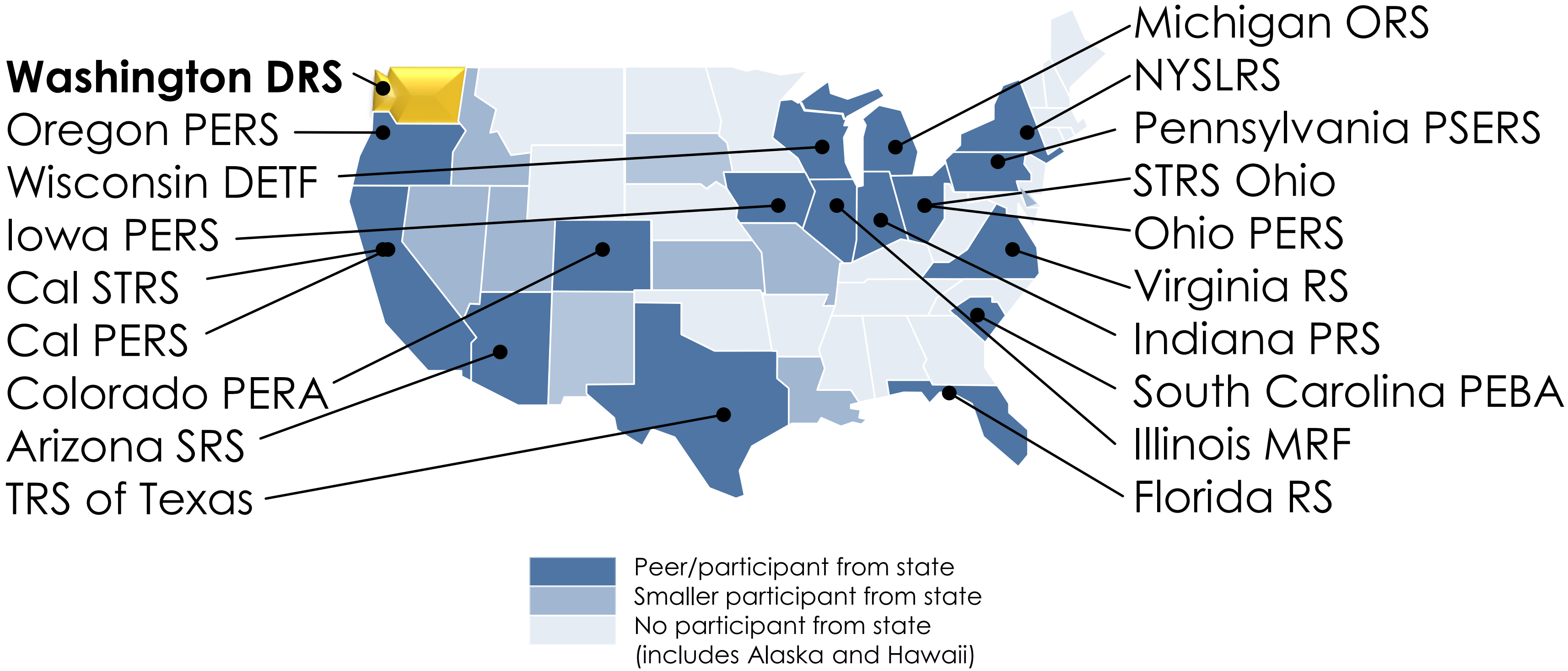
PARTICIPANTS

- 75 pension systems participated in FY 13
  - **33 from the United States**
  - 12 from Canada
  - 8 from the Netherlands
  - 2 from Scandinavia
  - 1 from the United Arab Emirates
  - *10 from Australia**
  - *9 from the United Kingdom**

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

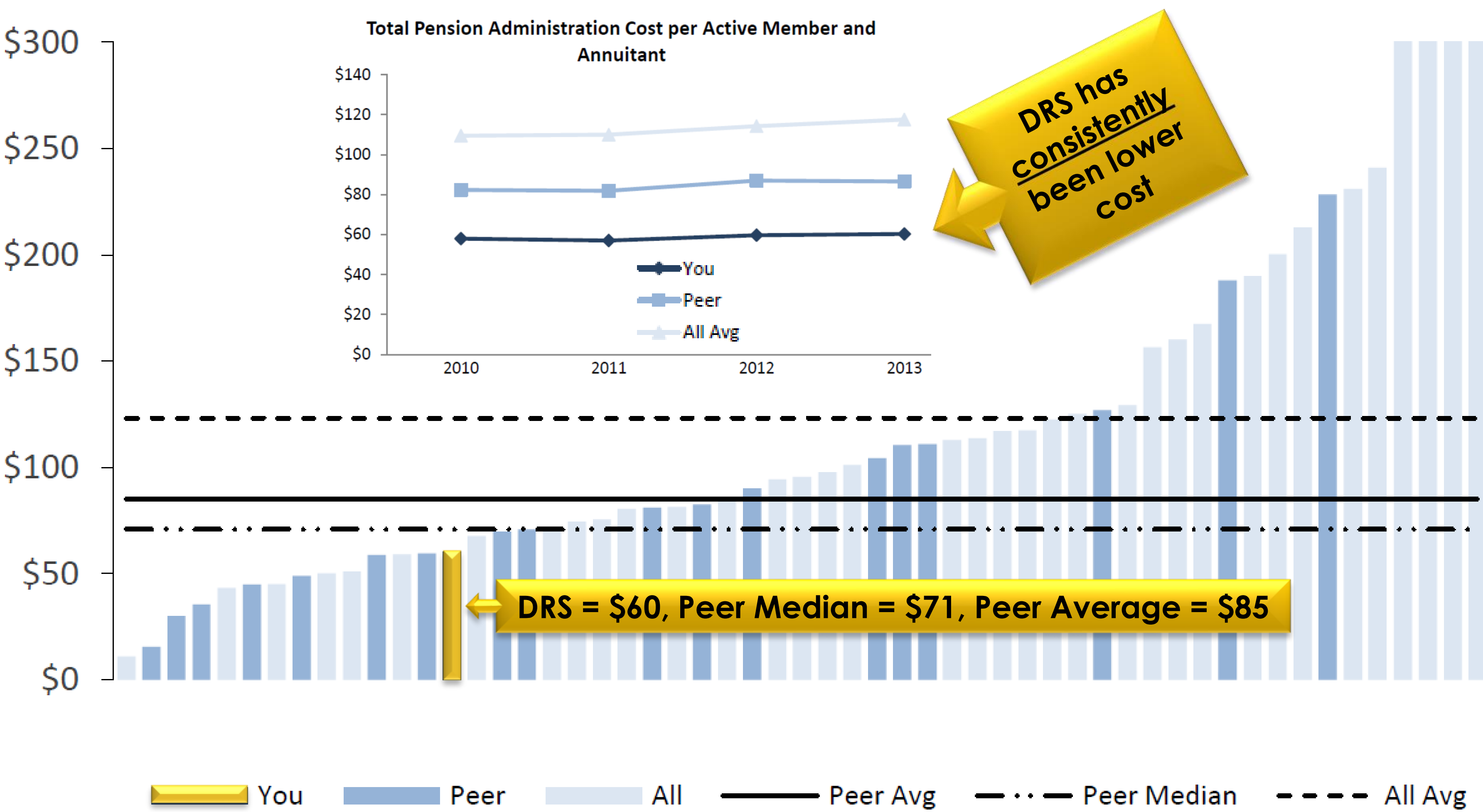
DRS' Peer Group

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



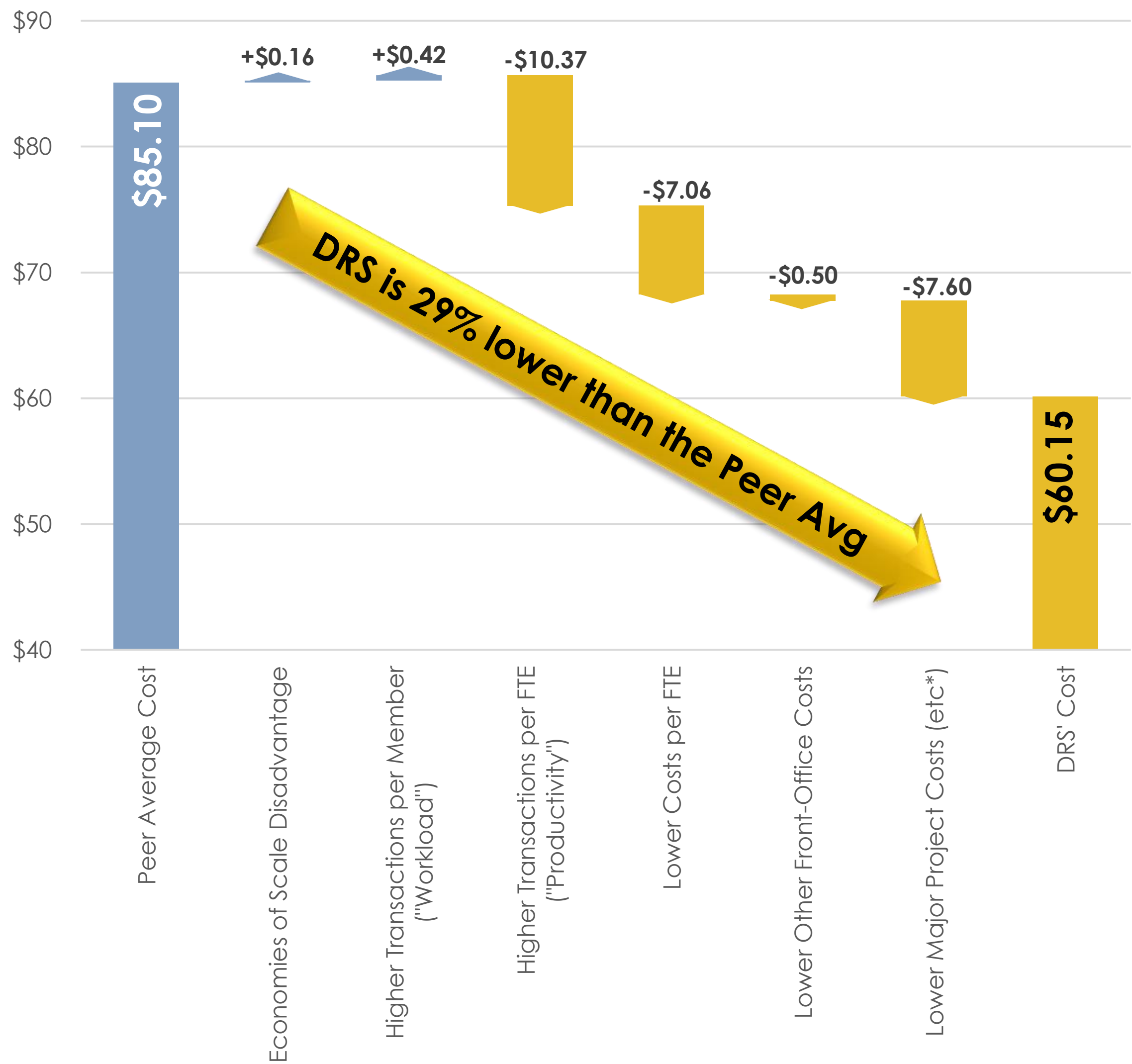
TOTAL COST

Pension Administration Cost Per Active Member and Annuitant



Explaining DRS' Low Cost

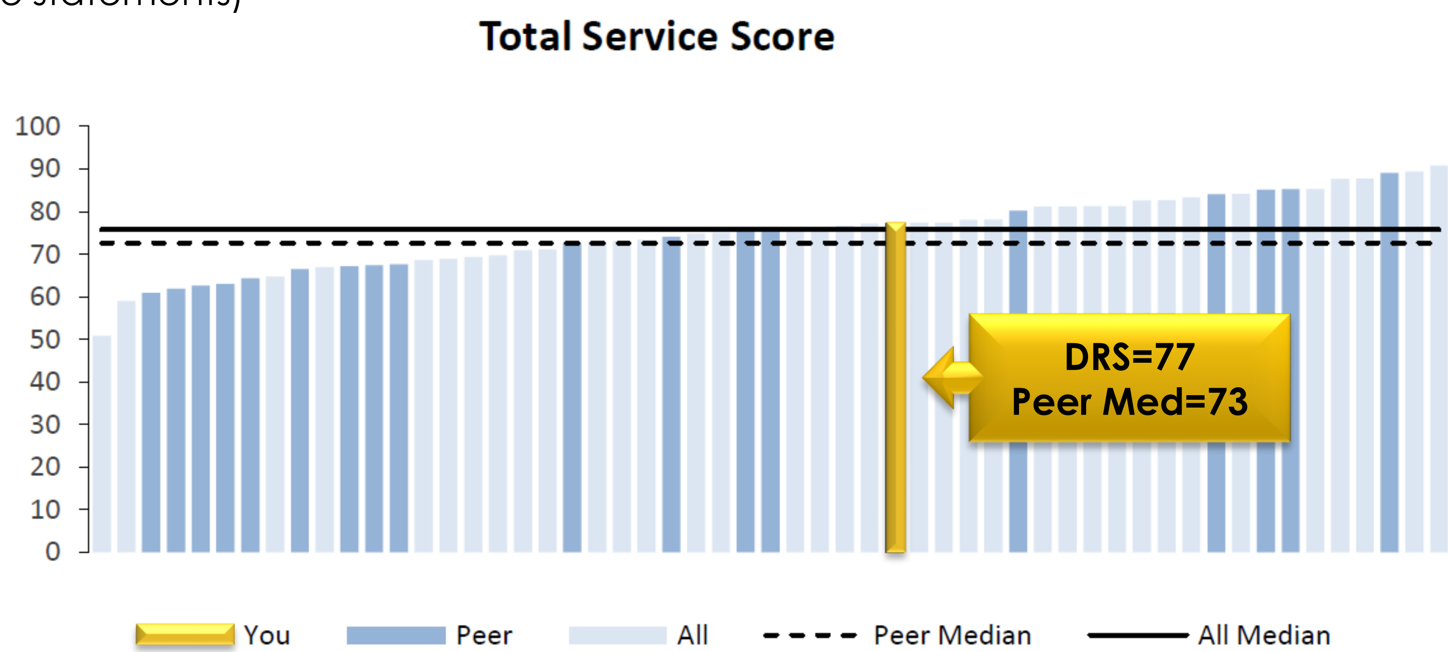
- CEM analyzes six reasons for the differences in total cost:
  - High Productivity was the largest for DRS
  - Low Major Project Costs* was second
  - Low Costs per FTE was third



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

Service

- DRS' total service score is higher than the peer median
- DRS scores higher than the Peer Median in 9 of the 15 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)



Diving Into Service

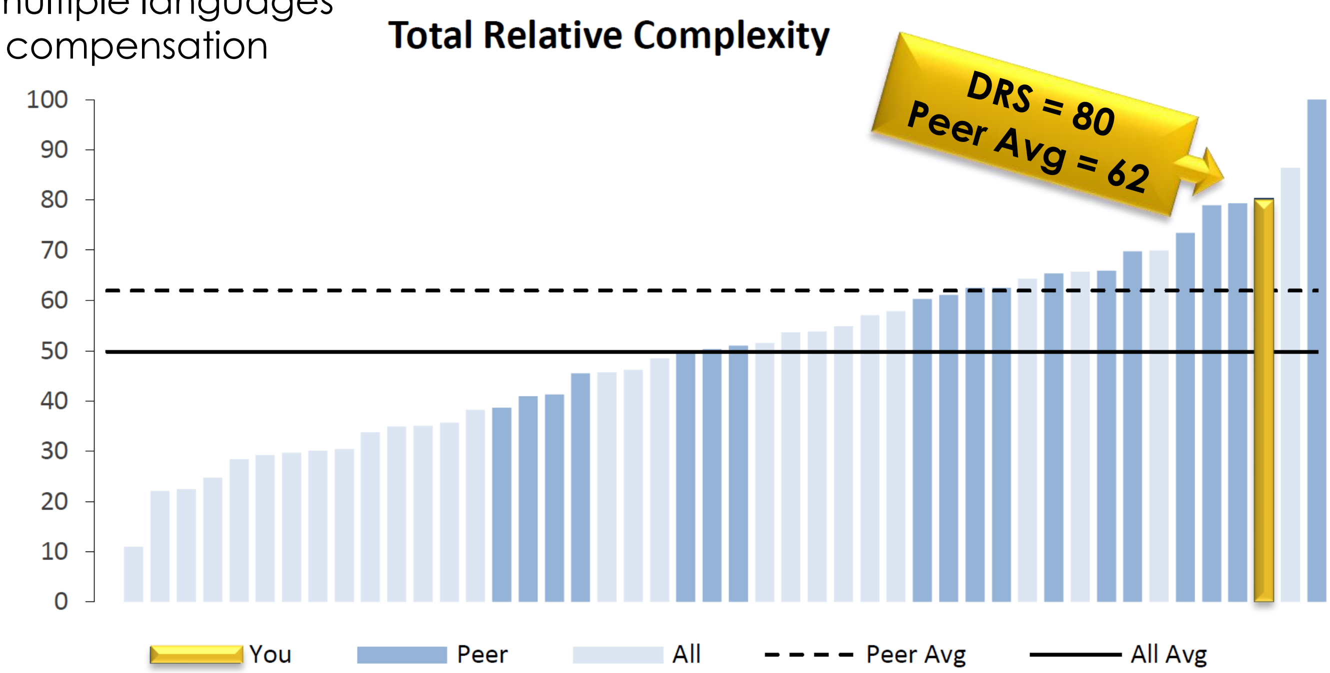
- Last year's "deeper dive" was into data related to cost
- This year's dive was into Service Score data
  - What differentiated participants in the highest and lowest quartiles?
  - What contributed most to larger year-over-year score increases?

The Call Center

- Why bring this up in DRS' presentation?
  - 1 year ago we restructured from historical system/plan silos into a call center and a processing center
  - Change initially impacted service but we're better positioned for fluctuations or improvements

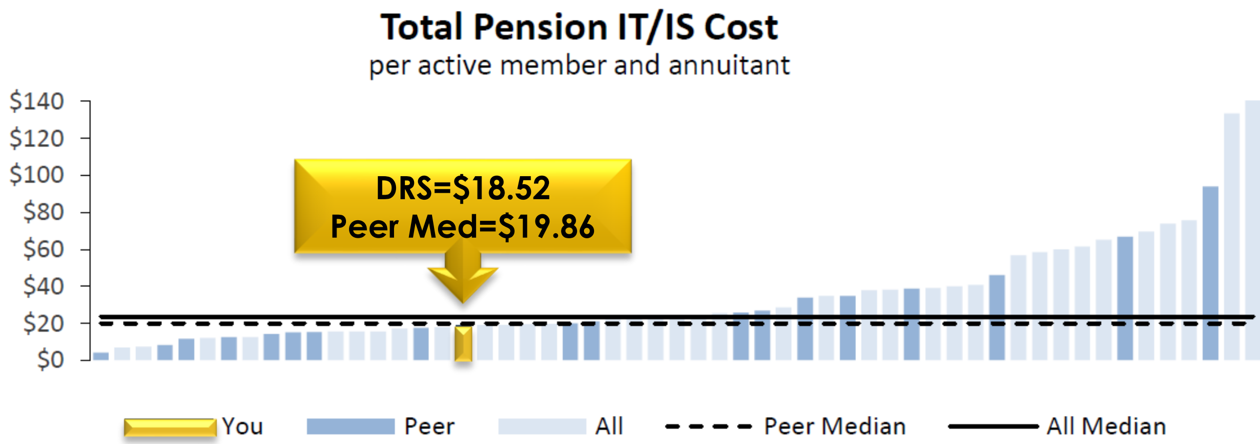
Complexity

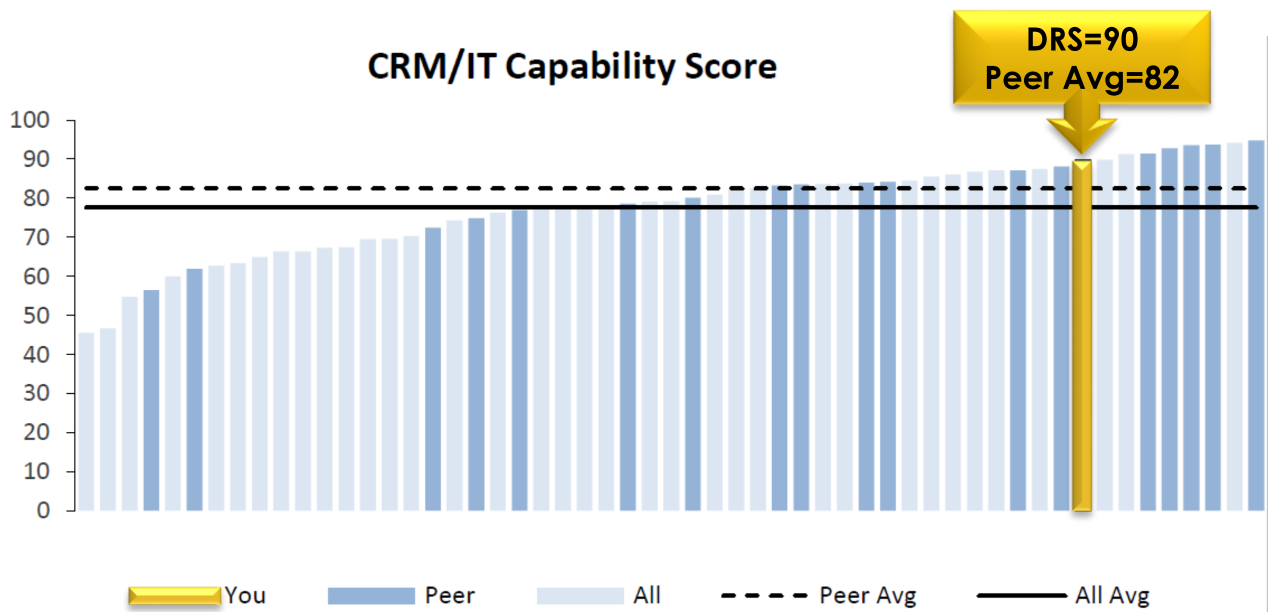
- We continue to administer one of the most complex systems (although some are gaining ground as they implement plan changes)
- We're higher than the Peer Average in 11 of 15 causes. In the other 4, some:
  - Allow employers to change the benefit structure
  - Provide more disbursement options
  - Publish materials in multiple languages
  - Have more limits on compensation



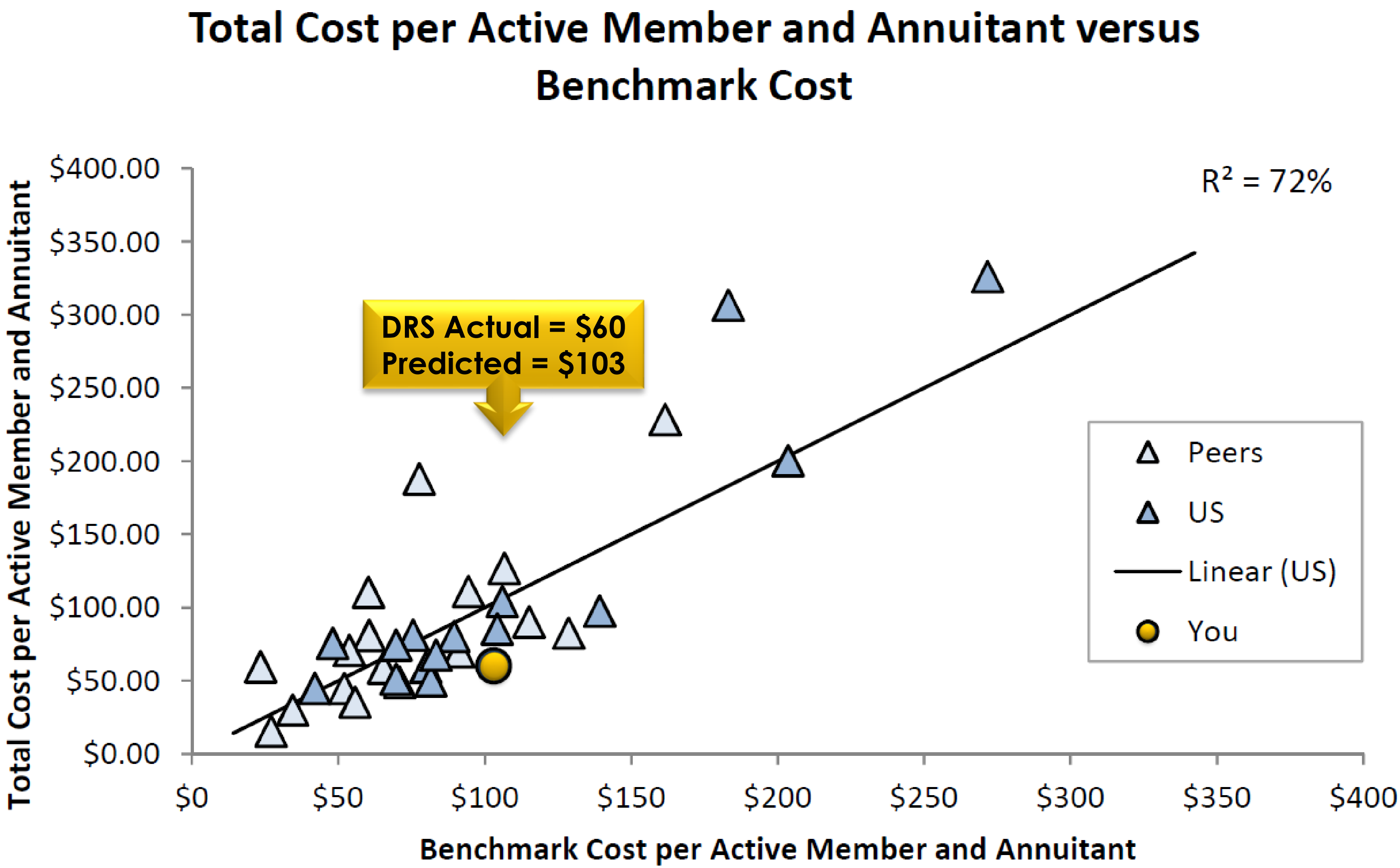
Information Technology

- We spend 7% 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





PREDICTED 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
  - An operational network of peers
  - Ideas for continuous improvement
- The 2014 conference included:
  - A site visit to Oregon PERS
  - Emerging trends in technology
  - Implementing/measuring social media
  - Member engagement

SUMMARY

Low Cost

Solid Service

DRS

Department of Retirement Systems

High Complexity

High IT Capability

Any questions?