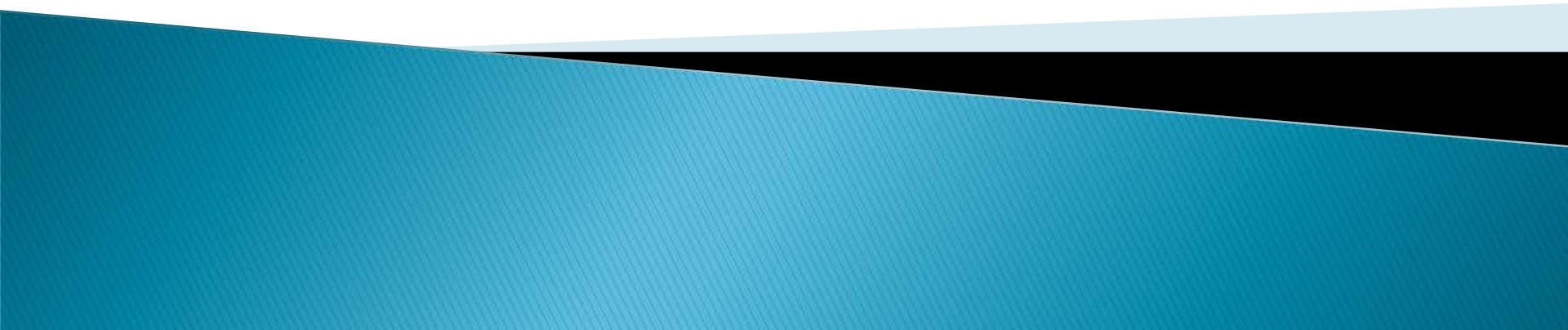


# Summary of FY 06 Benchmarking Report

Department of Retirement Systems  
June 2007



# Detailed Benchmarking



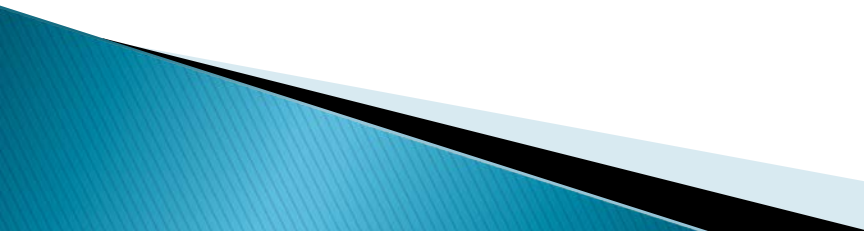
- ▶ A 50–page survey  
from CEM Benchmarking Inc. gathered data from 28 public pension administrators in the US, and 25 in Canada, Australia and the Netherlands.
- ▶ A 296–page report  
analyzes the data to compare costs, transaction types and volumes, service levels, complexities, etc.
- ▶ This enables DRS to  
compare itself to peers across 14 common pension administration activities, and learn (and share) best practices.

# Participants

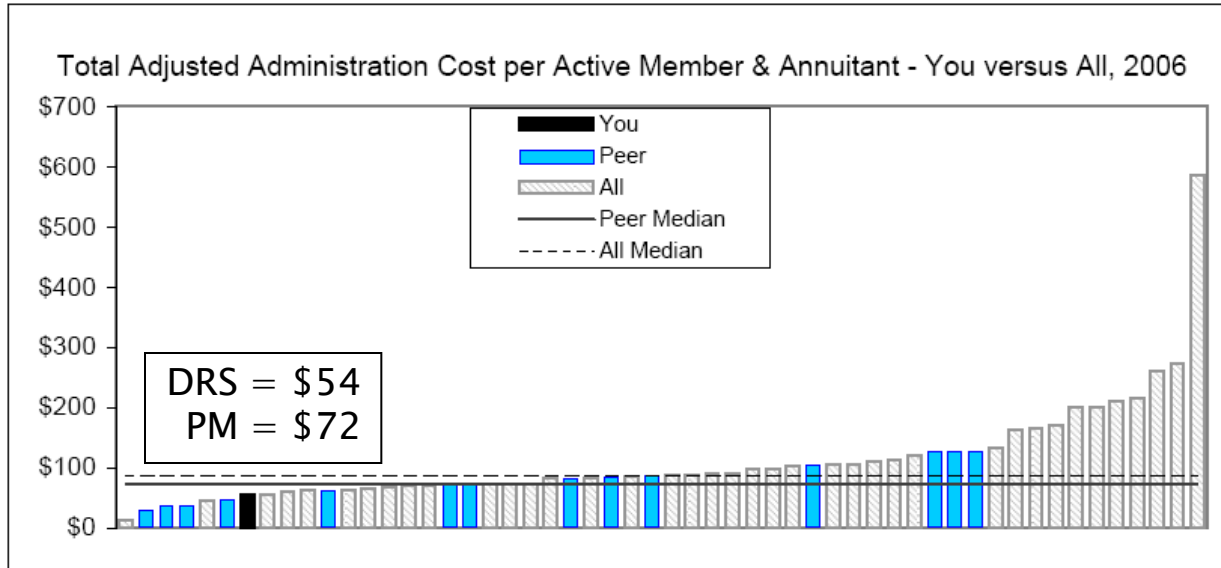




# CEM's Cost Drivers

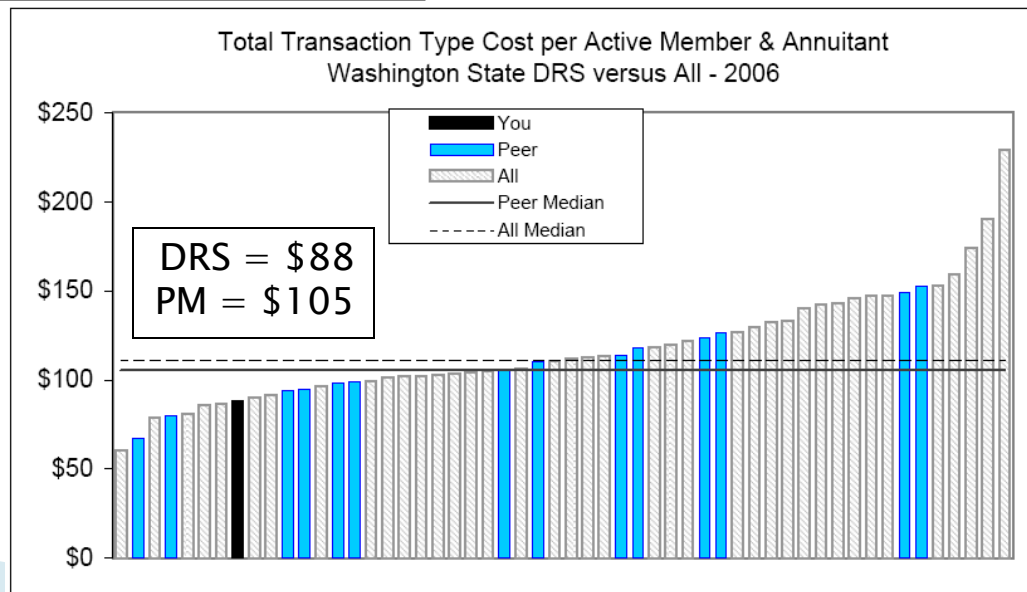
- ▶ Service Level
    - Higher service levels increase costs
  - ▶ Transaction Types/Volumes
    - More & higher-cost transactions increase costs
  - ▶ Economies of Scale
    - More members decrease unit costs
  - ▶ Plan Complexity
    - Greater complexity increases cost
  - ▶ Cost Environment
    - Higher Comparable Wage Index increases cost
- 

# Executive Summary Charts

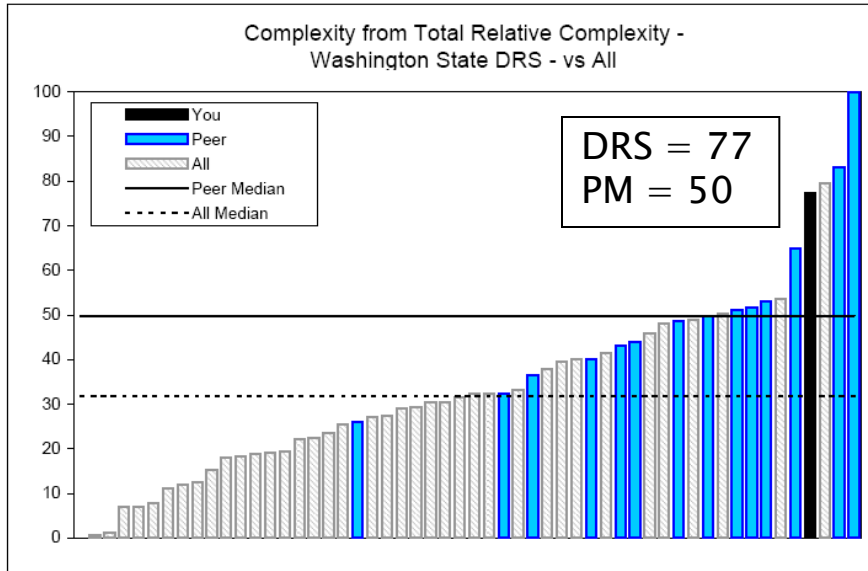


Total Cost includes a 3-year average for Major Projects to reduce volatility.

The data suggests DRS performs fewer and/or a less costly mix of the 80 measured transactions. However...

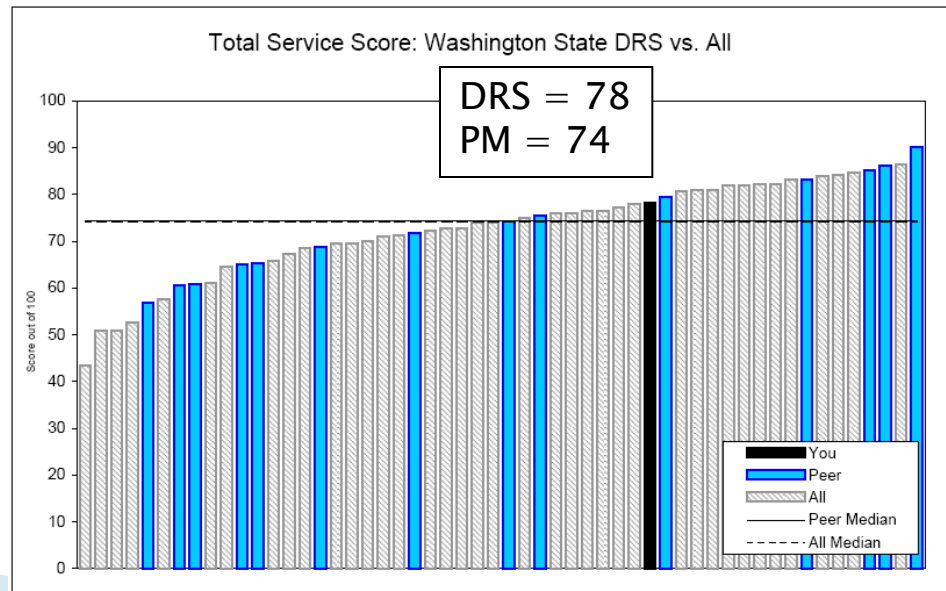


# Exec Summary Charts (cont.)

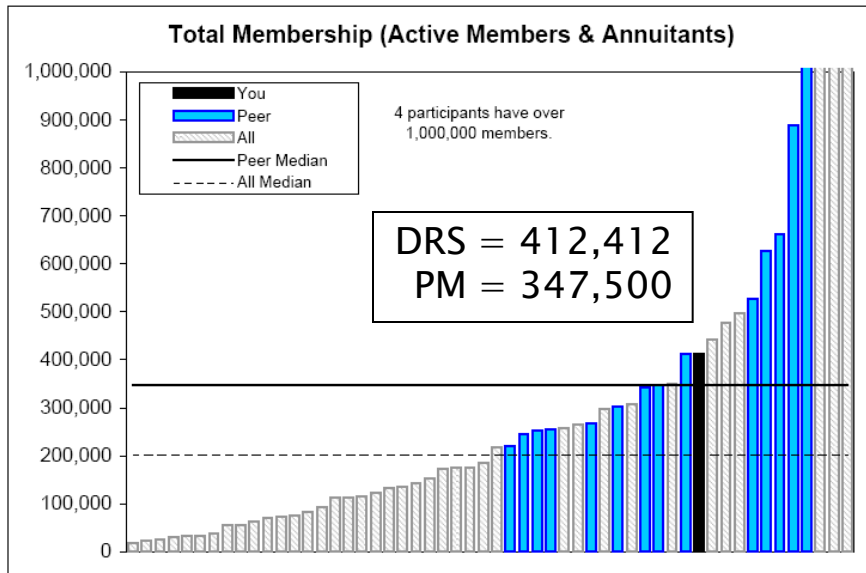


DRS administers one of the most complex public pension systems.

NOTE: Service does not consider cost and CEM's weightings may not reflect DRS member preferences.

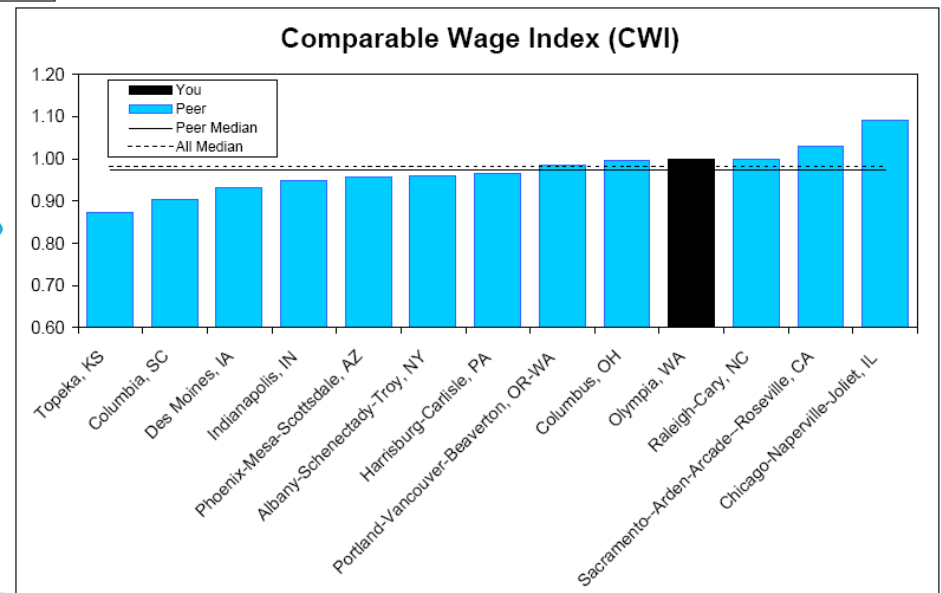


# Exec Summary Charts (cont.)



DRS slightly benefits from economies of scale.

The CWI for Olympia is 2.4% higher than the peer median.

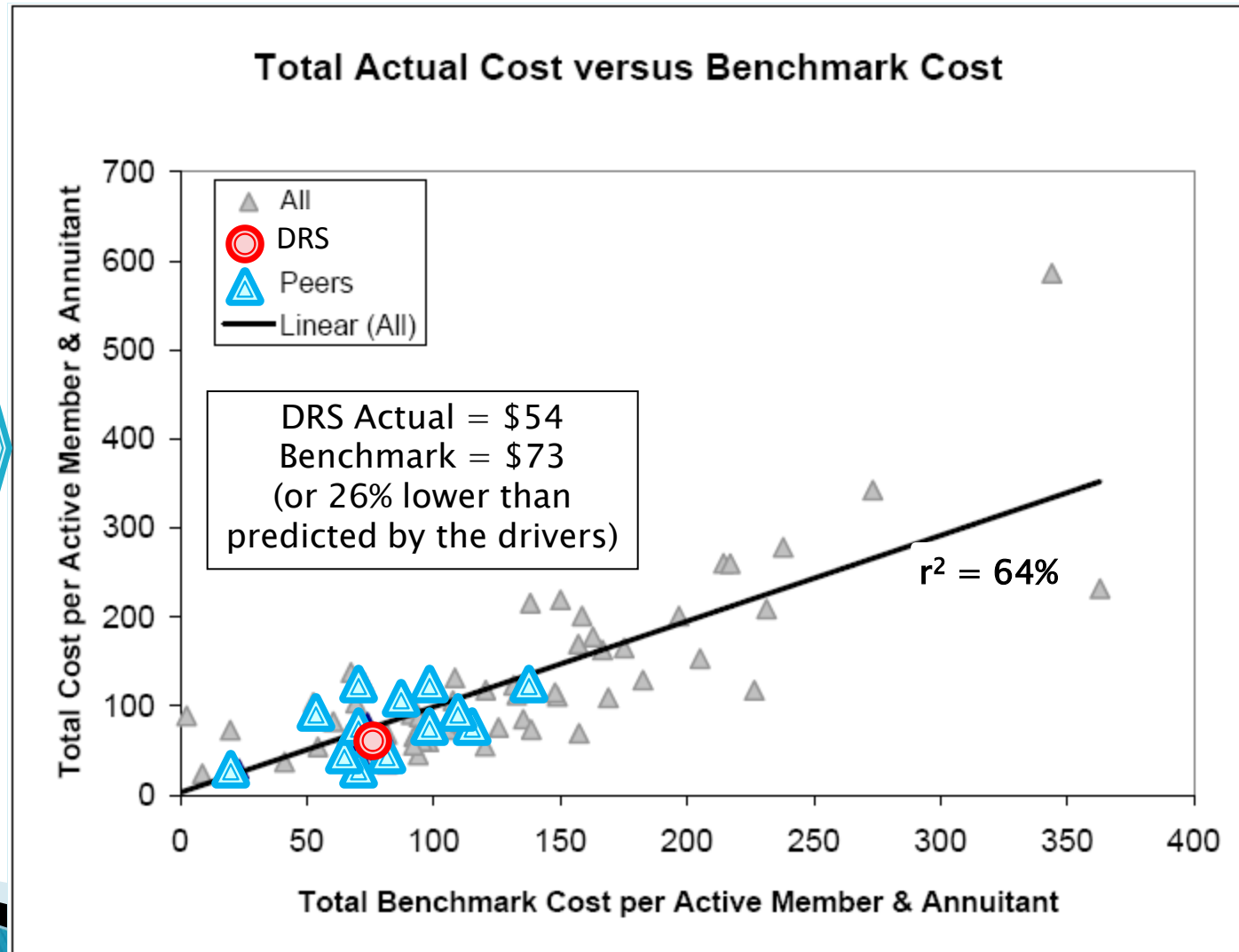




# Benchmark Cost

Benchmark Cost is based on the regression equation that uses four of the cost drivers:

- Trans Type Cost
- Membership
- Complexity
- Cost Environ



# Other Observations

- ▶ IT Cost vs. Capability:
  - DRS' Cost/Member = \$17, Peer Median = \$18
  - DRS' Capability Score = 85, Peer Median = 79
- ▶ We remain very responsive in numerous transactions/interactions:
  - Mail estimates in 4.6 days, Peer Avg. = 12.5
  - Meet walk-ins in 4.0 minutes, Peer Avg. = 10.4
  - Schedule counseling same day, PA = 5.6 days
  - Respond to phone calls in 39 seconds, PA = 149
  - Issue disability decisions in 1 month, PA = 3.2
- ▶ We spend more to get good data into our systems and less on subsequent calculations/transactions

# Other Services

- ▶ Peer Network

DRS was recently recognized as one of the “Top 5 Responders” in 2006\*

- ▶ Best Practice Analyses

- 2006 on Call Centers
- 2007 on Online Member Transactions

- ▶ Annual Conference

- 2007 in Chicago
- 2008 in Seattle

\*DRS was also recognized by CEM for submitting our survey responses early



# Any Questions?

## 4. Plan Complexity

Your Relative Complexity by underlying cause compared to your peers as follows:

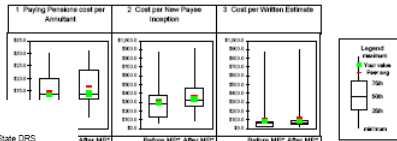
Many participants are curious about why they do not have a higher complexity rating.

The most complex participant is CalPERS. Their participating local employers can extensively customize their rule sets. For example, their employers can select their own benefit multipliers, final salary definition, retirement age, cost of living adjustment rules, disability benefit rules etc. Their complexity from Customization Choices is 100 versus your score of 1.

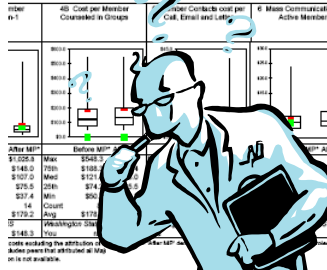
The second most complex participant has a long history of grandfathered changes to their benefit formula and fragmented rules related to different counties and cities. They have over 51 different counties and 9 different possible salary definitions that could apply in their benefit formula. Their complexity from Customization Choices is 100 versus your score of 65.

Relative Complexity Ratings by Cause				
				Peer
Weight	Underlying Cause	Your	Avg	
15.0%	A. Pension Payment Options	55	60	
20.0%	B. Customization Choices	1	12	
10.0%	C. Multiple Plan Types and Overlays	65	34	
16.0%	D. Multiple Benefit Formula	65	45	
3.0%	E. External Reciprocity	35	29	
4.0%	F. COLA rules	91	31	
3.0%	G. Contribution Rates	89	51	
4.0%	H. Variable Compensation	85	91	
3.0%	I. Service Credit Rules	74	55	
3.0%	J. Divorce Rules	100	63	
5.5%	K. Purchase Rules	80	71	
4.0%	L. Refund Rules	88	69	
6.0%	M. Disability Rules	90	79	
0.5%	N. Translation	0	7	
3.0%	O. Defined Contribution Plan Rules	55	8	
<b>100.0% Weighted Average (before scaling)</b>		<b>56</b>	<b>45</b>	
<b>Scaled Total Complexity</b>		<b>77</b>	<b>53</b>	

### Activity Costs, excluding and including attributed Major Project Costs ("MP") - You versus peer



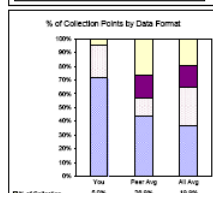
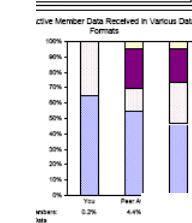
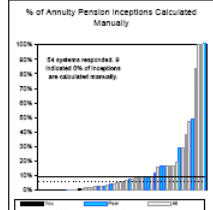
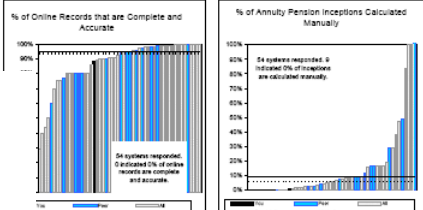
State	After MP	Before MP	After MP	Before MP
WA	\$20.9	\$202.7	\$278.9	\$259.8
OR	\$22.1	\$202.7	\$278.9	\$259.8
CA	\$22.1	\$202.7	\$278.9	\$259.8
MT	\$22.1	\$202.7	\$278.9	\$259.8
CO	\$22.1	\$202.7	\$278.9	\$259.8
UT	\$22.1	\$202.7	\$278.9	\$259.8
WY	\$22.1	\$202.7	\$278.9	\$259.8
SD	\$22.1	\$202.7	\$278.9	\$259.8
NE	\$22.1	\$202.7	\$278.9	\$259.8
IA	\$22.1	\$202.7	\$278.9	\$259.8
MO	\$22.1	\$202.7	\$278.9	\$259.8
KS	\$22.1	\$202.7	\$278.9	\$259.8
OK	\$22.1	\$202.7	\$278.9	\$259.8
LA	\$22.1	\$202.7	\$278.9	\$259.8
MS	\$22.1	\$202.7	\$278.9	\$259.8
AL	\$22.1	\$202.7	\$278.9	\$259.8
GA	\$22.1	\$202.7	\$278.9	\$259.8
SC	\$22.1	\$202.7	\$278.9	\$259.8
NC	\$22.1	\$202.7	\$278.9	\$259.8
VA	\$22.1	\$202.7	\$278.9	\$259.8
MD	\$22.1	\$202.7	\$278.9	\$259.8
DE	\$22.1	\$202.7	\$278.9	\$259.8
DC	\$22.1	\$202.7	\$278.9	\$259.8
PA	\$22.1	\$202.7	\$278.9	\$259.8
NY	\$22.1	\$202.7	\$278.9	\$259.8
CT	\$22.1	\$202.7	\$278.9	\$259.8
RI	\$22.1	\$202.7	\$278.9	\$259.8
MA	\$22.1	\$202.7	\$278.9	\$259.8
NH	\$22.1	\$202.7	\$278.9	\$259.8
VT	\$22.1	\$202.7	\$278.9	\$259.8
ME	\$22.1	\$202.7	\$278.9	\$259.8
MT	\$22.1	\$202.7	\$278.9	\$259.8
WY	\$22.1	\$202.7	\$278.9	\$259.8
SD	\$22.1	\$202.7	\$278.9	\$259.8
NE	\$22.1	\$202.7	\$278.9	\$259.8
IA	\$22.1	\$202.7	\$278.9	\$259.8
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LA	\$22.1	\$202.7	\$278.9	\$259.8
MS	\$22.1	\$202.7	\$278.9	\$259.8
AL	\$22.1	\$202.7	\$278.9	\$259.8
GA	\$22.1	\$202.7	\$278.9	\$259.8
SC	\$22.1	\$202.7	\$278.9	\$259.8
NC	\$22.1	\$202.7	\$278.9	\$259.8
VA	\$22.1	\$202.7	\$278.9	\$259.8
MD	\$22.1	\$202.7	\$278.9	\$259.8
DE	\$22.1	\$202.7	\$278.9	\$259.8
DC	\$22.1	\$202.7	\$278.9	\$259.8
PA	\$22.1	\$202.7	\$278.9	\$259.8
NY	\$22.1	\$202.7	\$278.9	\$259.8
CT	\$22.1	\$202.7	\$278.9	\$259.8
RI	\$22.1	\$202.7	\$278.9	\$259.8
MA	\$22.1	\$202.7	\$278.9	\$259.8
NH	\$22.1	\$202.7	\$278.9	\$259.8
VT	\$22.1	\$202.7	\$278.9	\$259.8
ME	\$22.1	\$202.7	\$278.9	\$259.8



What are the trends for costs?

Activity	You	4-Year peer Median (1)	4-Year All Median (2)
1. Paying Pension cost per Annuity	20.9	22.1	22.1
2. Pension Inceptions	202.7	202.7	202.7
3. Withdraw Estimates	278.9	278.9	278.9
4. Service Credit	202.7	202.7	202.7
5. Group Counseling	202.7	202.7	202.7
6. Disability	202.7	202.7	202.7
7. COLA	202.7	202.7	202.7
8. Data Not from Employer	202.7	202.7	202.7
9. Data Not from Employer	202.7	202.7	202.7
10. Billing and Inception	202.7	202.7	202.7
11. Data Collection	202.7	202.7	202.7
12. Service to Employees	202.7	202.7	202.7
13. Data Collection	202.7	202.7	202.7
14. Purchases and Transfers	202.7	202.7	202.7
15. Disability	202.7	202.7	202.7
16. Board of Directors	202.7	202.7	202.7
17. Finance Control	202.7	202.7	202.7
18. Board Counseling	202.7	202.7	202.7
19. Marketing PR	202.7	202.7	202.7
20. Governance	202.7	202.7	202.7
21. Risk Management	202.7	202.7	202.7
22. Design New Rules	202.7	202.7	202.7
23. Refunding Change	202.7	202.7	202.7
24. Plan Design	202.7	202.7	202.7
25. Main Projects (14 year average)	202.7	202.7	202.7
26. Main Projects (14 year average)	202.7	202.7	202.7
27. Main Projects (14 year average)	202.7	202.7	202.7
28. Main Projects (14 year average)	202.7	202.7	202.7
29. Main Projects (14 year average)	202.7	202.7	202.7
30. Main Projects (14 year average)	202.7	202.7	202.7
31. Main Projects (14 year average)	202.7	202.7	202.7
32. Main Projects (14 year average)	202.7	202.7	202.7
33. Main Projects (14 year average)	202.7	202.7	202.7

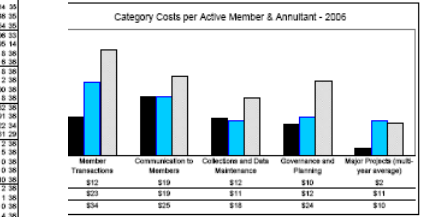
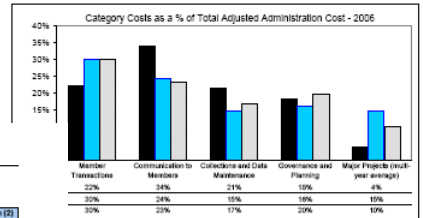
### Indicators of IT Capability



Where are you spending more / less? (page 2 of 2)

### Graphical comparisons of spending by category

(Deriving data from the previous page)

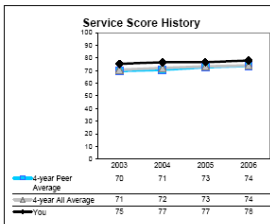


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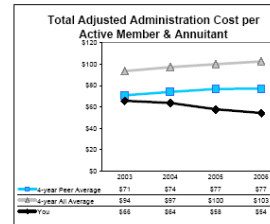
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Executive Summary - page 17

• Service Scores increased 0.9 points per annum for the average 4-year participant.



• Costs increased 2.3% per annum for the average 4-year participant.



\* The 2006 Peer and All numbers in the graphs above may not match others in this report because these graphs depict only those systems that have provided 4 consecutive years of data (14 of your 15 peers, 36 of the 54 participants). Your performance is compared to averages on this graph instead of medians. Averages are better for trend analysis. Averages show the trend for all participants whereas medians only show the trend for the participants in the middle.

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Executive Summary - page 12

(1) 4-Year Peers are members of your peer group who have participated for 4 consecutive years (14 of your 15 peers) and have data in each of the consecutive years for the cost being compared.  
 (2) 4-Year All is comprised of participants who have participated for 4 consecutive years or more (36 of the 54 participants) and have data in each of the consecutive years for the cost being compared.  
 (3) Your 4-year average Major Project cost was based on 3 years of data for 2006, 3 years of data for 2005 and 3 years of data for 2004.  
 Foreign Country Conversion: All foreign currency amounts have been converted to USDs using Purchasing Power Parity figures as per the OECD. Appendix B shows the detailed currency conversions.