

# PUBLIC PENSION ADMINISTRATION BENCHMARKING ANALYSIS

SUMMARY OF FISCAL YEAR 2010 TO THE  
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

## ◎ There are four components to the pension administration benchmarking service:

- ◎ A comprehensive survey and benchmarking report

- ◎ A targeted best practice analysis

- ◎ Access to a peer network

- ◎ An annual peer conference

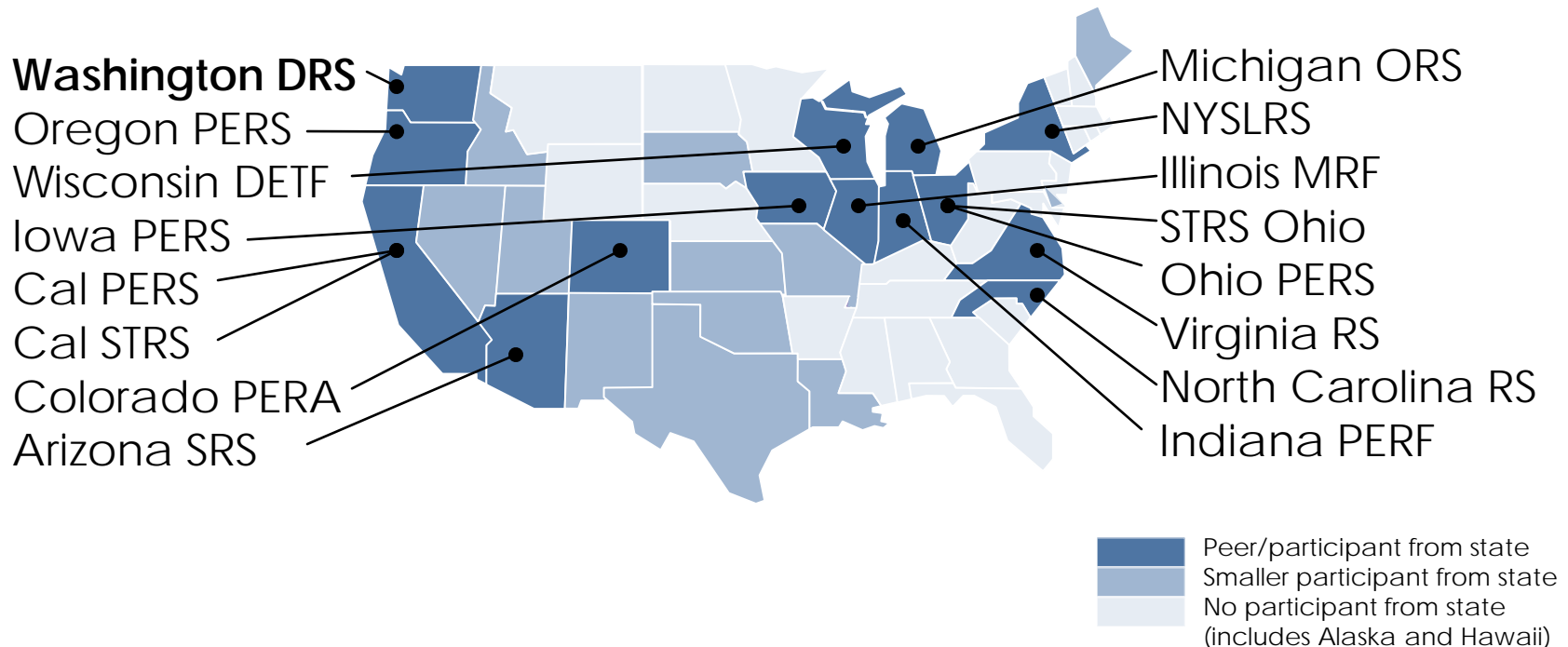


# WHY BENCHMARK?

- ⊙ “What gets measured gets managed”
  - ⊙ Performance compared to public pension peers
  - ⊙ An independent source of performance data
  - ⊙ Ideas for improvement (some international)
- ⊙ A comprehensive approach
  - ⊙ 40 page survey requiring 1,000 responses
  - ⊙ Apples-to-apples data and cost comparisons
  - ⊙ 300 page analytical report on results
    - ⊙ DRS versus peer group and all participants
    - ⊙ Incremental and rolled-up comparisons

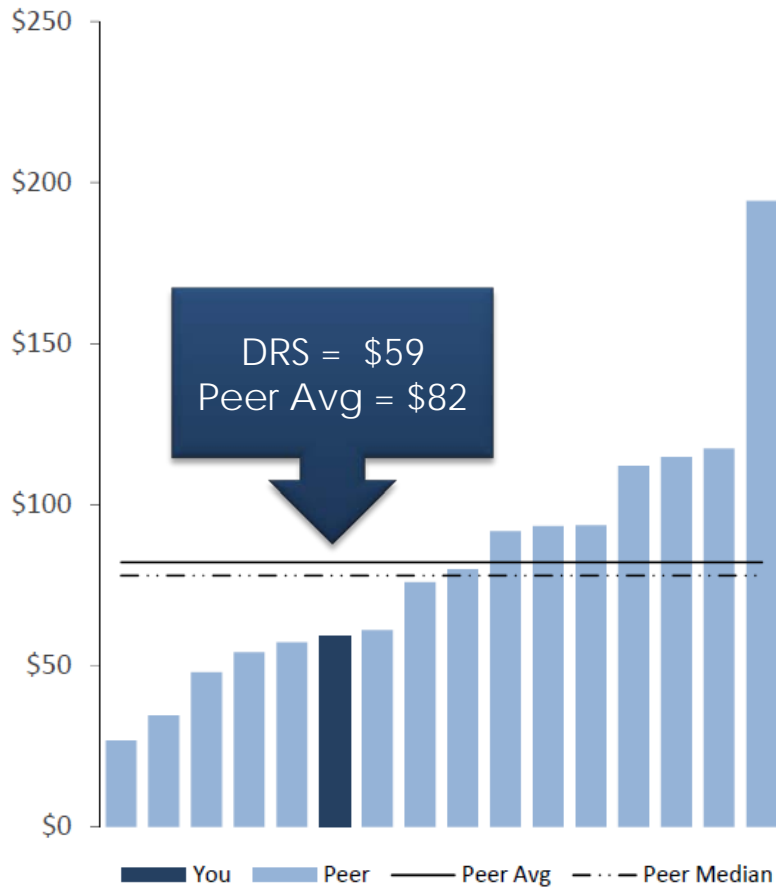
# FY 10 PARTICIPANTS

- 88 systems participated in FY 10: US (35), Canada (13), Netherlands (13), Denmark (1), Australia (10), United Kingdom (16)
- DRS' Peer Group: US systems with >250,000 actives/annuitants

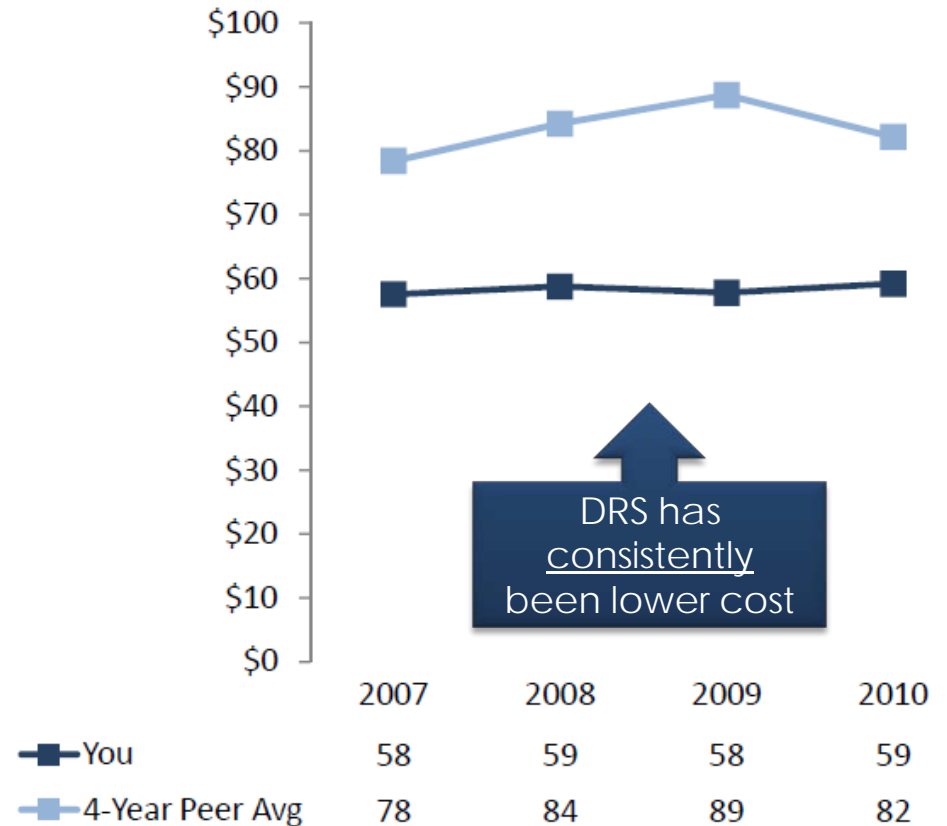


# TOTAL COST

**Pension Administration Cost Per Active Member and Annuitant**

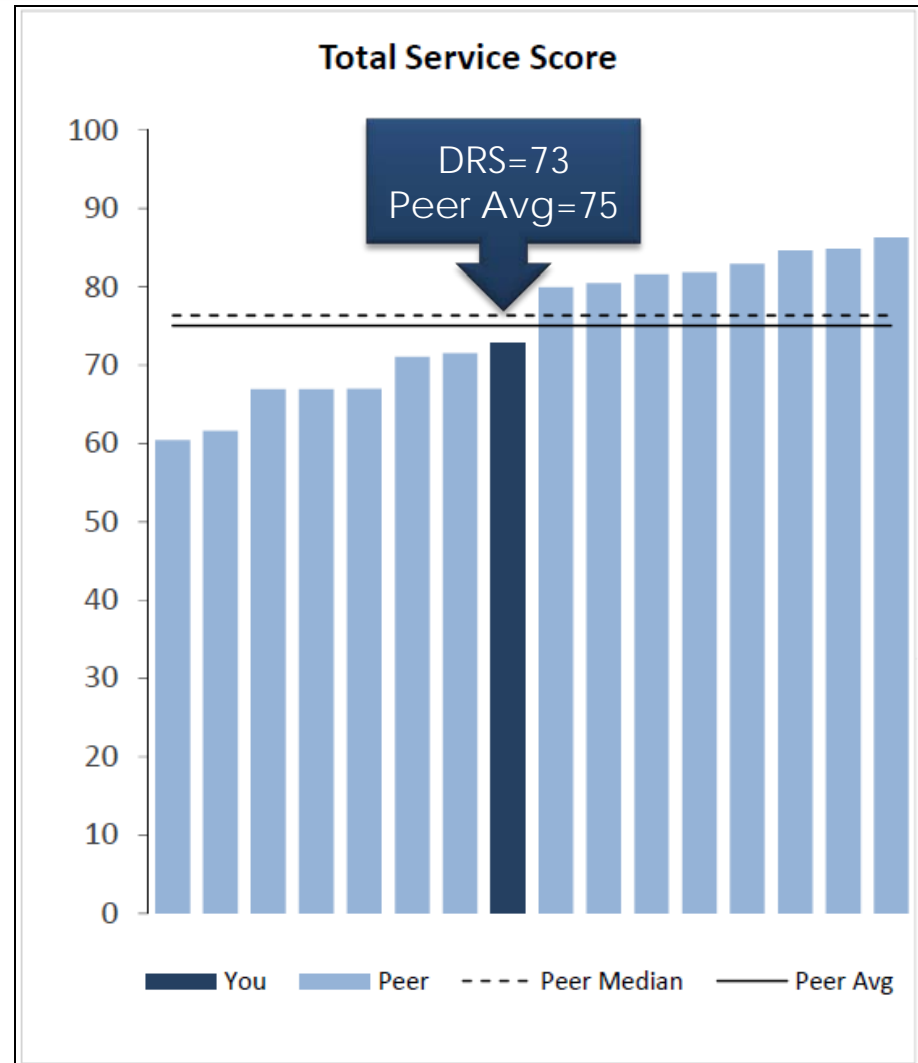


**Trend in Total Pension Administration Costs**



# SERVICE

- ⊙ DRS' total service score is just below the peer average
  - ⊙ 4 yrs ago: DRS = 74, PA = 71
- ⊙ 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, counseling in the field, enhanced annual statements)



# EMPHASIS ON RESPONSIVENESS

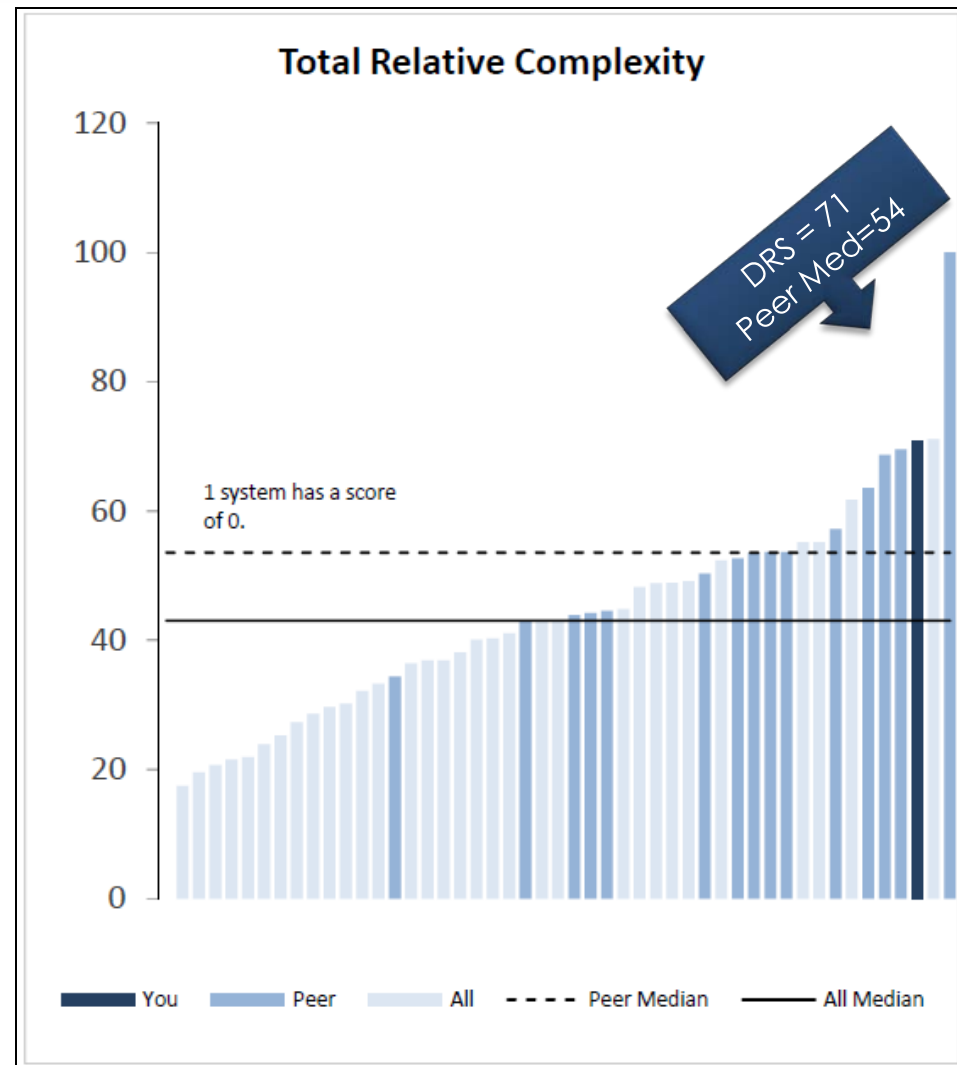
- ⊙ Reinforced by 1999 WSU study on what citizens expect from state government
- ⊙ Built into performance expectations that DRS achieved and that exceed the Peer Medians over a decade later

Average time to _____	DRS Response	Peer Median
Provide service credit purchase cost est	3 days	10 days
Wait in phone queue for service rep	21 seconds	74 seconds
Wait for walk-in counseling	2 minutes	9 minutes

- ⊙ Although we exceed our Peers in numerous measures, we're seeking input from our customers to feed continuous improvement efforts

# COMPLEXITY

- ⊙ We continue to administer one of the most complex systems (even compared to all) ... but we don't want to be #1 here
- ⊙ We're higher than the Peer Average in 13 of 15 causes
- ⊙ Much is due to being an "umbrella" with a "hybrid"
  - ⊙ Provides more laws/rules to administer
  - ⊙ Increases the complexity of automated systems and processes



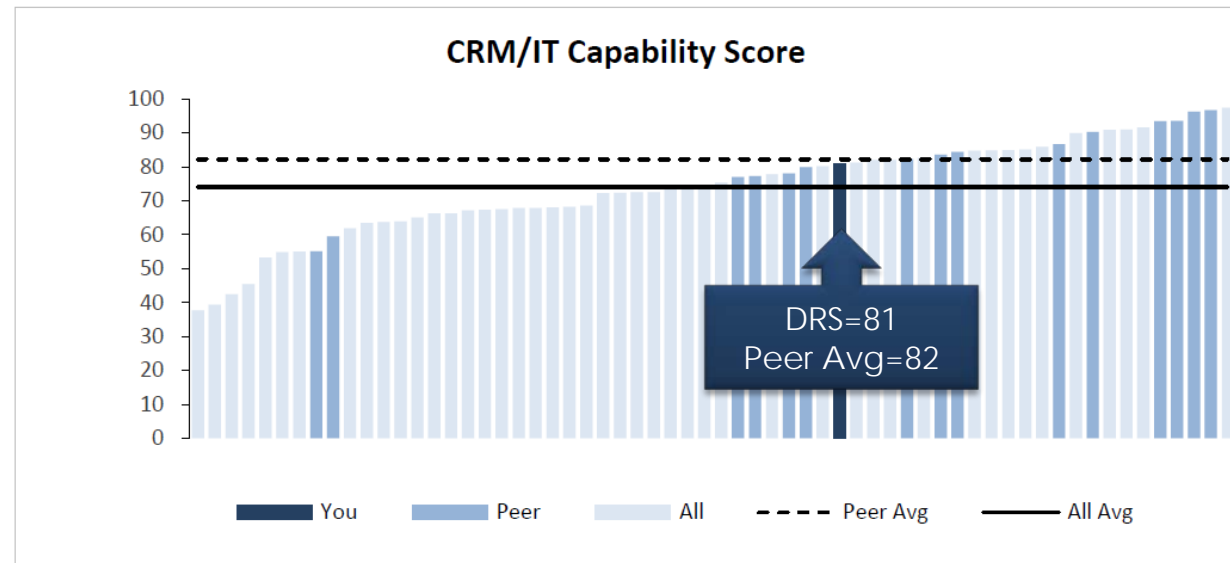
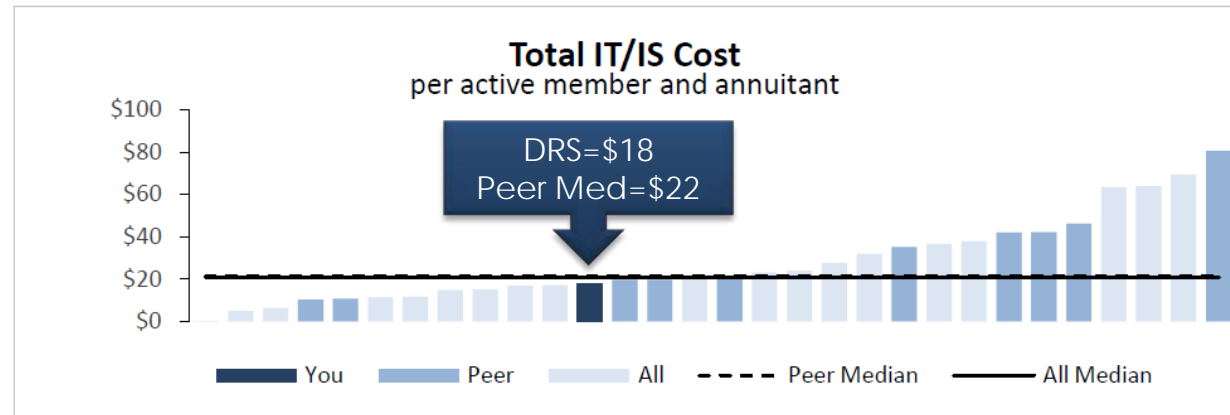


# MANAGING COMPLEXITY

- ◎ An observation from the State Auditor's Office:
  - ◎ "apparently you've found a way to deal with high complexity"
- ◎ Much of DRS' complexity score was achieved when the legislature consolidated public pension administration and created the Plans 2 in the mid-1970's
- ◎ In the 1990's, DRS addressed that complexity when it built the integrated mainframe systems it still uses today
- ◎ DRS has maximized the use of its systems to handle subsequent changes to pension benefits
  - ◎ long-term savings outweigh short-term development costs
- ◎ Non-system (aka, people) strategies include:
  - ◎ comprehensive training for new staff, a resource team for unique complexities, central documentation

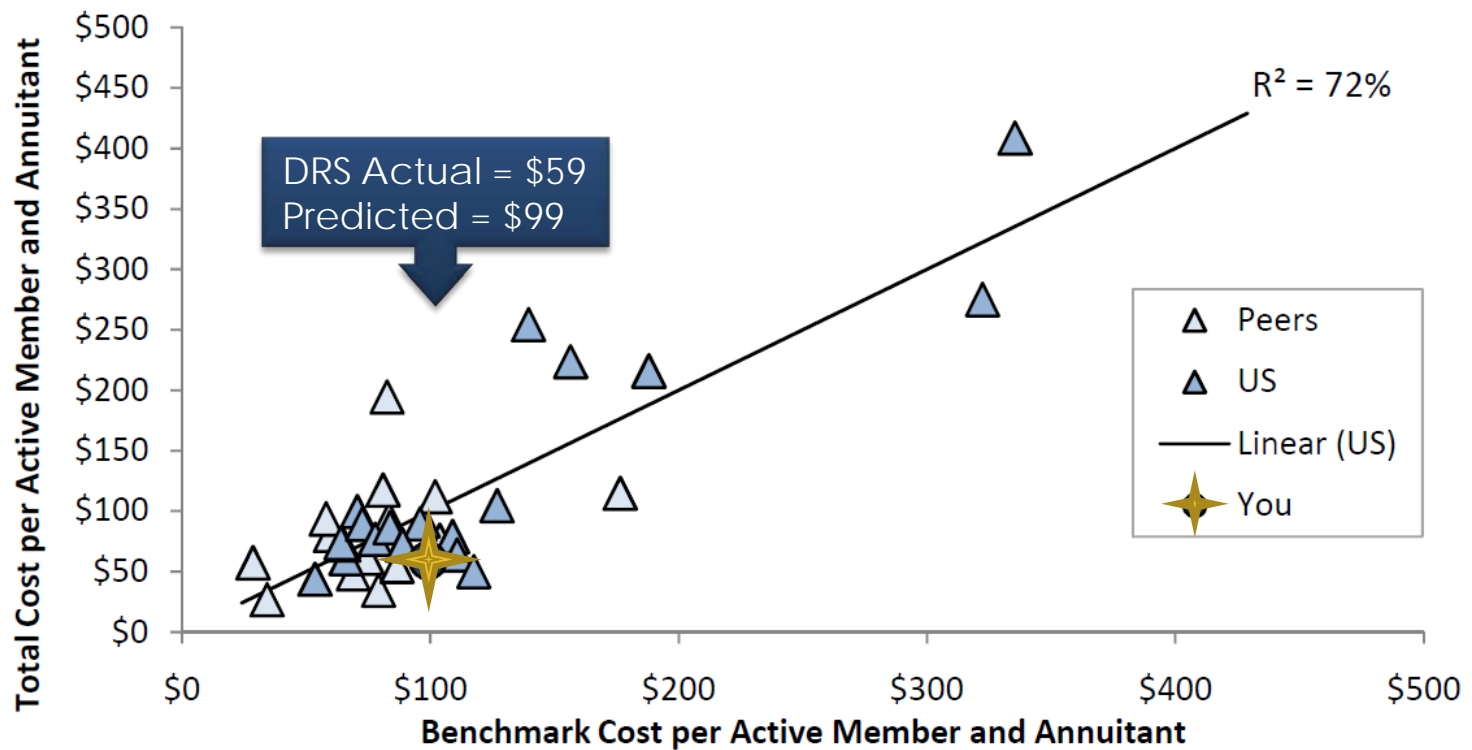
# INFORMATION TECHNOLOGY

- ⊙ We spend 16% less on IT than the peer median
- ⊙ Yet our systems only score as 1% less “capable” than the peer average
- ⊙ The 2010-2011 best practice analysis is on IT (it tends to be a large cost and is a complex topic)



# PREDICTED COST

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



# SUMMARY

- ◎ Comprehensive benchmarking with your peers is a valuable source of data and ideas
- ◎ It 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

**Any questions?**

\*DRS' current admin fee has been at 0.16% since 2007. The last time it was this low was 1981-1987.