

Wisconsin DETF

Pension Administration Benchmarking Results Fiscal Year 2010

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How to this report is used

- To improve service levels
 - Compare your service levels to your peers
 - Insight into best practices
- To manage costs
 - Understand the factors that influence costs
 - Support arguments for investments in people or infrastructure
- To support business decisions
 - Understand how and where other funds are investing in people, technology, service and growth
- To develop performance goals and standards
 - Develop your performance framework and set realistic goals
 - Measure the impact of major operations changes
- To measure and manage your performance
 - Monitor your annual progress using an outside benchmark
- To communicate to stakeholders
 - Demonstrate relative performance to governing bodies
 - Show progress to employees to recognize success and motivate

80 leading global pension systems participate in the benchmarking service.

Participants

Australia*

AustralianSuper
 BUSSQ
 CARE
 CBUS
 GESB
 HealthSuper
 QSuper
 REST
 StatewideSuper
 SunSuper

Canada

APS
 BC Pension Corporation
 Canada Post
 CBC
 Defence Canada
 Desjardins
 HOOPP
 LAPP
 OMERS
 Ontario Pension Board
 Ontario Teachers
 PWGSC
 RCMP

Denmark

ATP

The Netherlands

ABN-AMRO
 ABP
 bpfBOUW
 Pensioenfonds DSM Nederland
 Pensioenfonds ING
 Pensioenfonds Metaal en Techniek
 Pensioenfonds Stork
 PFZW
 Philips Pensioenfonds
 Rabobank
 Stichting Algemeen Pensioenfonds KLM
 Stichting Pensioenfonds voor Huisartsen
 Stichting Shell Pensioenfonds

United Kingdom*

Aviva
 Barclays Bank
 BBC
 BSA NHS Pensions
 BCSSS
 Co-Op
 EDF Energy

Lafarge

Met Police
 MPS
 PCSPS
 Rolls Royce
 RPMI
 SPPA
 Teesside
 USS

United States

Arizona SRS
 CalPERS
 CalSTRS
 Colorado PERA
 City of Milwaukee ERS
 Delaware PERS
 Idaho PERS
 Illinois MRF
 Indiana PERF
 Indiana State TRF
 Iowa PERS
 KPERS
 LACERA
 Maine PERS
 Michigan MERS

Michigan ORS

MOSERS
 Nevada PERS
 New Mexico ERB
 North Carolina RS
 NYC TRS
 NYSLRS
 Ohio PERS
 Ohio SERS
 Oklahoma PERS
 Oregon PERS
 San Bernardino County ERA
 South Dakota RS
 STRS Ohio
 Texas County and District RS
 TRS Louisiana
 Utah RS
 Virginia RS
 Washington State DRS
 Wisconsin DETF

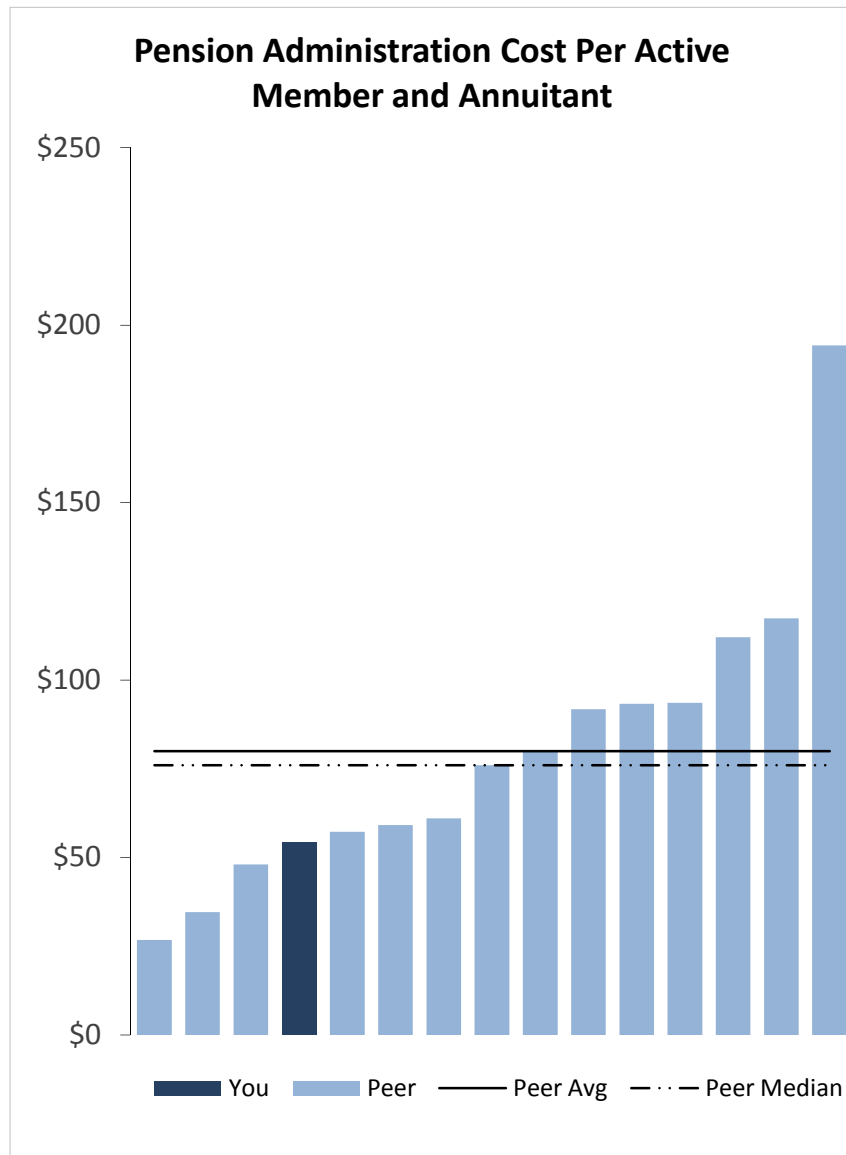
* Systems from Australia and the UK complete a separate benchmarking survey.

The custom peer group for Wisconsin DETF consists of the following 15 peers:

Custom Peer Group for Wisconsin DETF			
Peers (sorted by size)	Membership (in 000's)		
	Active	Annuitants	Total
NYSLRS	562	376	938
CalSTRS	442	259	701
North Carolina RS	461	225	686
Ohio PERS	365	170	535
Michigan ORS	298	224	522
Virginia RS	343	148	491
Washington State DRS	298	134	431
Wisconsin DETF	267	151	418
STRS Ohio	207	133	340
Arizona SRS	214	106	320
Colorado PERA	216	84	300
Oregon PERS	179	117	295
Indiana PERF	179	98	277
Illinois MRF	181	92	273
Iowa PERS	166	94	259
Peer Median	267	134	418

Inactive members are not considered when selecting peers because they are excluded when determining cost per member. They are excluded because they are less costly to administer than either active members or annuitants.

Your total pension administration cost was \$54 per active member and annuitant. This was \$26 below the peer average of \$80.

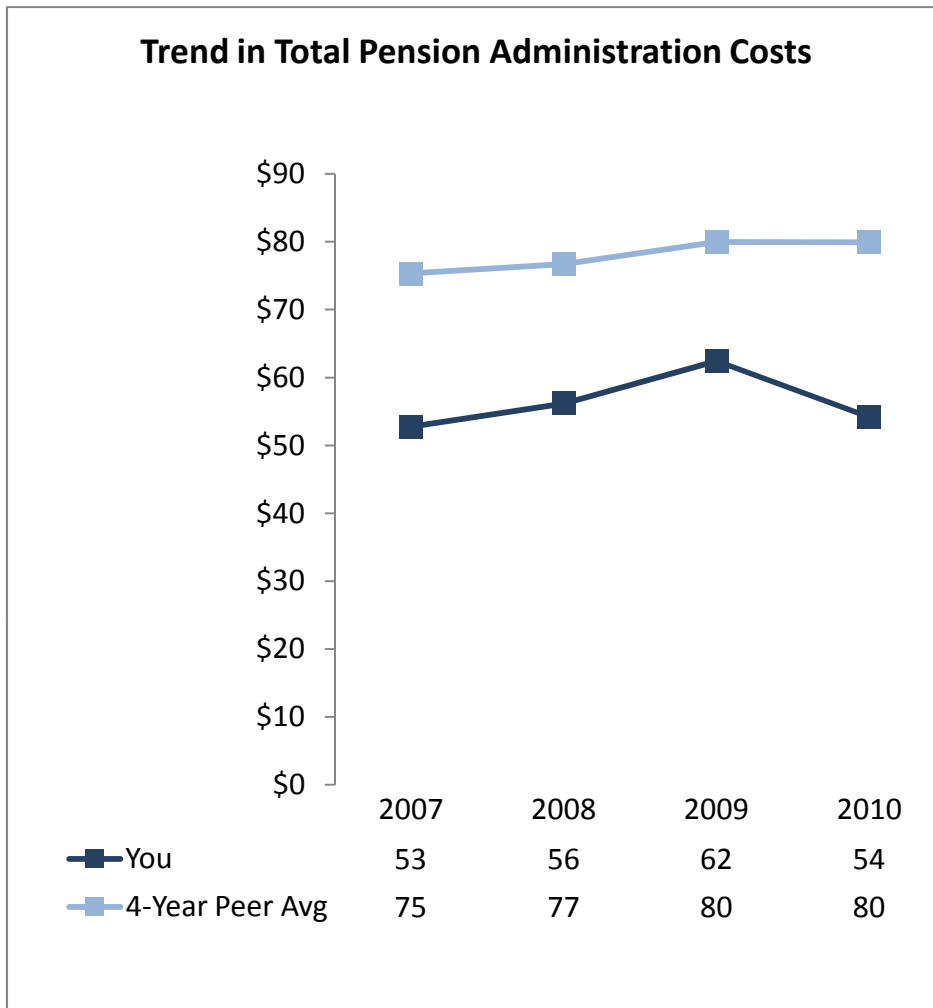


Your total pension administration cost was \$22.6 million. This excludes the cost of administering healthcare, and optional and third-party administered benefits of \$2.5 million.

Cost per activity

Activity	(\$000s) You
1. Member Transactions	
a. Pension Payments	1,167
b. Pension Inceptions	662
c. Withdrawals and Transfers-out	510
d. Purchases and Transfers-in	192
e. Disability	839
2. Member Communication	
a. Call Center	1,128
b. Mail Room, Imaging	536
c. 1-on-1 Counseling	653
d. Presentations and Group Counseling	235
e. Written Pension Estimates	747
f. Mass Communication	567
3. Collections and Data Maintenance	
a. Data and Money from Employers	513
b. Service to Employers	342
c. Data Not from Employers	126
4. Governance and Financial Control	
a. Financial Administration and Control	645
b. Board, Strategy, Policy	162
c. Government and Public Relations	25
5. Major Projects	
a. Amortization of capitalized projects	2,083
b. Major Projects (if you don't capitalize)	1,543
6. Support Services and Other	
a. IT Strategy, Database, Applications	2,799
b. IT Desktop, Networks, Telecom	14
c. Building and Utilities	951
d. Human Resources	42
e. Actuarial	226
f. Legal and Rule Interpretation	6
g. Internal and External Audit	319
h. Other Support Services	5,606
Total Pension Administration	22,637

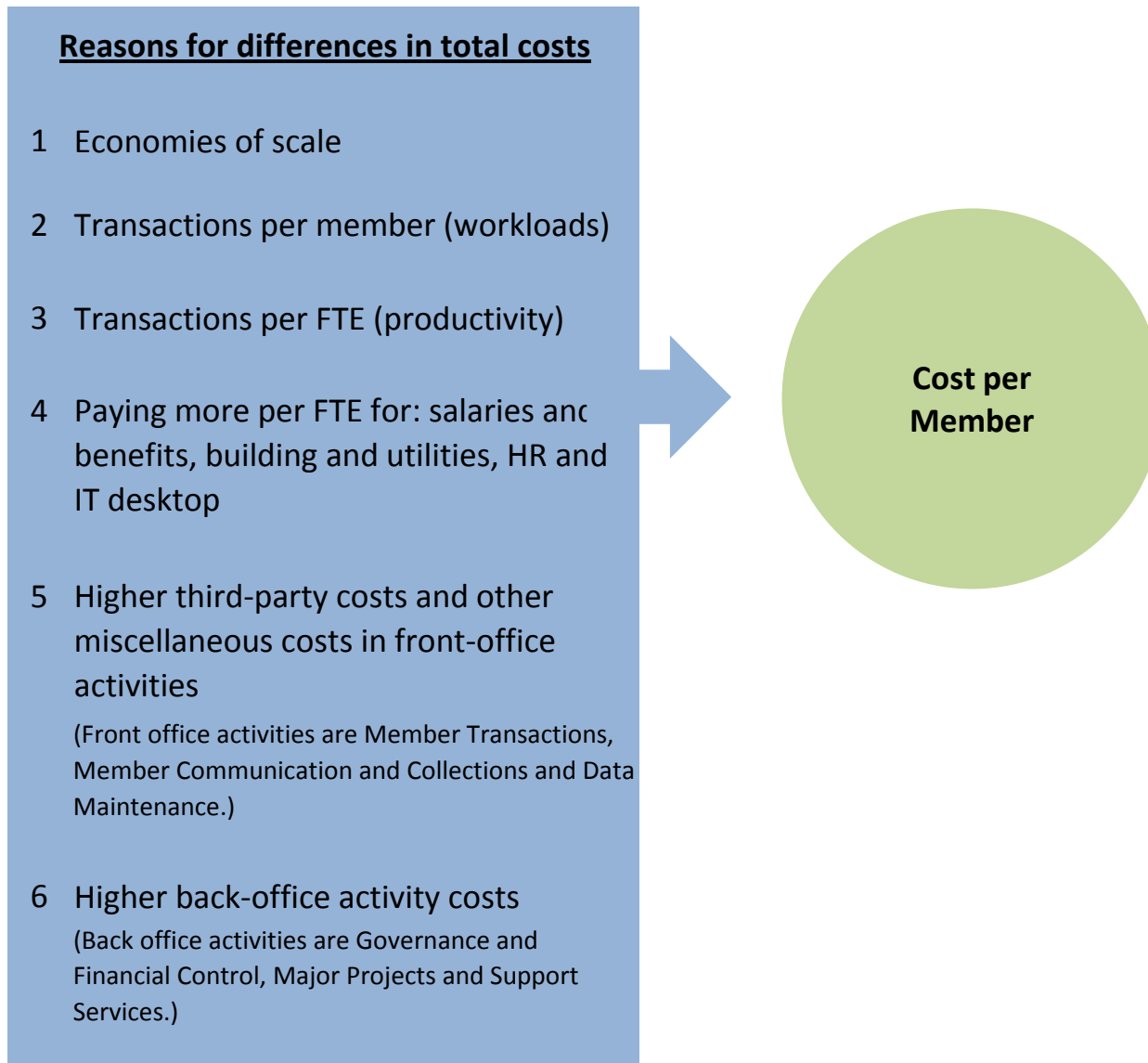
Cost Trends



Your total pension administration cost per member increased by 0.9% per annum between 2007 and 2010.

The average cost of your peers increased by 2.0% per annum over that period.

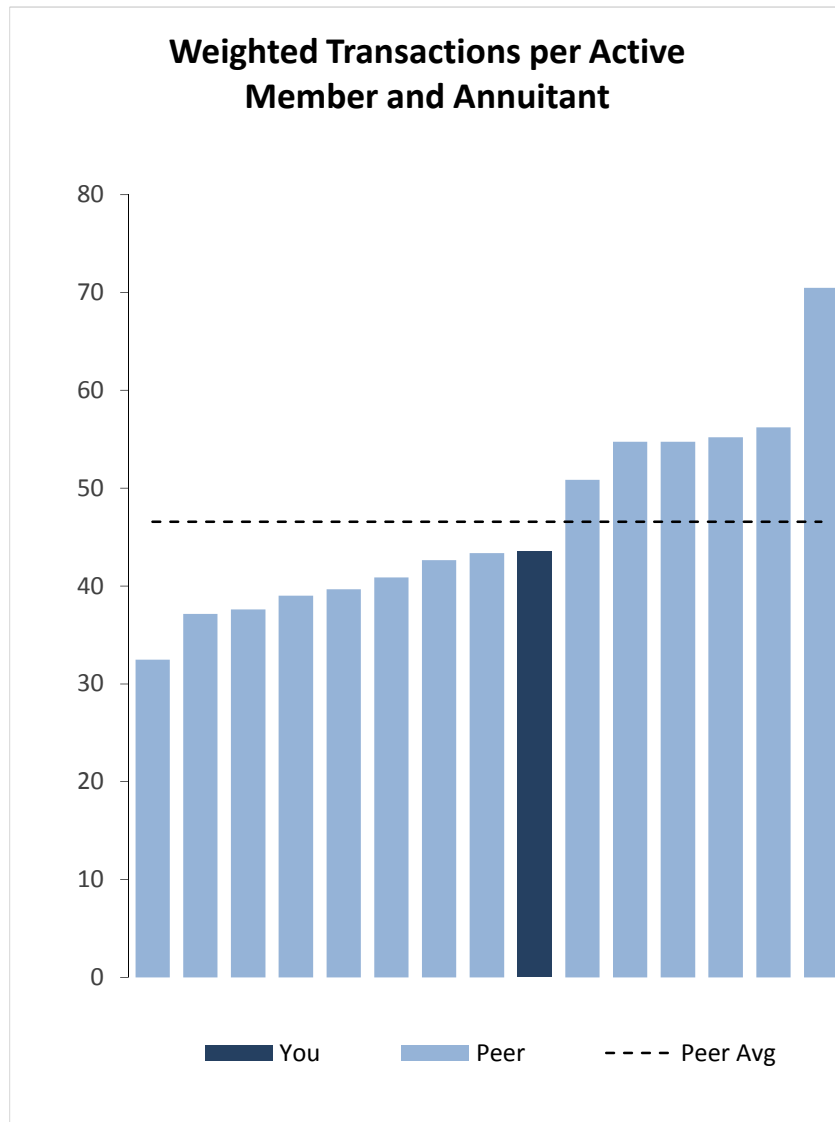
CEM uses the following cost model to explain differences in total costs:



Reasons why your total cost was \$26 below the peer average.

Reason	Impact
1. Economies of scale advantage	-\$0.71
2. Lower transactions per member (workloads)	-\$1.48
3. Higher transactions per FTE (productivity)	-\$4.44
4. Lower costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	-\$1.78
5. Lower third-party and other costs in front-office activities	-\$9.41
6. Paying more/-less for back-office activities:	
- Governance and Financial Control	-\$3.92
- Major Projects	-\$0.83
- IT Strategy, Database, Applications	-\$11.20
- Actuarial, Legal, Audit, Other Support Services	\$2.01
7. Adjustment re: December-year-end peers	\$5.99
Total	-\$25.78

Reason 2: You had lower transaction volumes (workloads).



Your weighted transactions were 7% below the peer average. Your lower transaction volumes decreased your total cost per member by an estimated \$1.48 relative to the peer average.

Weighted transactions indicates whether you are doing more or fewer transactions per member in aggregate than your peers.

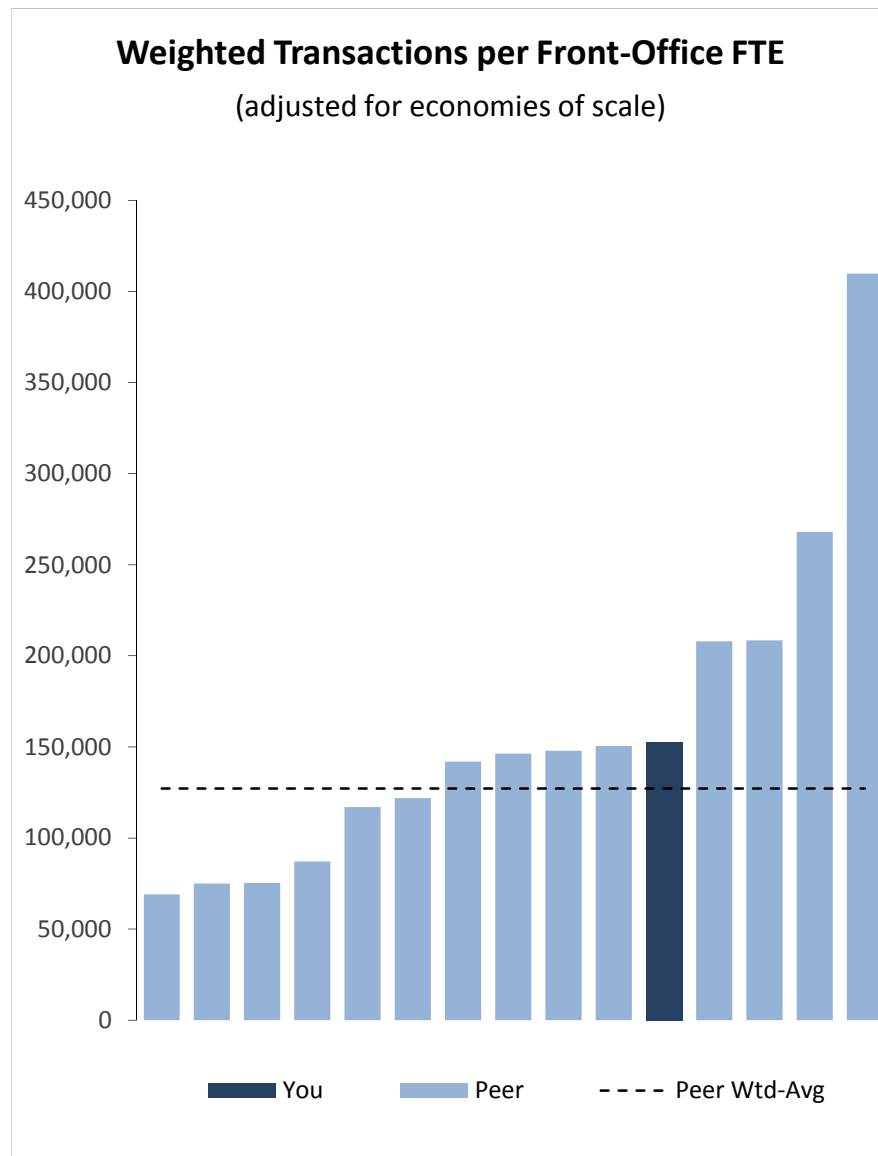
Where did you do more/fewer transactions?

Where did you do more/fewer transactions?			
Front Office Transactions (or Transaction Driver)	<u>Volume per 1,000 Active Members and Annuitants</u>		
	You	Peer Average	More/ -Less
1. Member Transactions			
a. Pension Payments (Annuitants)	360	351	3%
b. New Payee Inceptions	18	23	-22%
c. Withdrawals and Transfers-out	11	34	-68%
d. Purchases and Transfers-in	1.9	9.9	-81%
e. Disability Applications	5.5	2.7	105%
2. Member Communication			
a. Calls and Emails	439	707	-38%
b. Incoming Mail	451	468	-4%
c. Members Counseled 1-on-1	19	29	-33%
d. Member Presentations	0.8	1.3	-40%
e. Written Estimates	47	28	65%
3. Collections and Data Maintenance			
a. Data and Money from Employers (Active Members)	640	649	-1%
b. Service to Employers (Active Members)	640	649	-1%
c. Data Not from Employers (Actives, Inactives, Annuitants)	1,355	1,410	-4%
Weighted Total	43,522	46,565	-7%

Differences in transaction volumes per member reflect differences in:

- Membership mix (active, inactive, annuitant)
- Member demographics
- Member type/ industry group
- System and plan complexity
- Service Levels

Reason 3: You had higher transactions per FTE (productivity).



Your weighted transactions per front-office FTE were 20% above the peer weighted-average. This decreased your total cost per member by \$4.44 relative to the peer average.

Differences in transaction volumes per FTE are due to differences in:

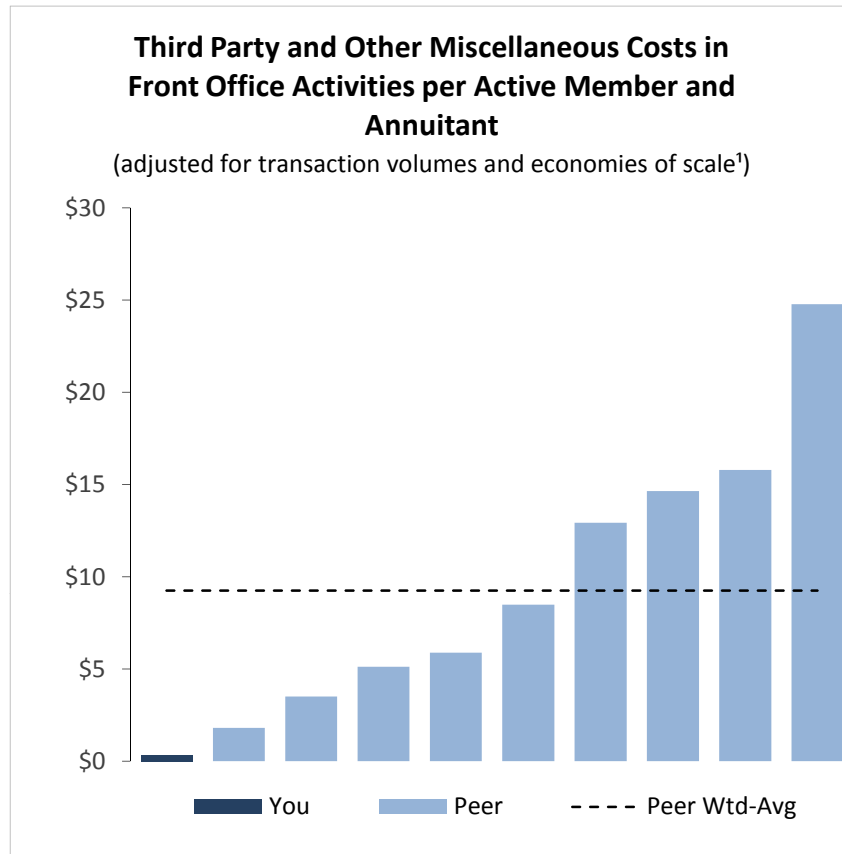
- Economies of scale. CEM research shows that smaller systems had lower productivity than larger systems
- IT capability / on-line transactions
- Service levels
- Complexity of plan rules
- Staff skills and productivity
- Use of consultants versus internal staff
- Projects
- Organization design

Reason 4: You had lower costs per FTE for: salaries and benefits, IT desktop, networks and telecom, building and utilities, and human resources.

Cost per FTE		
	You	FTE-Wtd Peer Avg
Salaries and Benefits	\$98,190	\$83,903
Building and Utilities	\$4,886	\$10,257
Human Resources	\$217	\$2,654
IT Desktop, Networks, Telecom	\$71	\$9,432
Total	\$103,364	\$106,246

Your lower costs per FTE decreased your total cost by \$1.78 per member relative to the peer average.

Reason 5: You had lower third party and other miscellaneous costs in the front-office activities.



Your third party and other miscellaneous costs (such as travel, office supplies, etc.) in the front-office activities¹ were \$0.32 per member which was 97% below the adjusted peer weighted average of \$9.26. Your lower third party costs decreased your total cost per member by \$9.41 relative to the peer average.

1. Front office activities are activities that come in contact with clients or employers, such as paying pensions, member calls and presentations. It excludes back-office activities such as Governance and Financial Control, Major Projects and Support Services.

2. There are fewer bars in the above graph than graphs elsewhere in this report because detailed salary and third-party cost data is not yet available for participants with December year ends (5 of your 15 peers).

Reason 6: You paid less for back-office activities.

Back-Office Activities - Adjusted Cost per Member			
Back Office Activities	You	Peer Avg	More/ -less
Governance and Financial Control	\$3.05	\$6.97	-\$3.92
Major Projects	\$6.96	\$7.80	-\$0.83
IT Strategy, DB Mgmt, Applications	\$4.27	\$15.47	-\$11.20
Actuarial, Legal, Audit, Other	\$18.74	\$16.73	\$2.01
Total	\$33.03	\$46.97	-\$13.95

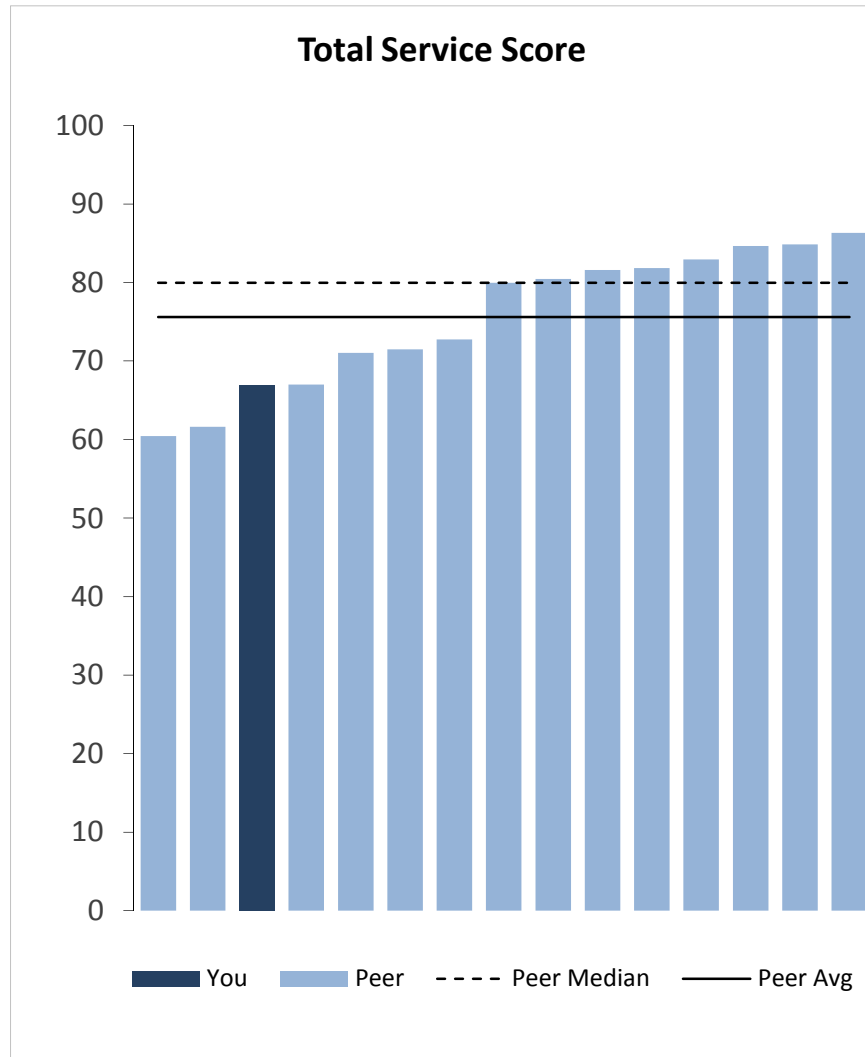
To avoid double counting, back office costs are adjusted for economies of scale and cost per FTE for: salaries, benefits, building, utilities, IT desktop and human resources. Before adjustments, your total costs for the above back-office activities were \$32. The unadjusted peer average was \$33.

Your adjusted cost per active member and annuitant of \$33.03 for back-office activities was below the peer average of \$46.97. Paying less for back-office activities decreased your total cost per member by \$13.95 relative to the peer average.

Differences in cost per member for back-office activities reflects differences in:

- How much you do. For example, some systems invest more in disaster recovery.
- IT capability
- IT investment cycle
- Plan complexity

Your total service score was 67 out of 100. This was below the peer median of 80.

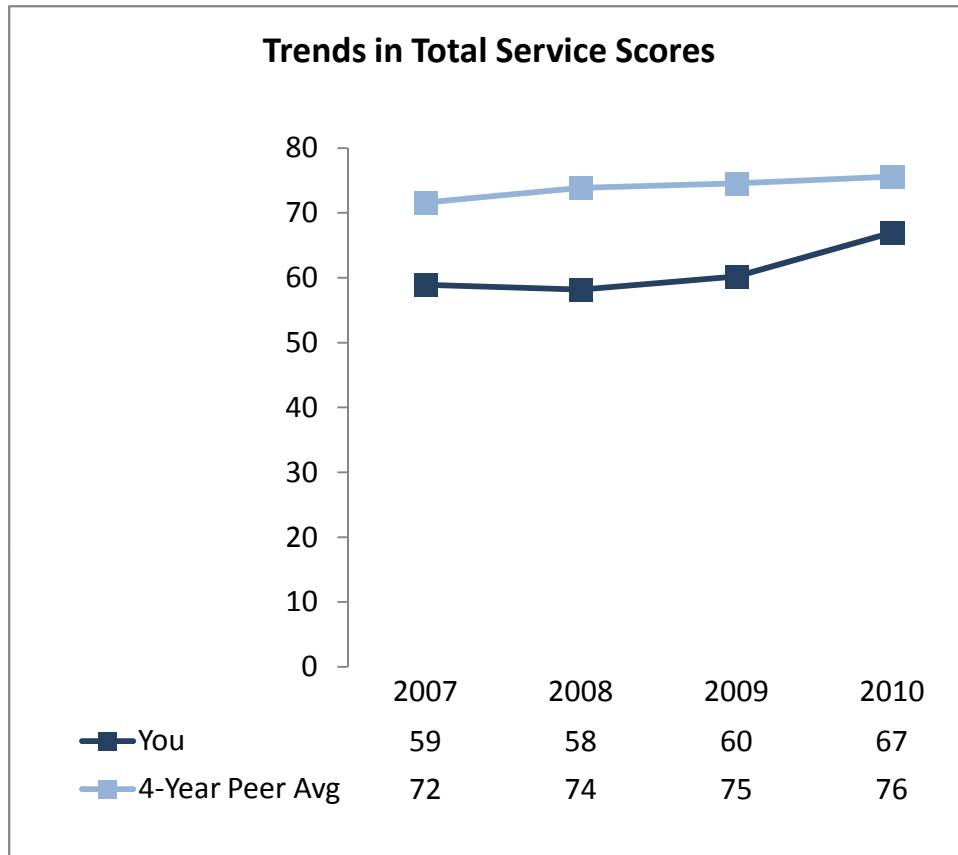


Service is defined from a member's perspective. Higher service means faster turnaround times, more availability, more choice, and higher quality.

The total service score is the weighted average of the activity level service scores.

Service Scores by Activity			
Activity	Weight	Score out of 100	
		You	Peer Median
1. Member Transactions			
Pension payments	19.7%	95	97
Pension inception	7.4%	91	82
Withdrawals and transfers-out	0.3%	19	82
Purchases and transfers-in	3.1%	82	82
Disability	4.8%	73	84
2. Member Communication			
Call center	21.2%	49	67
1-on-1 counseling	7.4%	49	87
Member presentations	6.5%	83	85
Written pension estimates	4.7%	72	78
Mass communication			
a. Website	7.6%	37	77
b. Newsletters	3.8%	74	80
c. Member statements	6.6%	77	84
d. Other mass communication	0.9%	50	60
3. Other			
Satisfaction surveying	5.0%	12	41
Disaster recovery	1.0%	90	92
Weighted Total Service Score	100.0%	67	80

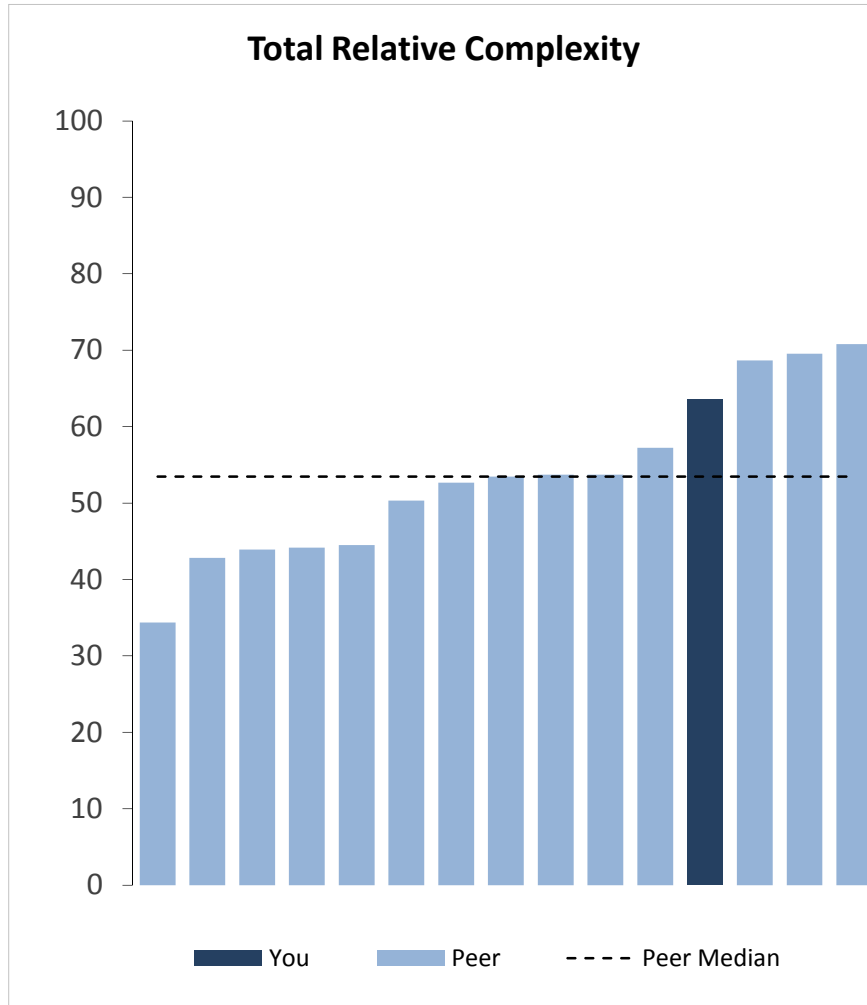
Your service score increased significantly in 2010.



Your total service score improved by 7 points compared to 2009. The key reasons were:

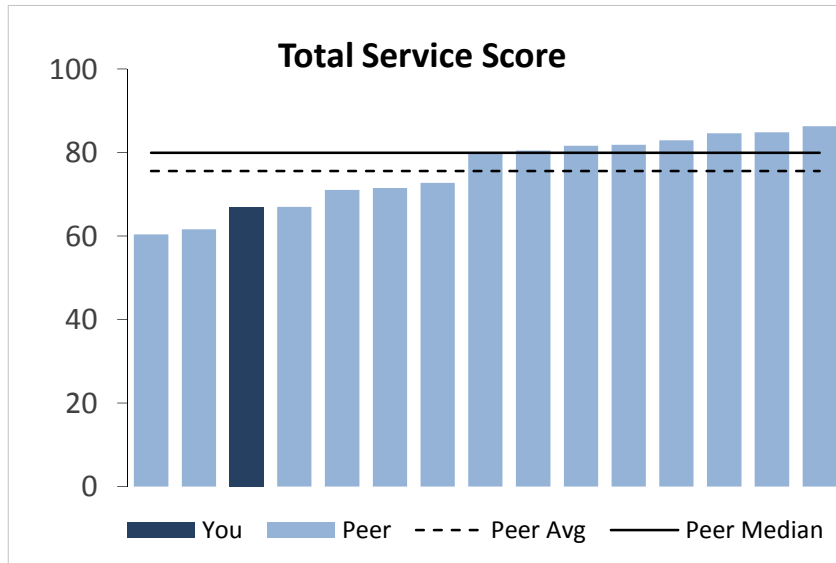
- Call Center - You significantly reduced your number of abandoned calls. You also started monitoring call center agent responses for quality control purposes.
- Member Presentations - You gave more presentations in the field, making it easier for your members to attend presentations. You also reduced the average group size.
- Written Pension Estimates - You improved your turnaround time on written pension estimates, from 11 days to 4 days.

Back-office costs and productivity are impacted by system complexity. Your total relative complexity score of 64 was above the peer median of 53.

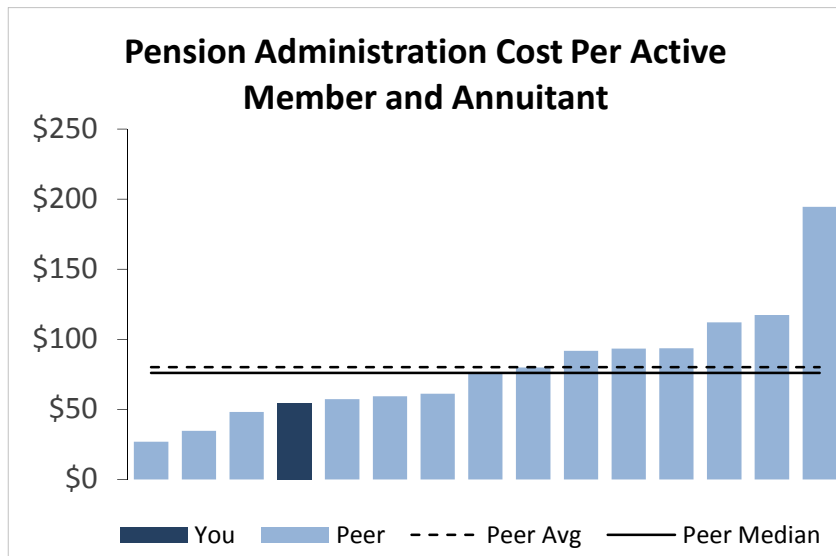


Relative Complexity Score by Cause (0 least - 100 most)		
Cause	You	Peer Median
Pension Payment Options	58	60
Customization Choices	22	4
Multiple Plan Types and Overlay:	100	59
Multiple Benefit Formula	28	45
External Reciprocity	35	35
COLA Rules	12	22
Contribution Rates	58	53
Variable Compensation	100	85
Service Credit Rules	58	60
Divorce Rules	100	55
Purchase Rules	55	64
Refund Rules	14	32
Disability Rules	85	83
Translation	0	0
Defined Contribution Plan Rules	100	100
Total Relative Complexity	64	53

Key Takeaways:



Your total service score was 67 out of 100. This was below the peer median of 80, but significantly higher than the previous year.



Your total pension administration cost was \$54 per active member and annuitant. This was \$26 below the peer average of \$80.