

Wisconsin DETF

Pension Administration Benchmarking Results Fiscal Year 2011

Bruce Hopkins
June 21, 2012



Highlights of the report

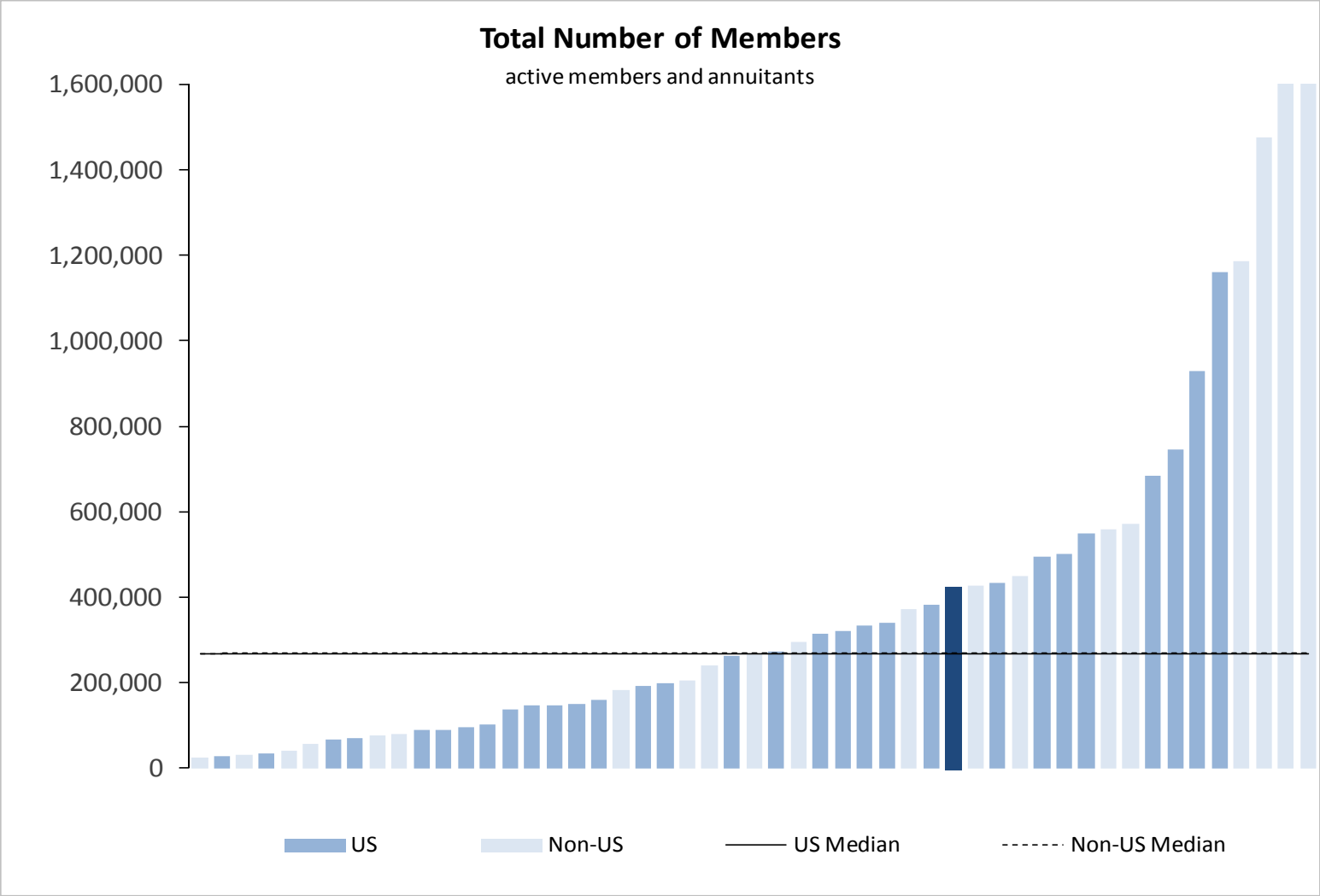
- Wisconsin DETF is very low cost - well below U.S. and global norms.
- It is a very complex system - the most complex in its peer group.
- The gap on service is closing. DETF's overall service level remains below peer median, but its service score has been rising at a faster rate than others.

66 leading global pension systems participate in the benchmarking service.

Participants			
<u>Australia*</u>	<u>Denmark</u>	<u>United States</u>	
AusCoal	ATP	Arizona SRS	Orange County ERS
AustralianSuper		CalSTRS	Oregon PERS
BUSS(Q)	<u>The Netherlands</u>	Colorado PERA	San Bernardino County ERA
Cbus	ABN-AMRO	Delaware PERS	South Dakota RS
QSuper	ABP	Idaho PERS	STRS Ohio
REST	bpfBOUW	Illinois MRF	TRS Louisiana
SunSuper	Pensioenfonds DSM Nederland	Indiana PRS	TRS of Texas
VicSuper	Pensioenfonds Metaal en Techniek	Iowa PERS	Utah RS
	PF Horeca en Catering	LACERA	Virginia RS
<u>Canada</u>	PFZW	Maine PERS	Washington State DRS
APS	Stichting Algemeen Pensioenfonds KLM	Michigan ORS	Wisconsin DETF
BC Pension Corporation	Stichting Shell Pensioenfonds	MOSERS	
Canada Post		Nevada PERS	
Defence Canada	<u>United Kingdom*</u>	New Mexico ERB	
HOOPP	Irish Construction Workers ' Pension Fund	North Carolina RS	
LAPP	Scottish Public Pension Agency (SPPA)	NYC TRS	
OMERS	The Pension Protection Fund (PPF)	NYSLRS	
Ontario Pension Board	Universities Superannuation Scheme (USS)	Ohio PERS	
Ontario Teachers		Ohio SERS	
PWGSC	<u>Sweden</u>	Oklahoma PERS	
RCMP	Alecta	Oklahoma TRS	

* Systems from Australia and the UK complete a separate benchmarking survey and hence your analysis does not include their results.

Global pension systems by membership size (excluding Australia & U.K.)



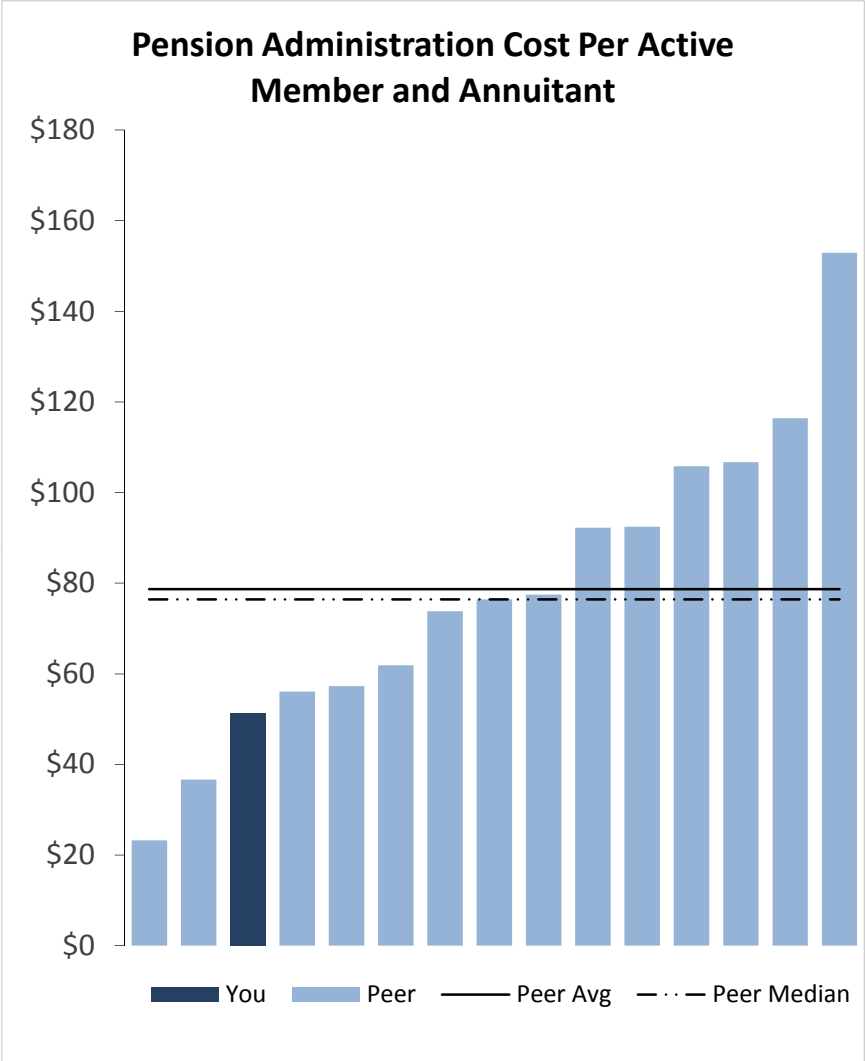
The median size for U.S. funds is equal to the median size for non-U.S. funds.

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	545	385	930
North Carolina RS	500	247	747
CalSTRS	430	254	683
Ohio PERS	372	177	549
Michigan ORS	262	239	500
Virginia RS	340	156	496
Washington State DRS	294	139	432
Wisconsin DETF	267	156	422
Indiana PRS	261	122	383
STRS Ohio	203	138	341
Colorado PERA	238	95	333
Arizona SRS	209	113	322
Oregon PERS	194	120	313
Illinois MRF	177	95	272
Iowa PERS	164	99	263
Peer Median	262	139	422
Peer average	297	169	466

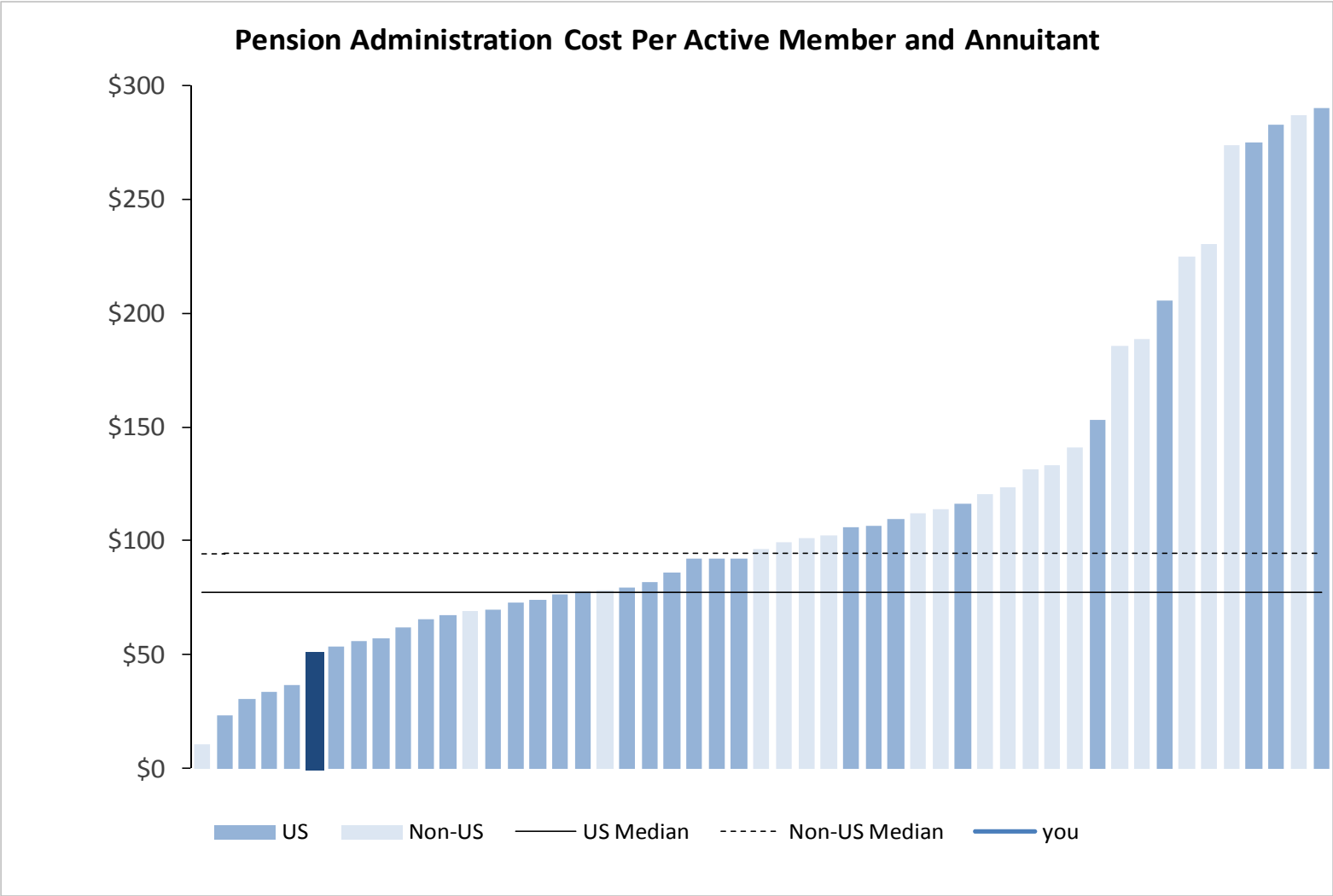
Inactive members are not considered when selecting peers because they are excluded when determining cost per member. They are excluded because they are less costly to administer than either active members or annuitants.

Your total pension administration cost was \$51 per active member and annuitant. This was \$27 below the peer average of \$79.



Your total pension administration cost was \$21.7 million. This excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$4.9 million.

U.S. funds are lower cost than non-U.S. funds. Your total cost is extremely low in a global context.

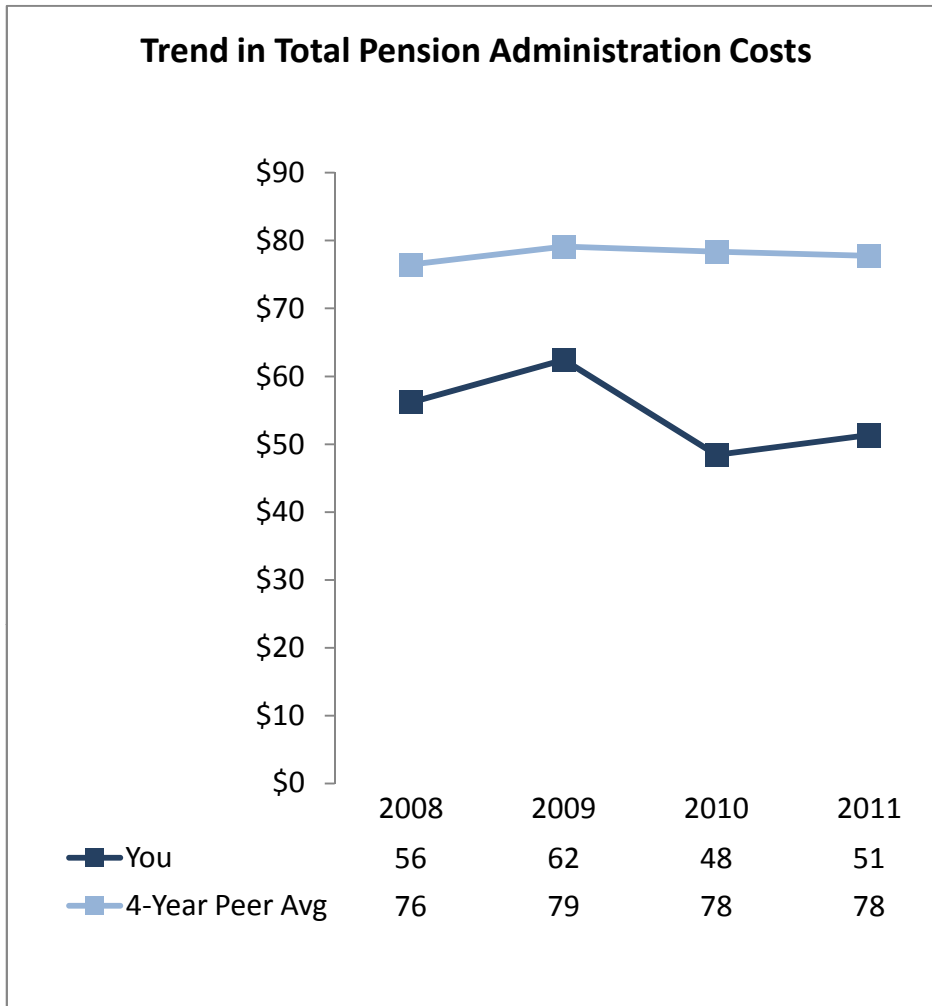


Your cost per activity.

Activity	(\$000s)
1. Member Transactions	
a. Pension Payments	460
b. Pension Inceptions	616
c. Withdrawals and Transfers-out	498
d. Purchases and Transfers-in	172
e. Disability	1,032
2. Member Communication	
a. Call Center	1,640
b. Mail Room, Imaging	665
c. 1-on-1 Counseling	942
d. Presentations and Group Counseling	525
e. Written Pension Estimates	850
f. Mass Communication	576
3. Collections and Data Maintenance	
a. Data and Money from Employers	599
b. Service to Employers	489
c. Data Not from Employers	244
4. Governance and Financial Control	
a. Financial Administration and Control	864
b. Board, Strategy, Policy	1,661
c. Government and Public Relations	38
5. Major Projects	
a. Amortization of non-IT major projects	0
b. Non-IT major projects (if you don't capitalize)	48
c. Amortization of IT major projects	0
d. IT major projects (if you don't capitalize)	1,226
6. Information Technology	
a. IT Strategy, Database, Applications	2,832
b. IT Desktop, Networks, Telecom	1,965
7. Support Services and Other	
a. Building and Utilities	1,472
b. Human Resources	489
c. Actuarial	286
d. Legal and Rule Interpretation	118
e. Internal and External Audit	417
f. Pay-as-you-go benefits for retired staff	0
g. Other Support Services	963
Total Pension Administration	21,685

Your total cost of \$21.7 million excludes the cost of administering healthcare, optional and third-party administered benefits of \$4.9 million.

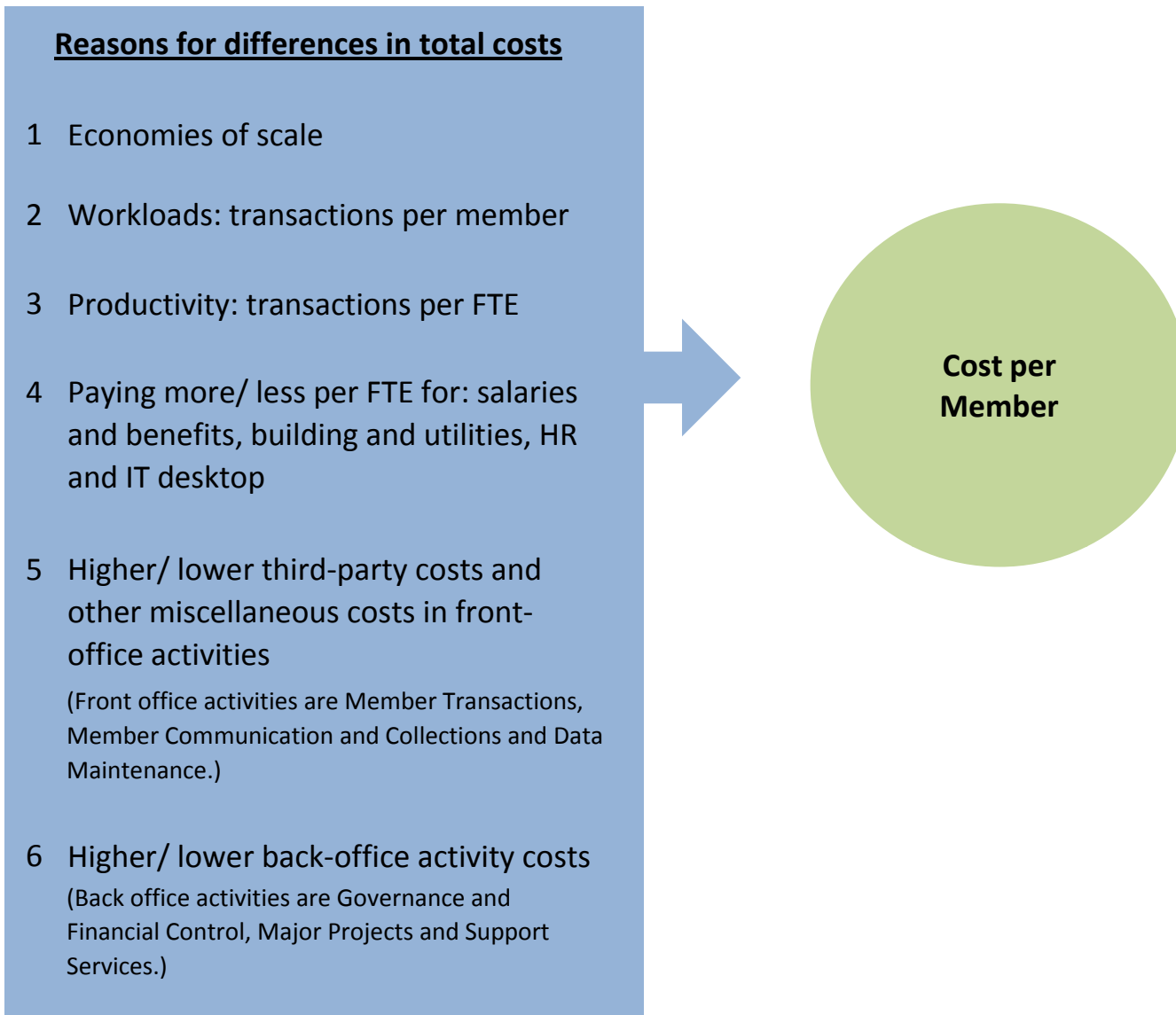
Cost Trends



Your total pension administration cost per active member and annuitant decreased by 3.0% per annum between 2008 and 2011. During this same period, the average cost of your peers with 4 years of consecutive data increased by 0.5% per annum.

Trend analysis is based on systems that have provided 4 consecutive years of data (14 of your 15 peers).

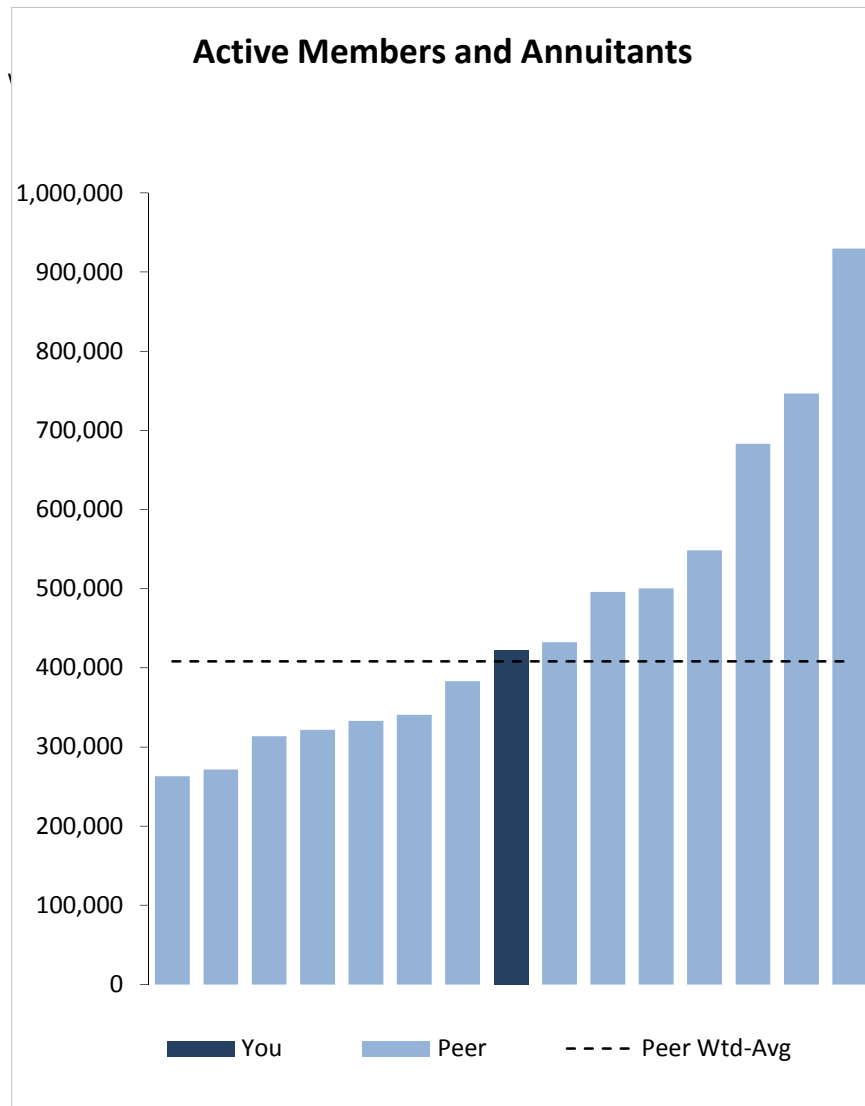
CEM uses the following cost model to explain differences in total costs:



Reasons why your total cost was \$27 below the peer average.

Reason	Impact
1. Minimal economies of scale impact	-\$0.35
2. Similar transactions per member (workloads)	-\$0.36
3. Higher transactions per FTE (productivity)	-\$7.52
4. Higher costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	\$2.52
5. Lower third-party and other costs in front-office activities	-\$7.41
6. Paying more/-less for back-office activities:	
- Governance and Financial Control	\$1.05
- Major Projects	-\$2.15
- IT Strategy, Database, Applications	-\$5.50
- Actuarial, Legal, Audit, Other Support Services	-\$7.68
Total	-\$27.38

Reason 1: You had a slight economies of scale advantage.



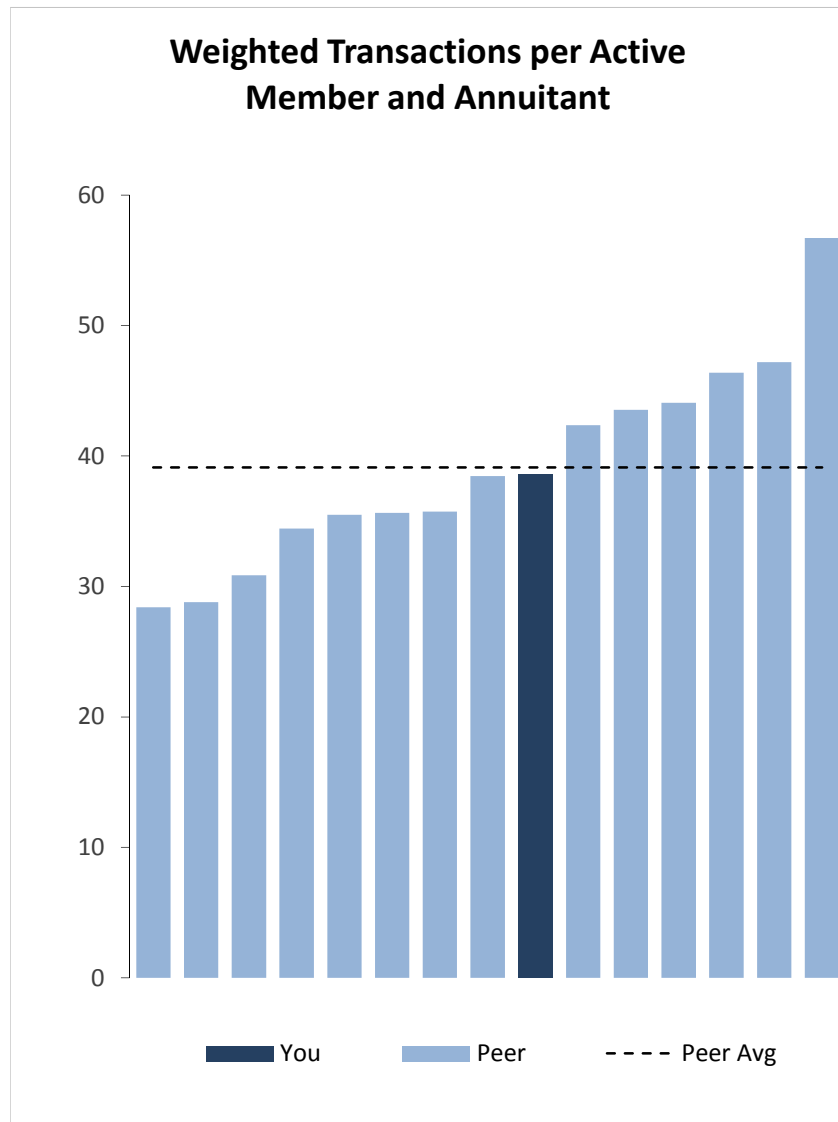
Your system had slightly more members than the peer weighted-average. This means you had a slight cost advantage relative to the average peer of \$0.35 per member.

Size is a key driver of costs. But the benefit of economies of scale is not linear. Scale economies diminish as systems get larger.

How Changes in Membership Impact Your Cost			
% Change in Members	# of Members	Predicted Cost per Member	Increase/-Decrease
-75%	105,601	\$81.58	\$30.24
-50%	211,202	\$61.42	\$10.08
-25%	316,803	\$54.70	\$3.36
0%	422,404	\$51.34	\$0.00
+25%	528,005	\$49.32	-\$2.02
+50%	633,606	\$47.98	-\$3.36
+75%	739,207	\$47.02	-\$4.32

The peer-average is weighted with a higher weight to smaller plans because the relationship between size and cost is not linear.

Reason 2: You had similar transaction volumes per member (workloads).



Your weighted transactions were 1% below the peer average. Your slightly lower transaction volumes decreased your total cost per member by an estimated \$0.36 relative to the peer average.

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

The following page shows where you are doing more and/or fewer transactions by front-office activity.

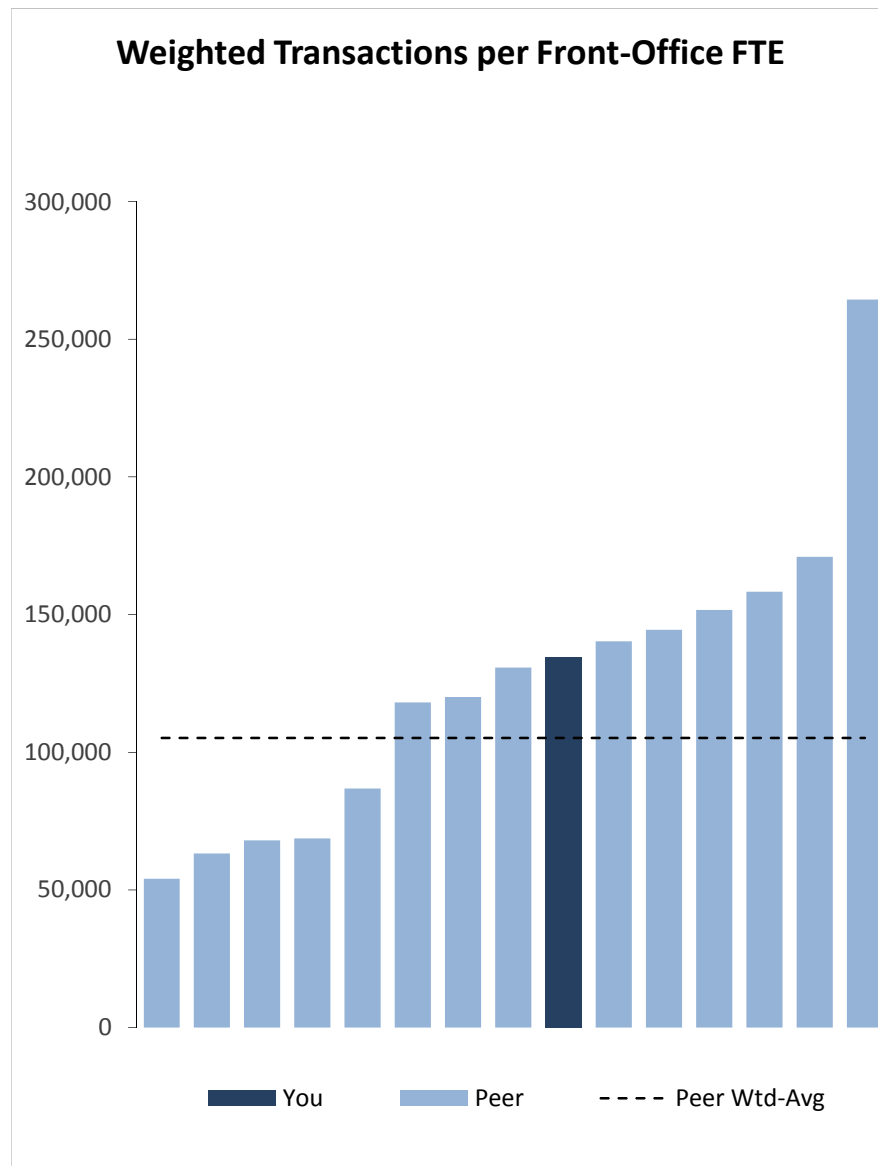
Where did you do more/fewer transactions?

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)	369	359	3%
b. New Payee Inceptions	20	27	-25%
c. Withdrawals and Transfers-out	15	32	-52%
d. Purchases and Transfers-in	3	14	-78%
e. Disability Applications	5.7	2.9	92%
2. Member Communication			
a. Calls and Emails	522	780	-33%
b. Incoming Mail	530	495	7%
c. Members Counseled 1-on-1	20	29	-33%
d. Member Presentations	1.4	1.2	14%
e. Written Estimates	68	29	137%
3. Collections and Data Maintenance			
a. Data and Money from Employers (Active Members)	631	641	-2%
b. Service to Employers (Active Members)	631	641	-2%
c. Data Not from Employers (Actives, Inactives, Annuitants)	1,355	1,400	-3%
Weighted Total	38,636	39,115	-1%

Differences in transaction volumes per member reflect differences in:

- Membership mix (active, inactive, annuitant)
- Member demographics. For example, you may have a higher proportion of active members approaching retirement.
- Member type/ industry group.
- System and plan complexity. For example, if you administer healthcare, you will have higher communication needs.
- Service Levels

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



Your weighted transactions per front-office FTE were 28% above the peer weighted-average (adjusted for economies of scale to avoid double counting). Your higher transaction volumes per FTE decreased your total cost per member by \$7.52 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 staff productivity
- Use of consultants versus internal staff
- Projects
- Organization design

It is important to emphasize that total productivity is not a measure of staff productivity; staff productivity is however a component of total productivity.

Reason 4: You had higher 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	\$77,075	\$72,705
Building and Utilities	\$8,737	\$9,978
Human Resources	\$2,901	\$2,787
IT Desktop, Networks, Telecom	\$11,659	\$10,361
Total	\$100,373	\$95,831

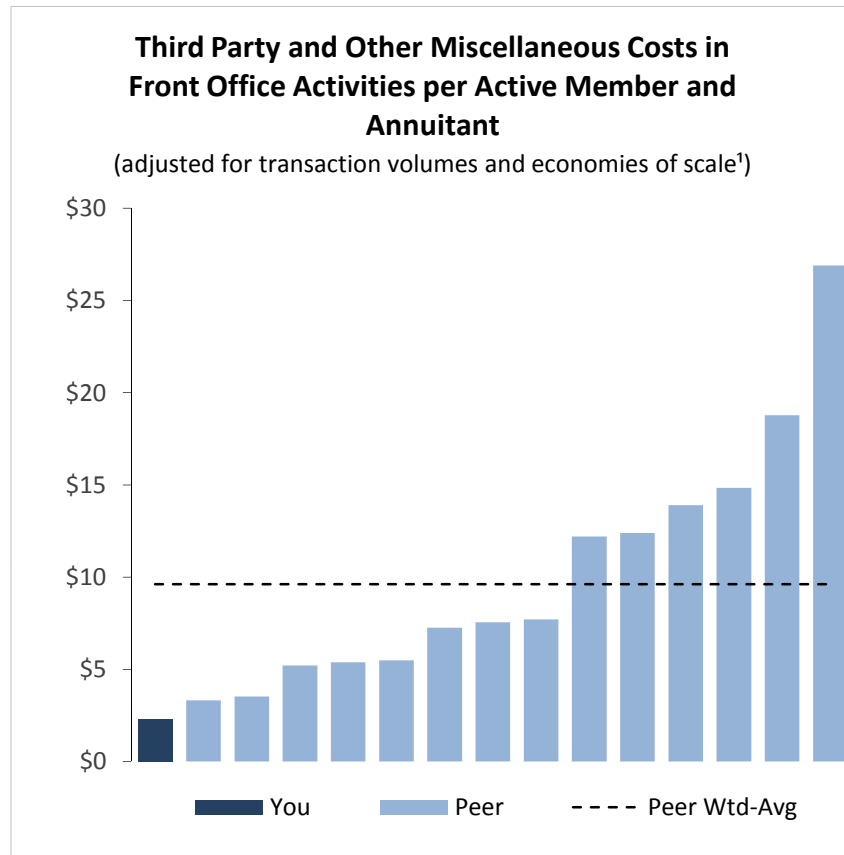
Your higher costs per FTE increased your total cost by \$2.52 per member relative to the peer average.

The peer average is weighted such that peers with more FTEs get a higher weight because 'cost per FTE' differences matter more for peers with more FTEs.

Differences in your cost per FTE reflect differences in:

- Organization structure, strategy and history.
- Outsourcing and use of consultants.
- Cost environment of your location vs. peers.

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 activities² were \$2.30 per member which was 76% below the adjusted peer weighted average of \$9.62. Your lower third party costs decreased your total cost per member by \$7.41 relative to the peer average.

1. To avoid double counting, peer costs are adjusted for differences in transaction volumes and economies of scale.
2. 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.

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	\$7.00	\$5.94	\$1.05
Major Projects	\$3.10	\$5.25	-\$2.15
IT Strategy, Database, Applications	\$7.52	\$13.02	-\$5.50
Actuarial, Legal, Audit, Other	\$5.01	\$12.69	-\$7.68
Total	\$22.62	\$36.90	-\$14.28

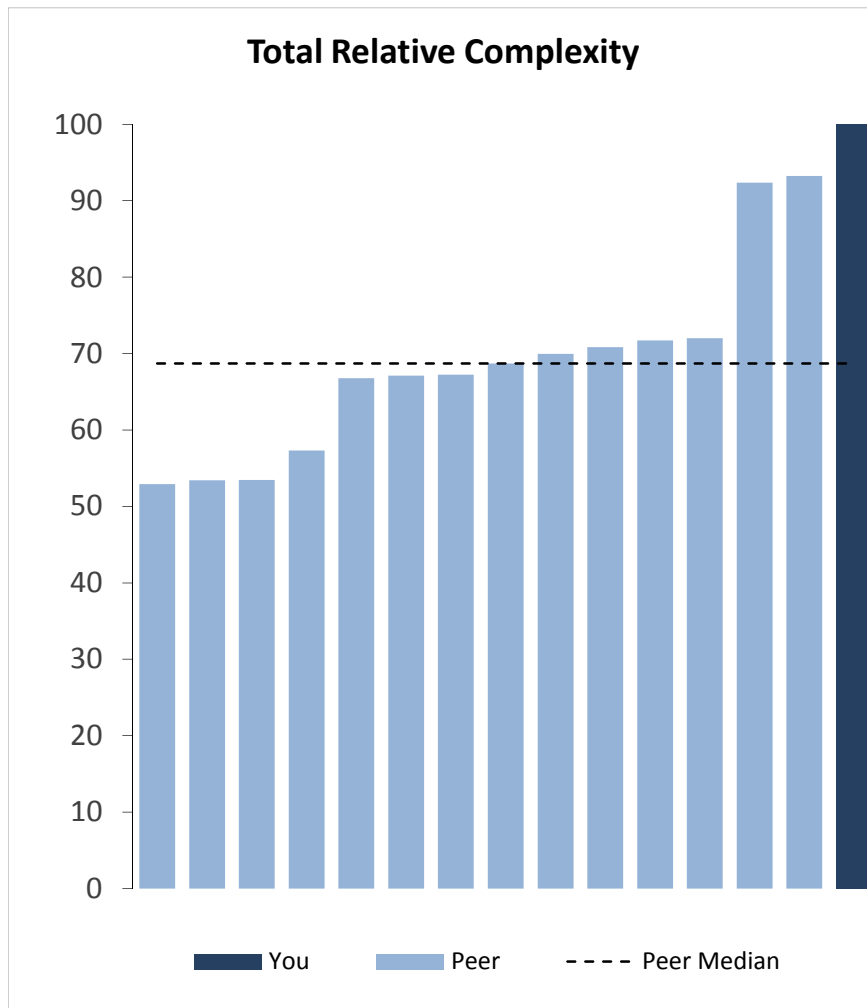
To avoid double counting, back office costs are adjusted for economies of scale and cost per FTE for: salaries, benefits, building, utilities, IT desktop and human resources. Before adjustments, your total costs for the above back-office activities were \$32. The unadjusted peer average was \$51.

Your adjusted cost per active member and annuitant of \$22.62 for back-office activities was below the peer average of \$36.90. Paying less for back-office activities decreased your total cost per member by \$14.28 relative to the peer average.

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

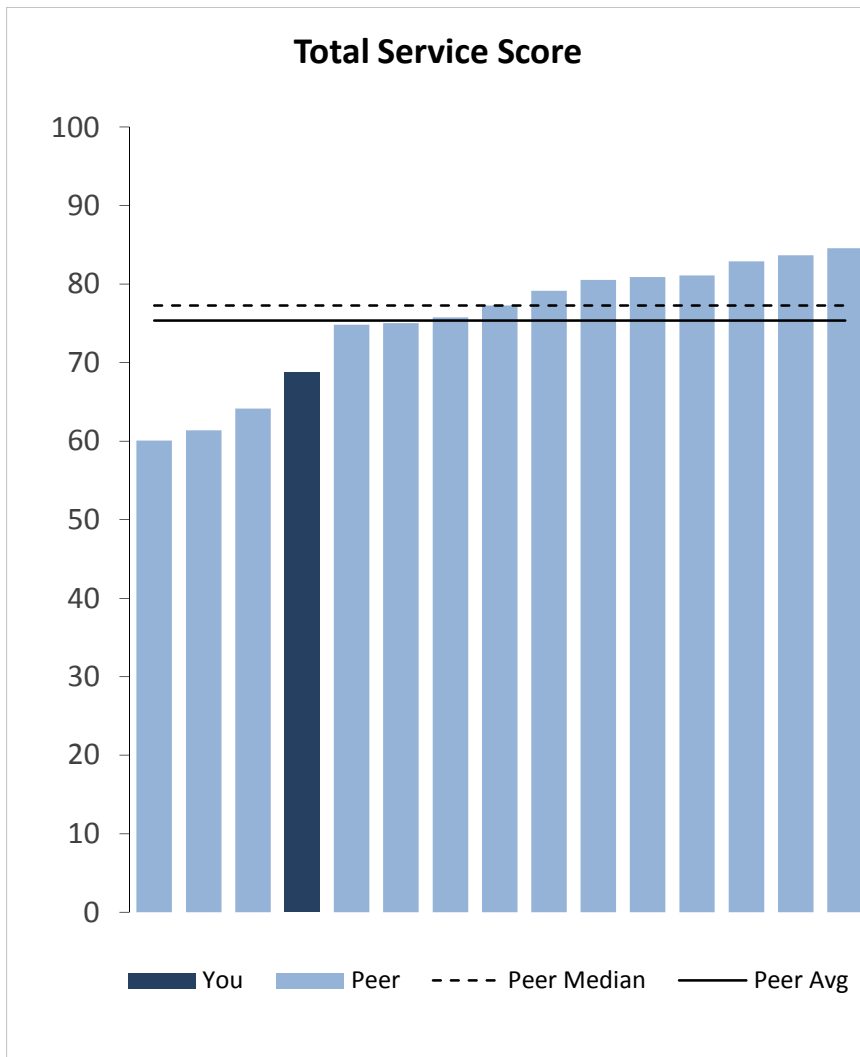
- How much you do. For example, some systems invest more in disaster recovery.
- IT capability
- IT investment cycle
- Plan complexity

Back-office costs and productivity are impacted by system complexity. Your total relative complexity score of 100 was above the peer median of 69, and was the highest in our complexity scoring methodology.



Relative Complexity Score by Cause (0 least - 100 most)		
Cause	You	Peer Median
Pension Payment Options	58	60
Customization Choices	81	14
Multiple Plan Types and Overlay:	100	59
Multiple Benefit Formula	54	57
External Reciprocity	54	0
COLA Rules	12	23
Contribution Rates	62	57
Variable Compensation	100	85
Service Credit Rules	58	58
Divorce Rules	100	55
Purchase Rules	63	71
Refund Rules	31	45
Disability Rules	85	83
Translation	40	0
Defined Contribution Plan Rules	100	100
Total Relative Complexity	100	69

Your total service score was 69 out of 100. This was below the peer median of 77.



Service is defined from a member's perspective. Higher service means faster turnaround times, more availability, more choice, and higher quality. Examples of key service metrics are shown on the next page.

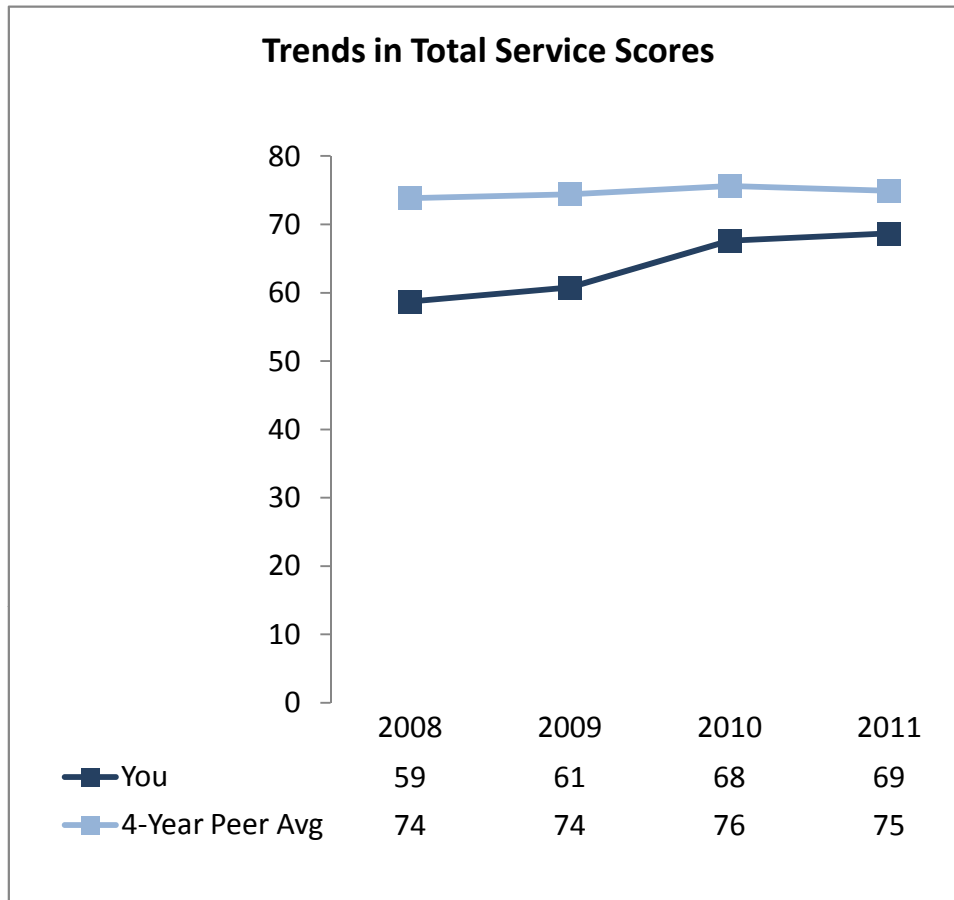
A higher service score is not necessarily better. This is because:

- High service may not always be cost effective or optimal. For example, it is higher service for your members to have a contact center open 24 hours a day. But few systems would be able to justify the cost.
- The weights CEM uses are an approximation of the importance of individual service elements. The weights will not always reflect the relative importance that you or your members attach to individual service elements.

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	% Higher /-Lower
<u>1. Member Transactions</u>				
Pension Payments	19.7%	95	98	-3%
Pension Inceptions	7.4%	91	83	10%
Withdrawals & Transfers-out	0.3%	28	90	-69%
Purchases & Transfers-in	3.1%	84	80	5%
Disability	4.8%	82	82	0%
<u>2. Member Communication</u>				
Call Center	21.2%	49	60	-18%
1-on-1 Counseling	7.4%	55	86	-36%
Member Presentations	6.5%	92	84	10%
Written Pension Estimates	4.7%	66	83	-20%
Mass Communication				
a. Website	7.6%	41	77	-47%
b. Newsletters	3.8%	80	85	-6%
c. Member statements	6.6%	83	83	0%
d. Other mass communication	0.9%	42	60	-30%
<u>3. Other</u>				
Satisfaction Surveying	5.0%	12	49	-76%
Disaster Recovery	1.0%	41	80	-49%
Weighted Total Service Score	100.0%	69	77	-10%

Your service score increased from 59 to 69 between 2008 and 2011.

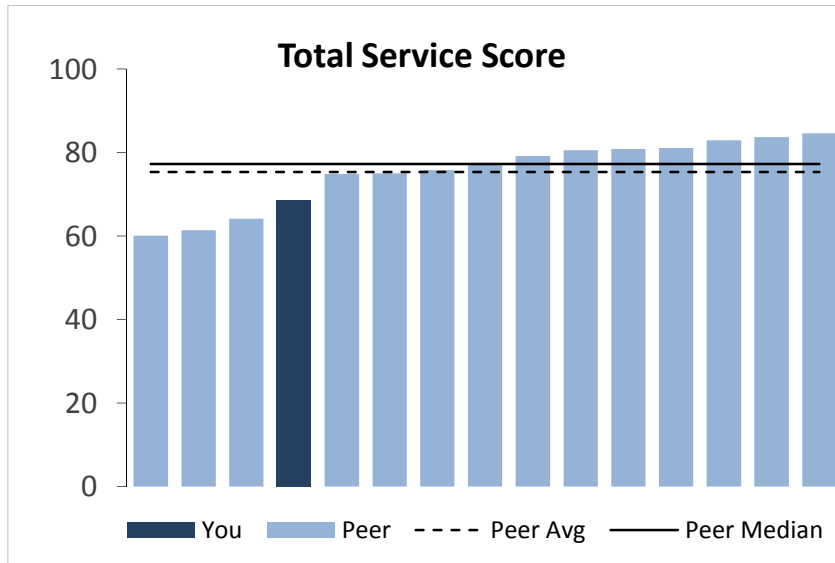


Trend analysis is based on systems that have provided 4 consecutive years of data (14 of your 15 peers).

Your total service score increased by 10 points since 2008. This increase reflects improvements in the following service areas:

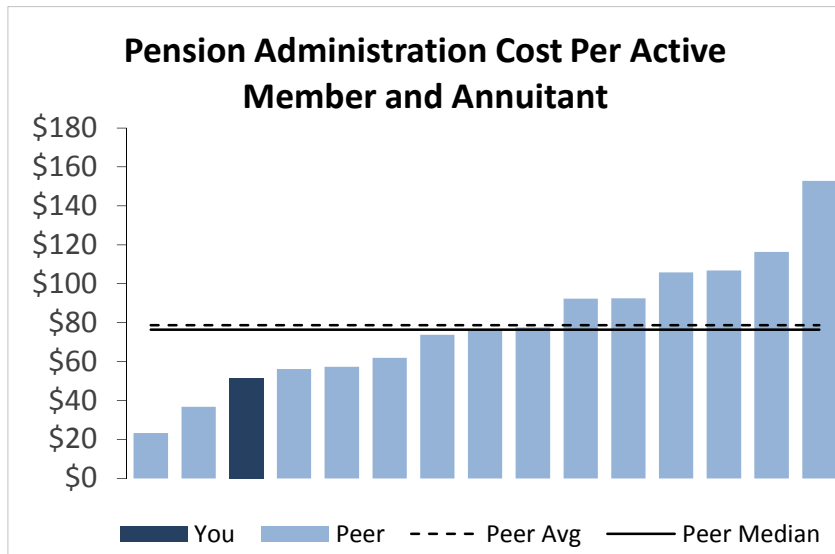
- **Calls.** You have significantly reduced your undesired call outcomes (i.e., busy signals, abandoned calls) from 50% to 9%. And, you now also review your staff's responses to calls on a regular basis for coaching purposes.
- **Member presentations.** You have reduced the average group size, from 41 to 21 attendees, thereby allowing greater opportunity for individual attention. You also offer more targeted presentations, from 2 to 4 types, geared toward different stages of a member's career.
- **Purchases.** Your average turnaround time on a service credit purchase request has improved from 25 days to 9.

Key Takeaways:



Your total service score was 69 out of 100. This was below the peer median of 77.

- Your service score has increased by 10 points since 2008.
- You have made significant improvements in many service areas, the most significant in calls, member presentations, and purchases.



Your total pension administration cost was \$51 per active member and annuitant. This was \$27 below the peer average of \$79. The primary reasons why were:

- You had higher transactions per FTE (productivity).
- You had lower third party and other costs in your front office activities.
- You pay less for back office activities such as major projects, IT and actuarial, legal, audit and other support services.

**Defined Benefit Administration
Benchmarking Analysis**
Fiscal Year 2011

**Wisconsin Department of Employee
Trust Funds**

Final Report - 14 March, 2012

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How you can use this report

- 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 success and achievements to governing bodies
 - Show progress to employees to recognize success and motivate

Wisconsin DETF

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Participants

Australia*

AusCoal
 AustralianSuper
 BUSS(Q)
 Cbus
 QSuper
 REST
 SunSuper
 VicSuper

Canada

APS
 BC Pension Corporation
 Canada Post
 Defence Canada
 HOOPP
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 Ontario Pension Board
 Ontario Teachers
 PWGSC
 RCMP

Denmark

ATP

The Netherlands

ABN-AMRO
 ABP
 bpfBOUW
 Pensioenfonds DSM Nederland
 Pensioenfonds Metaal en Techniek
 PF Horeca en Catering
 PFZW
 Stichting Algemeen Pensioenfonds KLM
 Stichting Shell Pensioenfonds

United Kingdom*

Irish Construction Workers ' Pension Fund
 Scottish Public Pension Agency (SPPA)
 The Pension Protection Fund (PPF)
 Universities Superannuation Scheme (USS)

Sweden

Alecta

United States

Arizona SRS
 CalSTRS
 Colorado PERA
 Delaware PERS
 Idaho PERS
 Illinois MRF
 Indiana PRS
 Iowa PERS
 LACERA
 Maine PERS
 Michigan ORS
 MOSERS
 Nevada PERS
 New Mexico ERB
 North Carolina RS
 NYC TRS
 NYSLRS
 Ohio PERS
 Ohio SERS
 Oklahoma PERS
 Oklahoma TRS
 Orange County ERS
 Oregon PERS
 San Bernardino County ERA
 South Dakota RS
 STRS Ohio
 TRS Louisiana
 TRS of Texas
 Utah RS
 Virginia RS
 Washington State DRS
 Wisconsin DETF

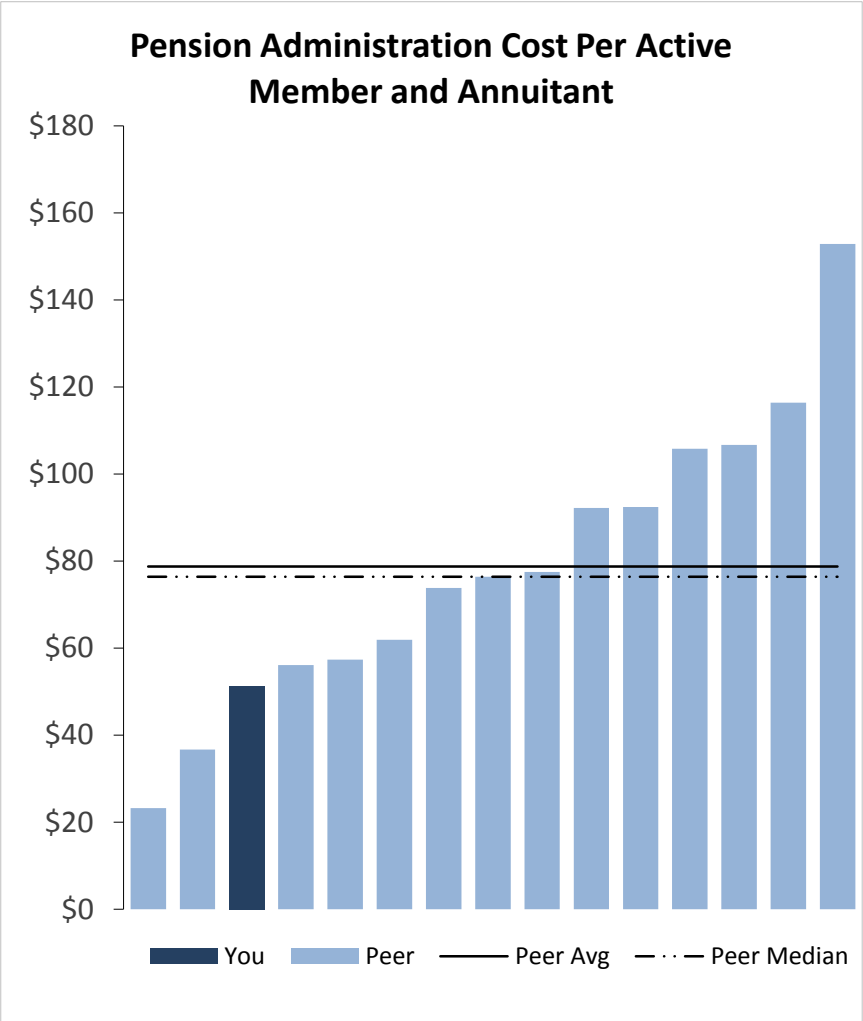
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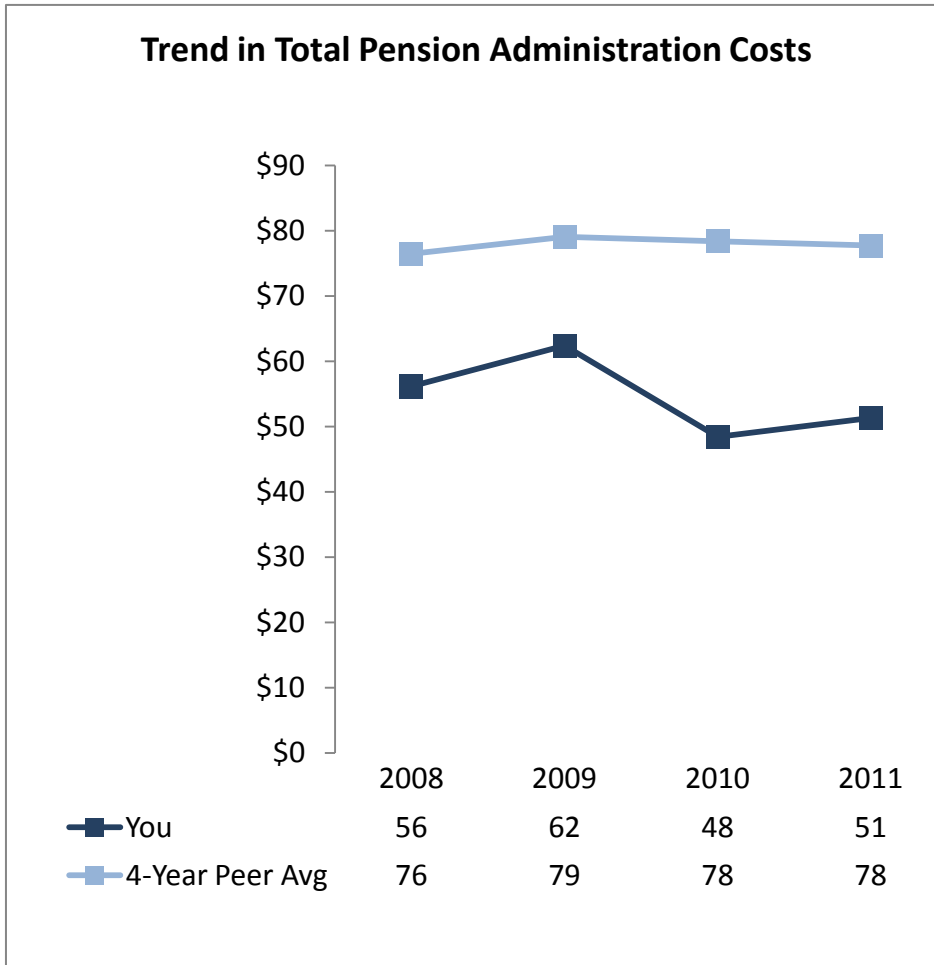
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Cost comparison per activity.

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	You	You	Peer Med	Peer Avg	(vs. average) \$s	%
1. Member Transactions						
a. Pension Payments	460	1.09	2.70	3.28	-2.19	-67%
b. Pension Inceptions	616	1.46	3.06	3.75	-2.29	-61%
c. Withdrawals and Transfers-out	498	1.18	1.18	1.59	-0.41	-26%
d. Purchases and Transfers-in	172	0.41	1.13	1.70	-1.29	-76%
e. Disability	1,032	2.44	1.90	2.56	-0.12	-5%
2. Member Communication						
a. Call Center	1,640	3.88	4.38	5.19	-1.31	-25%
b. Mail Room, Imaging	665	1.58	1.58	2.26	-0.69	-30%
c. 1-on-1 Counseling	942	2.23	1.87	2.76	-0.53	-19%
d. Presentations and Group Counseling	525	1.24	1.02	1.08	0.16	15%
e. Written Pension Estimates	850	2.01	0.88	1.09	0.92	85%
f. Mass Communication	576	1.36	2.38	2.85	-1.48	-52%
3. Collections and Data Maintenance						
a. Data and Money from Employers	599	1.42	2.52	2.83	-1.41	-50%
b. Service to Employers	489	1.16	1.24	1.52	-0.36	-24%
c. Data Not from Employers	244	0.58	1.20	1.16	-0.58	-50%
4. Governance and Financial Control						
a. Financial Administration and Control	864	2.04	2.64	2.75	-0.70	-26%
b. Board, Strategy, Policy	1,661	3.93	1.69	1.61	2.33	145%
c. Government and Public Relations	38	0.09	0.41	0.71	-0.62	-87%
5. Major Projects						
a. Amortization of non-IT major projects	0	0.00	0.00	0.14	-0.14	-100%
b. Non-IT major projects (if you don't capitalize)	48	0.11	0.00	0.48	-0.37	-76%
c. Amortization of IT major projects	0	0.00	0.00	0.94	-0.94	-100%
d. IT major projects (if you don't capitalize)	1,226	2.90	1.29	2.95	-0.05	-2%
6. Information Technology						
a. IT Strategy, Database, Applications	2,832	6.70	11.97	12.34	-5.64	-46%
b. IT Desktop, Networks, Telecom	1,965	4.65	4.65	5.76	-1.11	-19%
7. Support Services and Other						
a. Building and Utilities	1,472	3.49	4.17	5.54	-2.06	-37%
b. Human Resources	489	1.16	1.13	1.55	-0.39	-25%
c. Actuarial	286	0.68	0.96	1.26	-0.58	-46%
d. Legal and Rule Interpretation	118	0.28	2.26	3.26	-2.98	-91%
e. Internal and External Audit	417	0.99	1.06	1.42	-0.43	-30%
f. Pay-as-you-go benefits for retired staff	0	0.00	0.00	0.56	-0.56	-100%
g. Other Support Services	963	2.28	1.60	3.83	-1.55	-40%
Total Pension Administration	21,685	51.34	76.40	78.72	-27.38	-35%

Your total cost of \$21.7 million excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$4.9 million. Your direct costs per the survey for activities 4, 5, 6 and 7 been reduced by attributions to the excluded activities that add up to \$2.6 million. Refer to section 3, page 19 for details.

Cost Trends



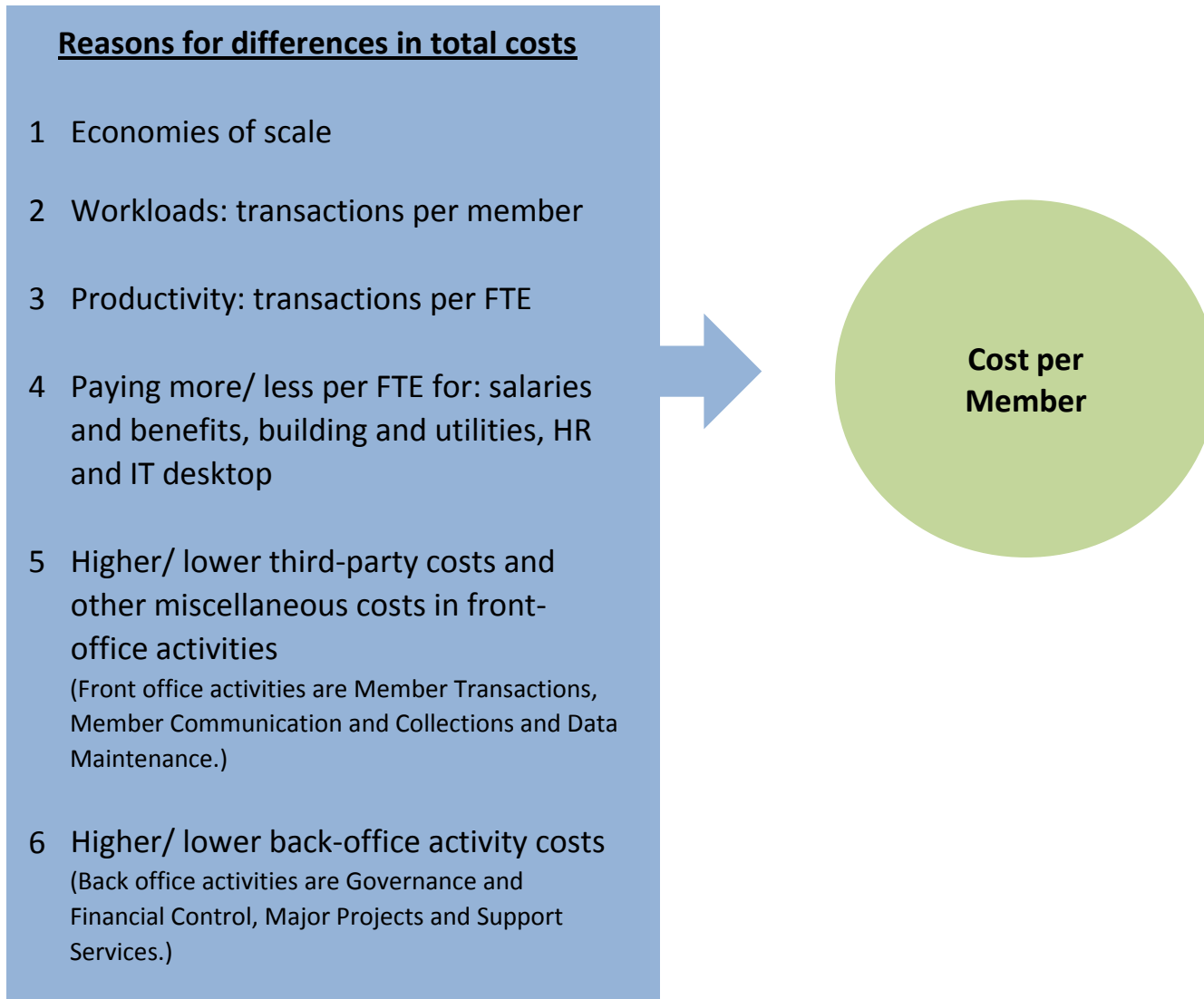
Your total pension administration cost per active member and annuitant decreased by 3.0% per annum between 2008 and 2011. During this same period, the average cost of your peers with 4 years of consecutive data increased by 0.5% per annum.

Your decreased cost can be attributed to major projects spending. Your annual major project costs have decreased from \$4.9M to \$1.3M during this period.

Trend analysis is based on systems that have provided 4 consecutive years of data (14 of your 15 peers).

Major Project costs are no longer averaged over multiple years. Therefore, your historic costs per member may differ from previous reports.

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

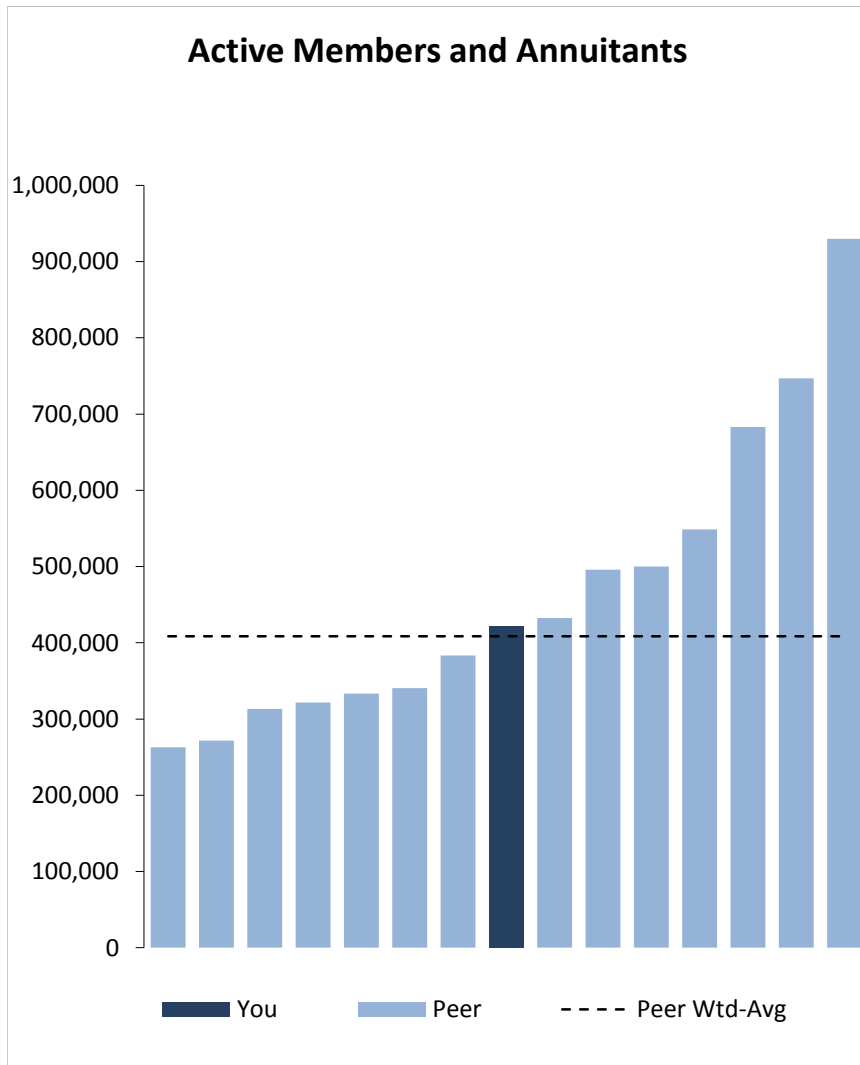


Reasons why your total cost was \$27 below the peer average.

Reason	Impact
1. Slight economies of scale advantage	-\$0.35
2. Similar transactions per member (workloads)	-\$0.36
3. Higher transactions per FTE (productivity)	-\$7.52
4. Higher costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	\$2.52
5. Lower third-party and other costs in front-office activities	-\$7.41
6. Paying more/-less for back-office activities:	
- Governance and Financial Control	\$1.05
- Major Projects	-\$2.15
- IT Strategy, Database, Applications	-\$5.50
- Actuarial, Legal, Audit, Other Support Services	-\$7.68
Total	-\$27.38

CEM reconciles to the peer average instead of the peer median because there are interactions between the reasons that would be lost if we used medians. For example, high major project costs may be associated with high productivity. Also the reasons will only add to 100% if we used averages.

Reason 1: You had a slight economies of scale advantage.



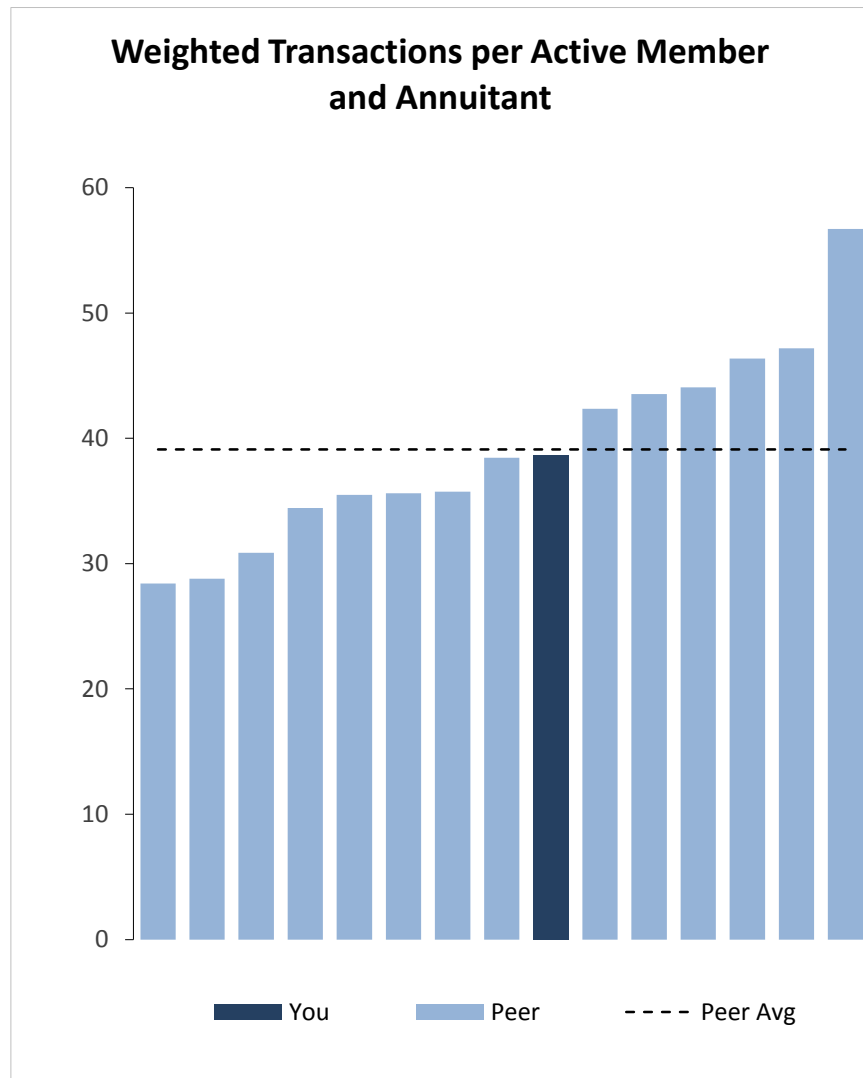
Your system had 3% more members than the peer weighted-average. Your larger size means that you had a cost advantage relative to the average peer of \$0.35 per member.

Size is a key driver of costs. More members lets you spread your fixed costs over a larger base. But the benefit of economies of scale is not linear. Scale economies diminish as systems get larger.

How Changes in Membership Impact Your Cost			
% Change in Members	# of Members	Predicted Cost per Member	Increase/-Decrease
-75%	105,601	\$81.58	\$30.24
-50%	211,202	\$61.42	\$10.08
-25%	316,803	\$54.70	\$3.36
0%	422,404	\$51.34	\$0.00
+25%	528,005	\$49.32	-\$2.02
+50%	633,606	\$47.98	-\$3.36
+75%	739,207	\$47.02	-\$4.32

The peer-average is weighted with a higher weight to smaller plans because the relationship between size and cost is not linear.

Reason 2: You had similar transaction volumes per member (workloads).



Your weighted transactions were 1% below the peer average. Your slightly lower transaction volumes decreased your total cost per member by an estimated \$0.36 relative to the peer average.

Weighted transactions indicates whether you are doing more or fewer transactions per member in aggregate than your peers. The weights used were the median cost per transaction of all participants. This enables us to normalize for the substantial differences in time and effort expended on each type of task. For example, a 1-on-1 counseling session is more costly and time consuming than answering a telephone call.

The following page shows where you are doing more and/or fewer transactions by front-office activity.

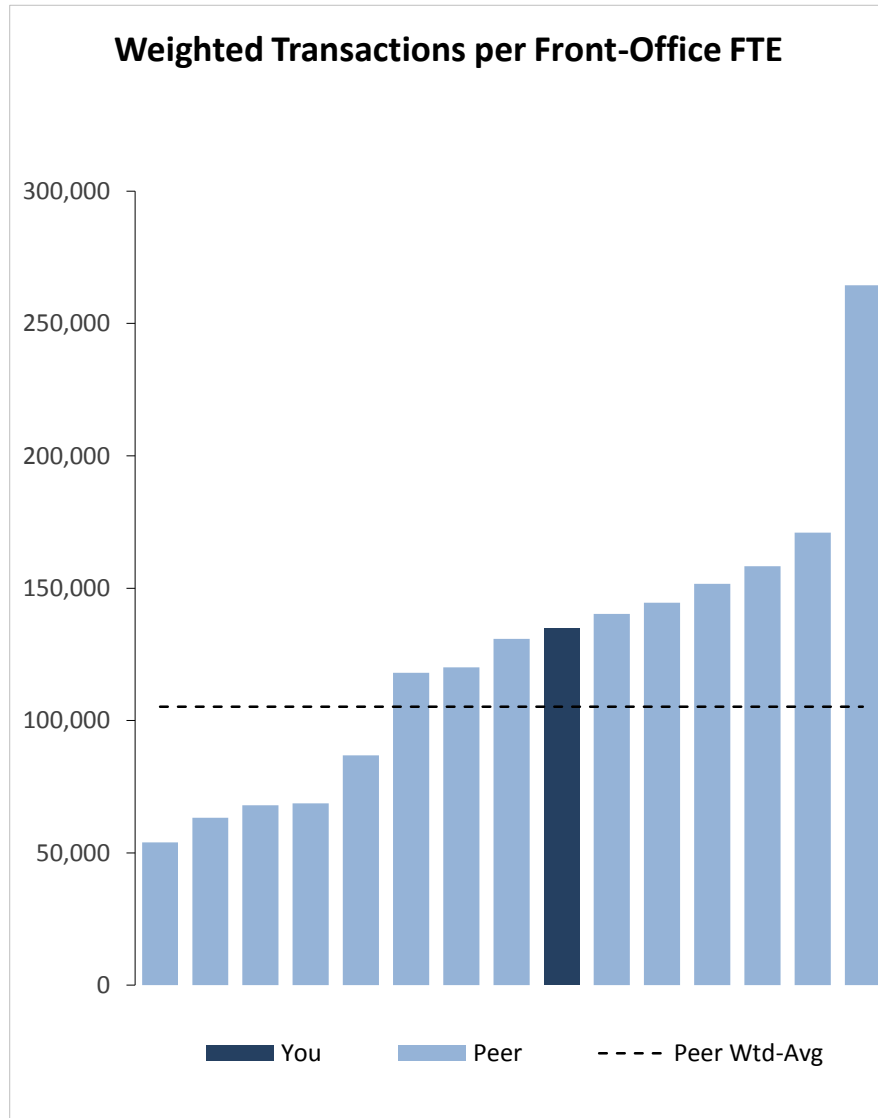
Where did you do more/fewer transactions?

Where did you do more/fewer transactions?			
Front Office Transactions (or Transaction Driver)	Volume per 1,000 Active Members and Annuitants		
	You	Peer Average	More/ -Less
1. Member Transactions			
a. Pension Payments (Annuitants)	369	359	3%
b. New Payee Inceptions	20	27	-25%
c. Withdrawals and Transfers-out	15	32	-52%
d. Purchases and Transfers-in	3	14	-78%
e. Disability Applications	5.7	2.9	92%
2. Member Communication			
a. Calls and Emails	522	780	-33%
b. Incoming Mail	530	495	7%
c. Members Counseled 1-on-1	20	29	-33%
d. Member Presentations	1.4	1.2	14%
e. Written Estimates	68	29	137%
3. Collections and Data Maintenance			
a. Data and Money from Employers (Active Members)	631	641	-2%
b. Service to Employers (Active Members)	631	641	-2%
c. Data Not from Employers (Actives, Inactives, Annuitants)	1,355	1,400	-3%
Weighted Total	38,636	39,115	-1%

Differences in transaction volumes per member reflect differences in:

- Membership mix (active, inactive, annuitant)
- Member demographics. For example, you may have a higher proportion of active members approaching retirement.
- Member type/ industry group.
- System and plan complexity. For example, if you administer healthcare, you will have higher communication needs.
- Service Levels

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



Your weighted transactions per front-office FTE were 28% above the peer weighted-average (adjusted for economies of scale to avoid double counting). Your higher transaction volumes per FTE decreased your total cost per member by \$7.52 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 staff productivity
- Use of consultants versus internal staff
- Projects
- Organization design

It is important to emphasize that total productivity is not a measure of staff productivity; staff productivity is however a component of total productivity.

Reason 4: You had higher 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	\$77,075	\$72,705
Building and Utilities	\$8,737	\$9,978
Human Resources	\$2,901	\$2,787
IT Desktop, Networks, Telecom	\$11,659	\$10,361
Total	\$100,373	\$95,831

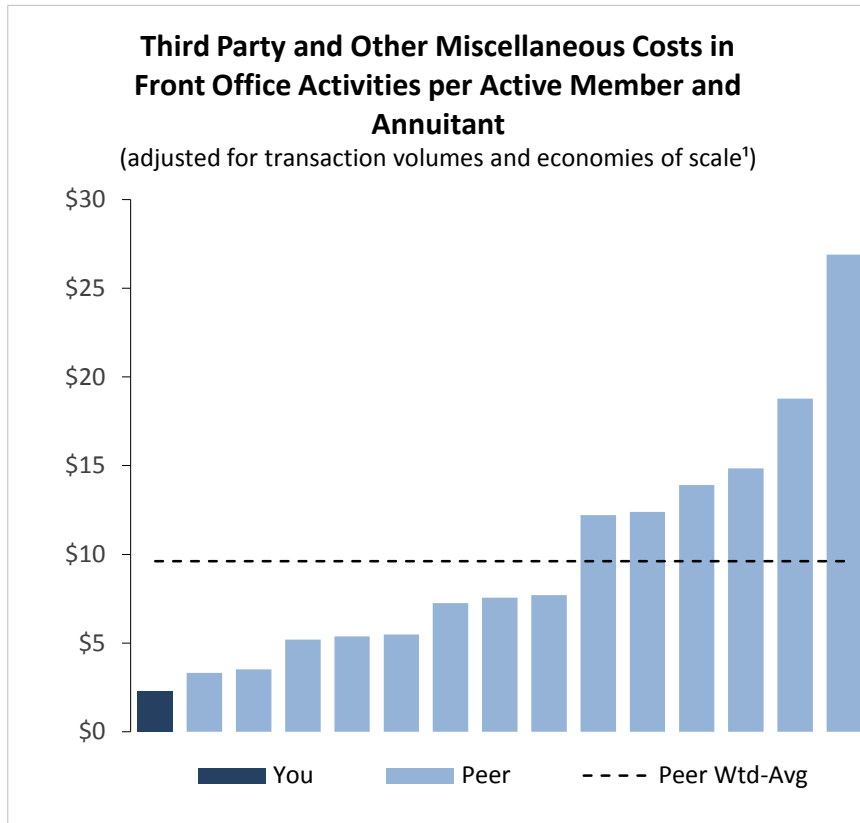
Your higher costs per FTE increased your total cost by \$2.52 per member relative to the peer average.

The peer average is weighted such that peers with more FTEs get a higher weight because 'cost per FTE' differences matter more for peers with more FTEs.

Differences in your cost per FTE reflect differences in:

- Organization structure, strategy and history.
- Outsourcing and use of consultants.
- Cost environment of your location vs. peers.

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 activities² were \$2.30 per member which was 76% below the adjusted peer weighted average of \$9.62. Your lower third party costs decreased your total cost per member by \$7.41 relative to the peer average.

1. To avoid double counting, peer costs are adjusted for differences in transaction volumes and economies of scale.
2. 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.

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	\$7.00	\$5.94	\$1.05
Major Projects	\$3.10	\$5.25	-\$2.15
IT Strategy, Database, Applications	\$7.52	\$13.02	-\$5.50
Actuarial, Legal, Audit, Other	\$5.01	\$12.69	-\$7.68
Total	\$22.62	\$36.90	-\$14.28

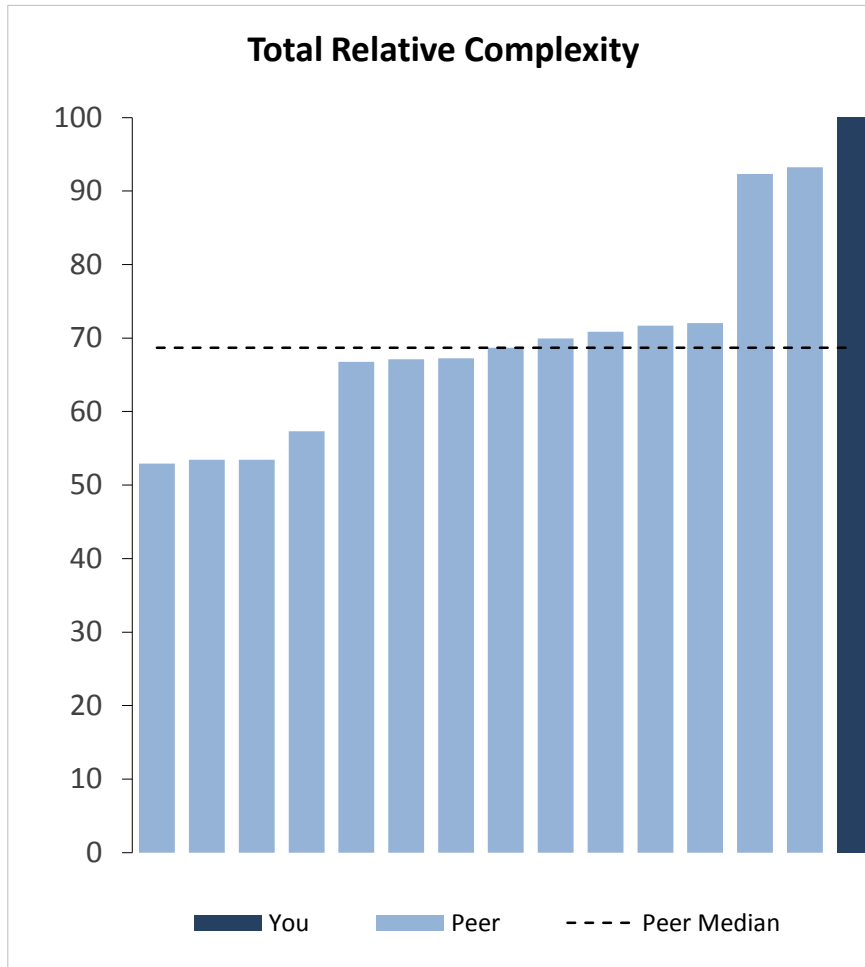
To avoid double counting, back office costs are adjusted for economies of scale and cost per FTE for: salaries, benefits, building, utilities, IT desktop and human resources. Before adjustments, your total costs for the above back-office activities were \$32. The unadjusted peer average was \$51.

Your adjusted cost per active member and annuitant of \$22.62 for back-office activities was below the peer average of \$36.90. Paying less for back-office activities decreased your total cost per member by \$14.28 relative to the peer average.

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

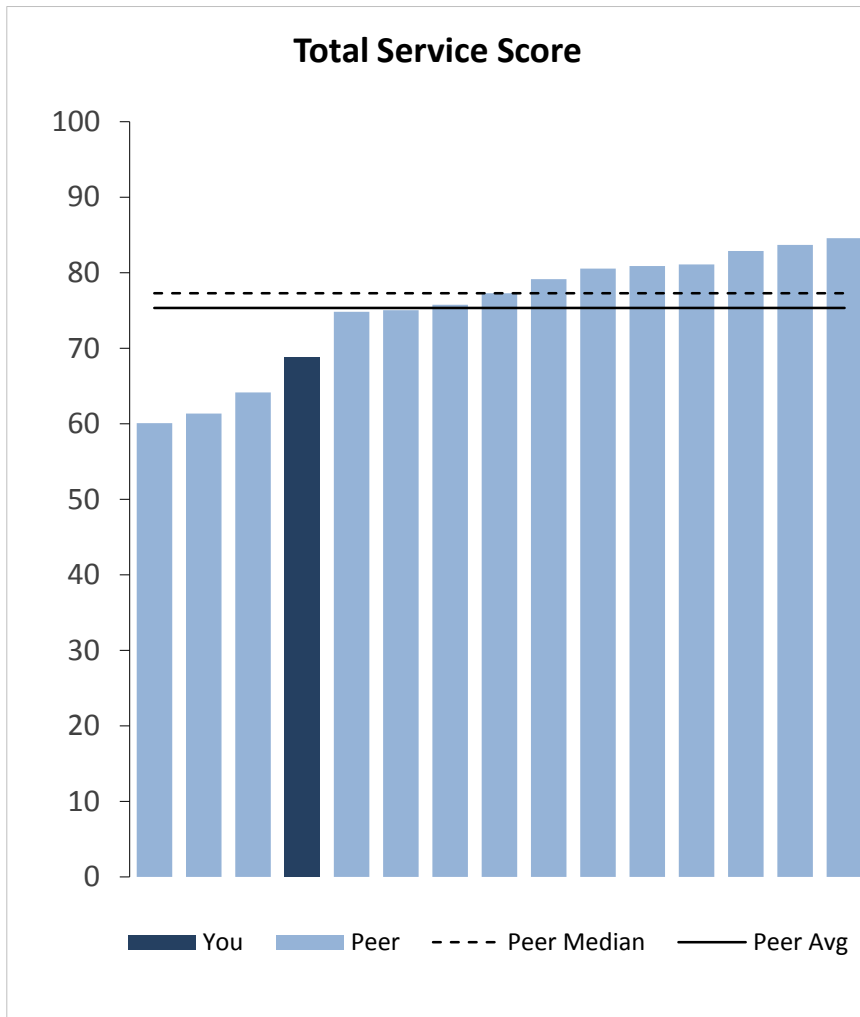
- How much you do. For example, some systems invest more in disaster recovery.
- IT capability
- IT investment cycle
- Plan complexity

Back-office costs and productivity are impacted by system complexity. Your total relative complexity score of 100 was above the peer median of 69.



Relative Complexity Score by Cause (0 least - 100 most)		
Cause	You	Peer Median
Pension Payment Options	58	60
Customization Choices	81	14
Multiple Plan Types and Overlay:	100	59
Multiple Benefit Formula	54	57
External Reciprocity	54	0
COLA Rules	12	23
Contribution Rates	62	57
Variable Compensation	100	85
Service Credit Rules	58	58
Divorce Rules	100	55
Purchase Rules	63	71
Refund Rules	31	45
Disability Rules	85	83
Translation	40	0
Defined Contribution Plan Rules	100	100
Total Relative Complexity	100	69

Your total service score was 69 out of 100. This was below the peer median of 77.



Service is defined from a member's perspective. Higher service means faster turnaround times, more availability, more choice, and higher quality. Examples of key service metrics are shown on the next page.

A higher service score is not necessarily better. This is because:

- High service may not always be cost effective or optimal. For example, it is higher service for your members to have a contact center open 24 hours a day. But few systems would be able to justify the cost.
- The weights CEM uses are an approximation of the importance of individual service elements. The weights will not always reflect the relative importance that you or your members attach to individual service elements.

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	% Higher /-Lower
1. Member Transactions				
a. Pension Payments	19.7%	95	98	-3%
b. Pension Inceptions	7.4%	91	83	10%
c. Withdrawals and Transfers-out	0.3%	28	90	-69%
d. Purchases and Transfers-in	3.1%	84	80	5%
e. Disability	4.8%	82	82	0%
2. Member Communication				
a. Call Center	21.2%	49	60	-18%
c. 1-on-1 Counseling	7.4%	55	86	-36%
d. Member Presentations	6.5%	92	84	10%
e. Written Pension Estimates	4.7%	66	83	-20%
f. Mass Communication				
a. Website	7.6%	41	77	-47%
b. Newsletters	3.8%	80	85	-6%
c. Member statements	6.6%	83	83	0%
d. Other mass communication	0.9%	42	60	-30%
3. Other				
Satisfaction Surveying	5.0%	12	49	-76%
Disaster Recovery	1.0%	41	80	-49%
Weighted Total Service Score	100.0%	69	77	-10%

Employer service is excluded from your total service score. Please refer to Appendix D for methodology changes.

Biggest potential improvements to your total service score

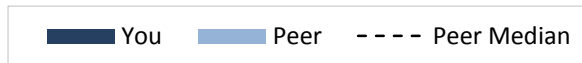
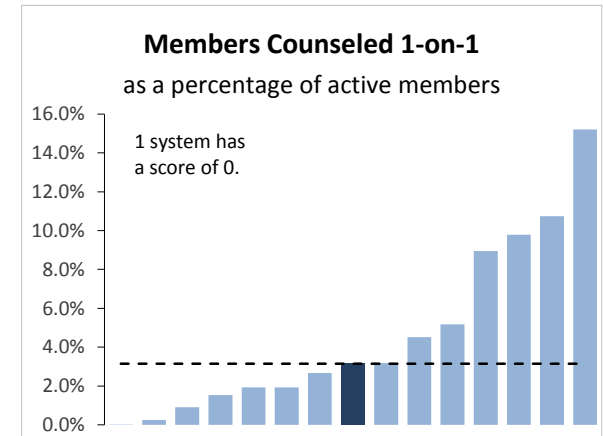
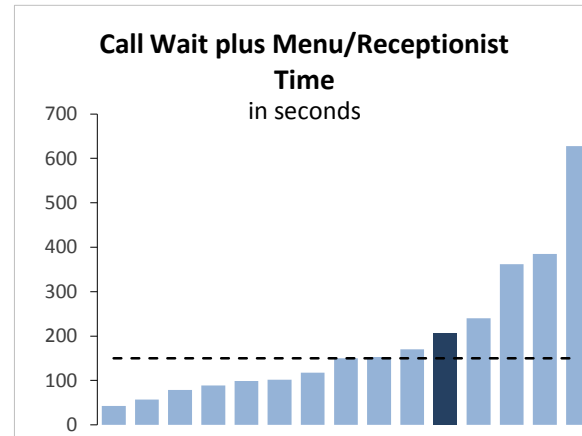
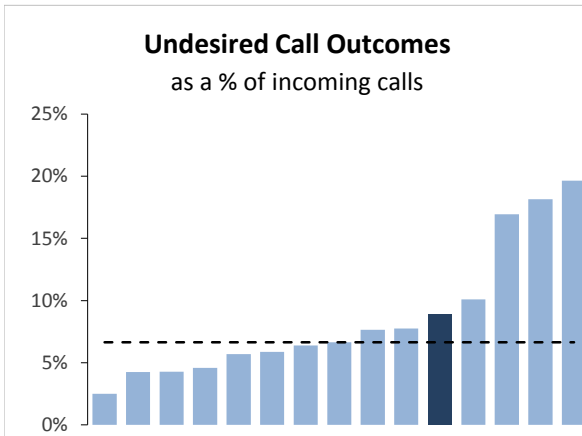
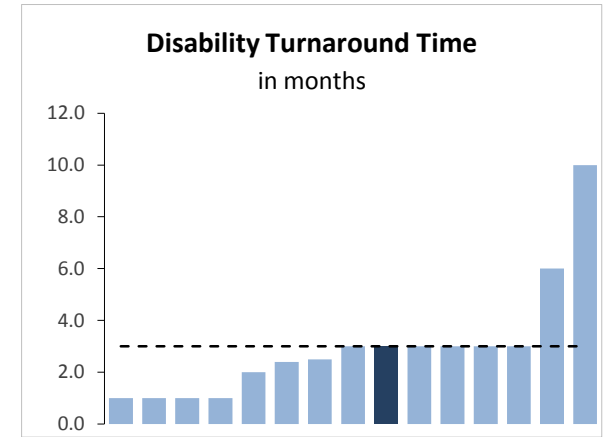
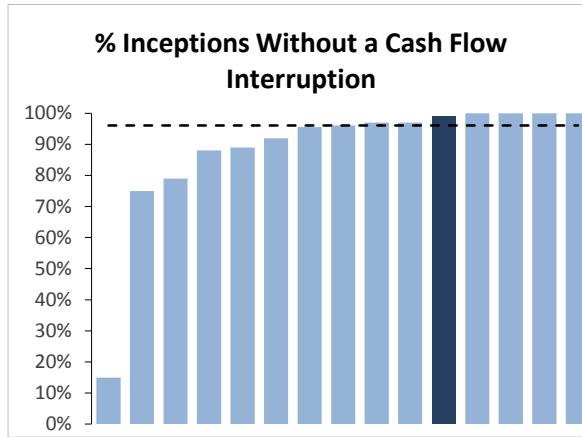
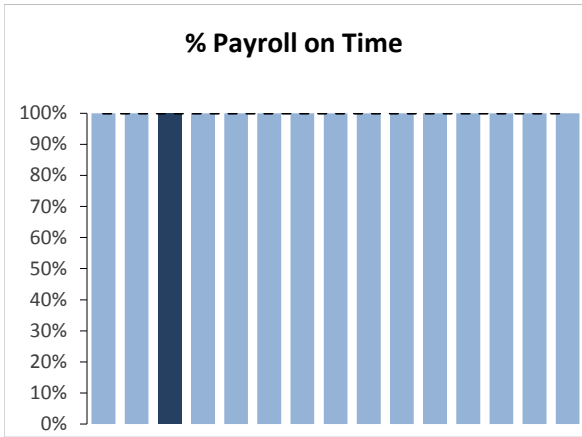
Biggest potential improvements to your total service score		
Rank	Factor	Potential Improvement
# 1	On average, members calling your call center reach a knowledgeable person in 207 seconds. To achieve a perfect service score, members must reach a knowledgeable person on the phone in 20 seconds or less.	+ 5.15
# 2	You offer 1 of the 13 website transactions and tools applicable to you. To achieve a perfect service score you must offer all 13 on-line transactions and tools.	+ 2.51
# 3	8.9% of your incoming calls resulted in undesired outcomes, and 0.0% of your incoming calls resulted in irritating outcomes. To achieve a perfect service score, members must experience no undesired or irritating call outcomes.	+ 2.11

CEM is not recommending these changes. Higher service is not necessarily optimal or cost effective. We include this summary analysis because many participants want to know what they could do to achieve a higher score.

The biggest service improvement for most systems has been improved online capabilities.

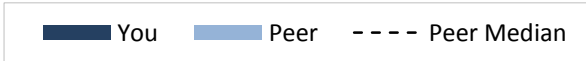
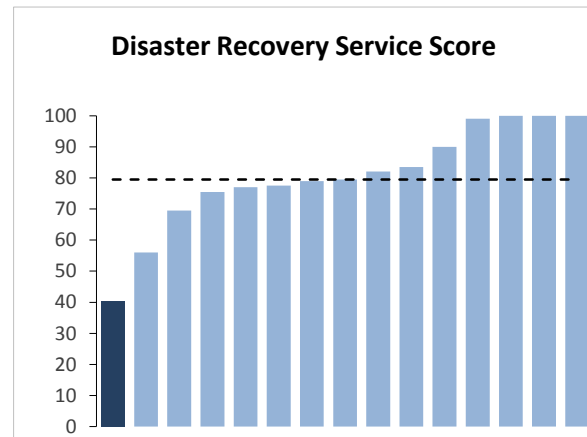
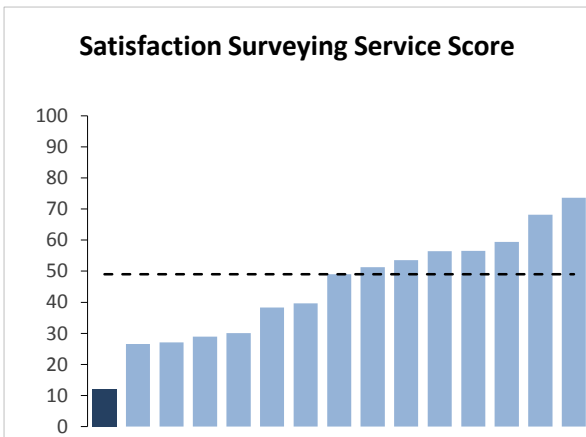
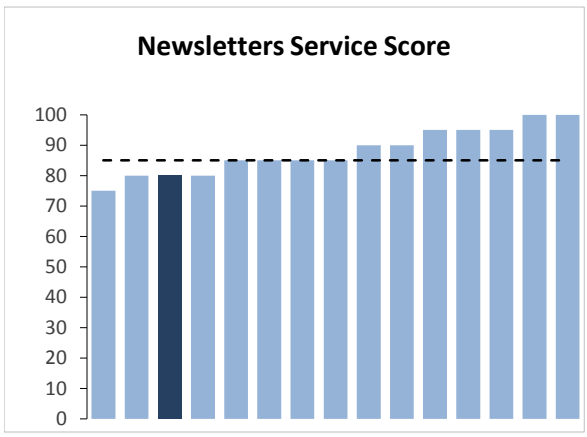
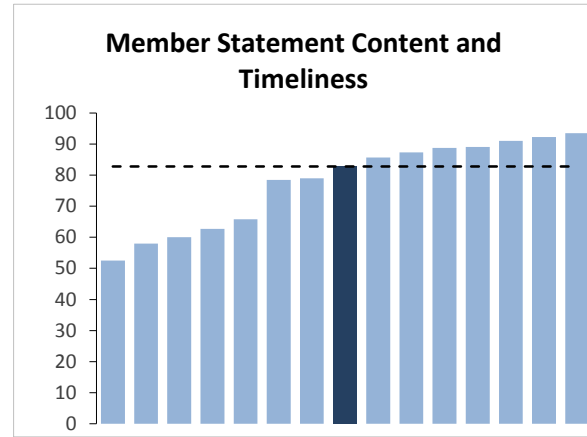
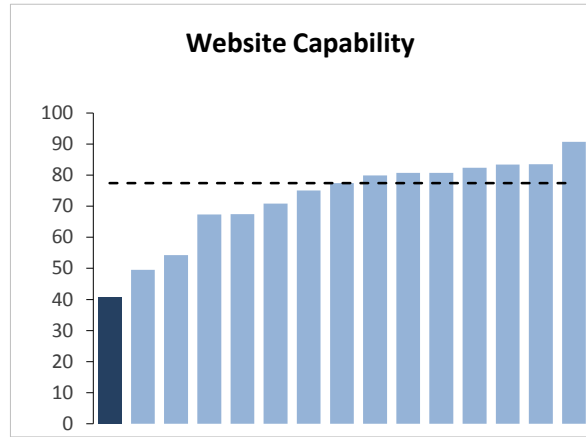
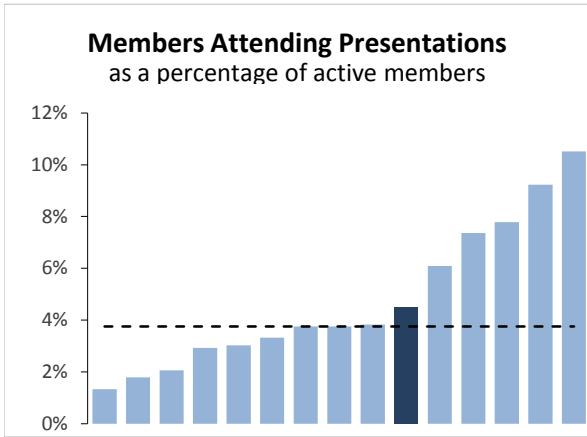
Online Tool	<u>% offering tool</u>			<u>If offered: Volume per 1,000 active members and annuitants</u>		
	You	Peer	All	You	Peer Median	All Median
Benefit calculators						
In non-secure area	Yes	73%	54%	564.1	310.5	281.5
In secure area not linked to member data	No	20%	12%	n/a	14.7	57.6
In secure area linked to member's salary and service data	No	73%	80%	n/a	364.5	317.7
Service credit purchase calculator	Yes	80%	67%	249.1	45.6	49.4
Download forms	Yes	100%	98%	1,183.7	344.8	313.1
Register for counseling sessions or presentations	No	73%	57%	n/a	10.4	14.4
Change address	No	73%	60%	n/a	11.9	23.8
Change beneficiary	No	47%	40%	n/a	20.9	20.9
Change family information	No	33%	24%	n/a	72.4	48.3
Tools for annuitants						
Change banking information for direct deposit	No	27%	26%	n/a	6.1	5.7
Change tax withholding amount	No	47%	35%	n/a	10.0	6.2
Download or print duplicate tax receipts	No	73%	53%	n/a	19.5	18.6
View annuity payment details	No	87%	60%	n/a	117.0	115.7
Apply for retirement	No	33%	27%	n/a	3.0	6.8
View status of disability application	No	7%	2%	n/a	0.0	0.0
Secure mailbox	No	47%	28%	n/a	31.6	37.5
Download member statement	No	67%	62%	n/a	217.8	114.1
View pensionable earnings and/or service without downloading	No	87%	84%	n/a	589.5	647.6
If yes:						
Are both salary and service data available?	n/a	100%	95%			
Is online data up-to-date to the most recent pay period?	n/a	69%	67%			
Is a complete annual history from the beginning of employment provided?	n/a	69%	52%			

Key service measures included in your total service score:

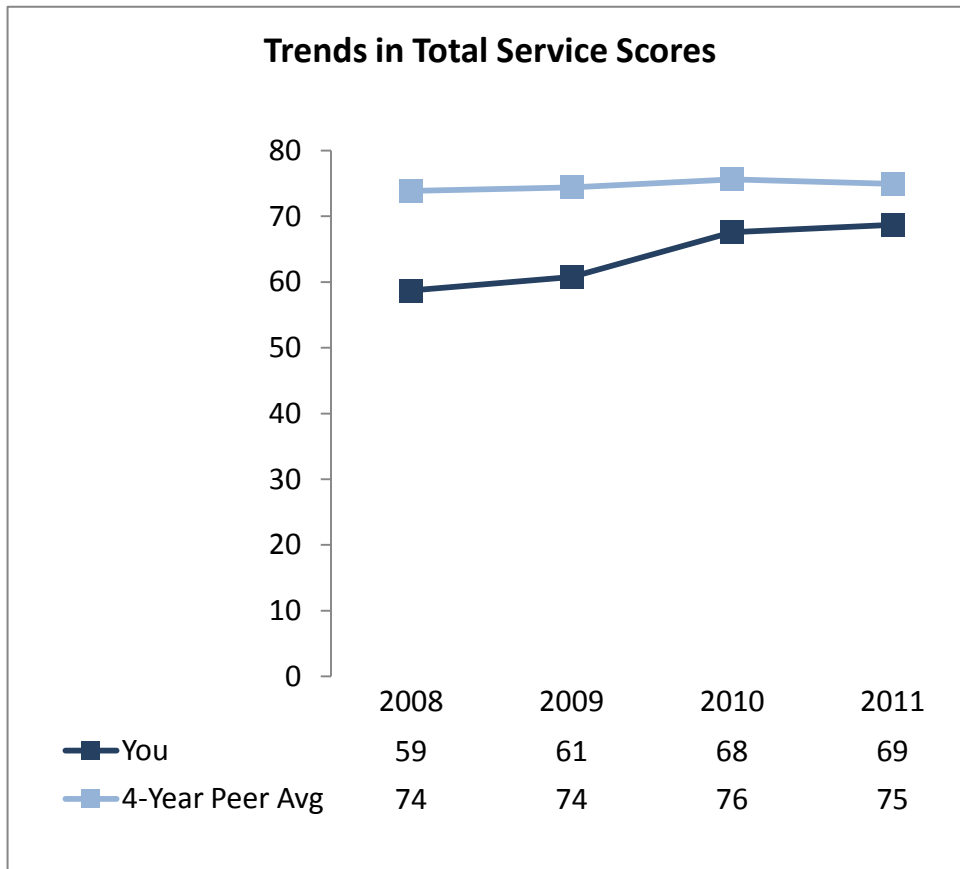


Key service measures included in your total service score:

continued



Your service score increased from 59 to 69 between 2008 and 2011.

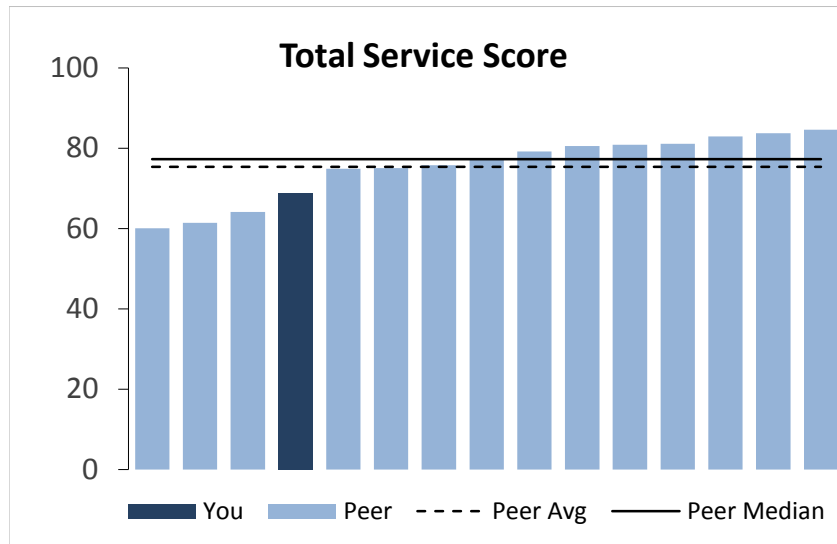


Trend analysis is based on systems that have provided 4 consecutive years of data (14 of your 15 peers).

Your total service score increased by 10 points since 2008. This increase reflects improvements in the following service areas:

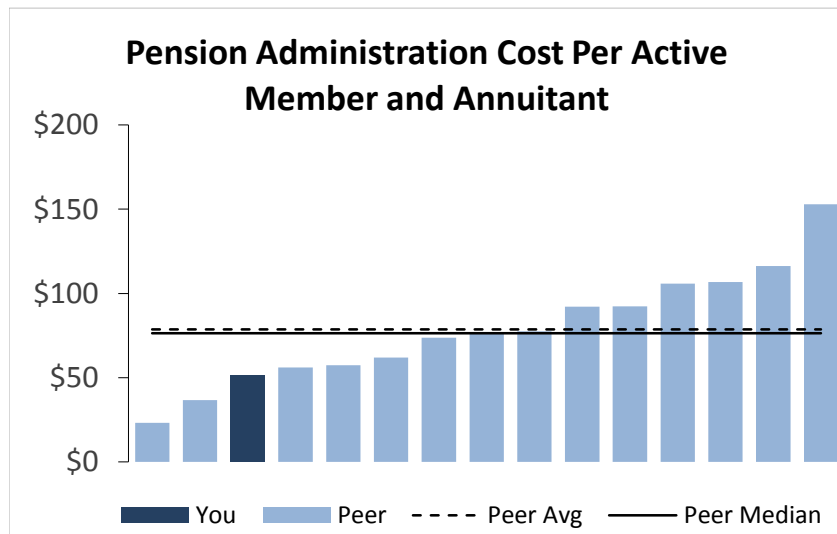
- **Calls.** You have significantly reduced your undesired call outcomes (i.e., busy signals, abandoned calls) from 50% to 9%. And, you now also review your staff's responses to calls on a regular basis for coaching purposes.
- **Member presentations.** You have reduced the average group size, from 41 to 21 attendees, thereby allowing greater opportunity for individual attention. You also offer more targeted presentations, from 2 to 4 types, geared toward different stages of a member's career.
- **Purchases.** Your average turnaround time on a service credit purchase request has improved from 25 days to 9.

Key Takeaways:



Your total service score was 69 out of 100. This was below the peer median of 77.

- Your service score has increased by 10 points since 2008.
- You have made significant improvements in almost service areas, the most significant in calls, member presentations, and purchases.



Your total pension administration cost was \$51 per active member and annuitant. This was \$27 below the peer average of \$79. The primary reasons why were:

- You had higher transactions per FTE (productivity).
- You had lower third party and other costs in your front office activities.
- You pay less for back office activities such as major projects, IT and actuarial, legal, audit and other support services.