

**Wisconsin DETF**  
DB Administration Benchmarking Results  
FY 2012

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CEM Benchmarking Inc.



## 61 leading global pension systems participate in the benchmarking service.

### Participants

#### United States

Arizona SRS  
 CalSTRS  
 Colorado PERA  
 Delaware PERS  
 Idaho PERS  
 Illinois MRF  
 Indiana PRS  
 Iowa PERS  
 KPERS  
 LACERA  
 Michigan ORS  
 MOSERS  
 Nebraska PERS  
 Nevada PERS  
 NYC TRS  
 NYSLRS  
 Ohio PERS  
 Ohio SERS  
 Orange County ERS  
 Oregon PERS  
 Pennsylvania PSERS

STRS Ohio  
 TRS Louisiana  
 TRS of Texas  
 Utah RS  
 Virginia RS  
 Washington State DRS  
 Wisconsin DETF

#### Canada

APS  
 BC Pension Corporation  
 Canada Post  
 Defence Canada  
 HOOPP  
 LAPP  
 OMERS  
 Ontario Pension Board  
 Ontario Teachers  
 OPTrust  
 PWGSC  
 RCMP  
 RRQ

#### The Netherlands

ABN-AMRO  
 ABP  
 bpfBOUW  
 PF Horeca en Catering  
 PFZW  
 Rabobank  
 Pensioenfonds Metaal en Techniek  
 Pensioenfonds van de Metalektro  
 Stichting Algemeen Pensioenfonds KLM  
 Stichting Shell Pensioenfonds

#### United Kingdom\*

BMW  
 BSA NHS Pension Scheme  
 National Grid UK Pension Scheme  
 Railways Pension Scheme  
 Principal Civil Service Pension Scheme  
 Scottish Public Pension Agency (SPPA)  
 The Pension Protection Fund (PPF)  
 Universities Superannuation Scheme (USS)

#### Denmark

ATP

#### United Arab Emirates

Abu Dhabi RPB

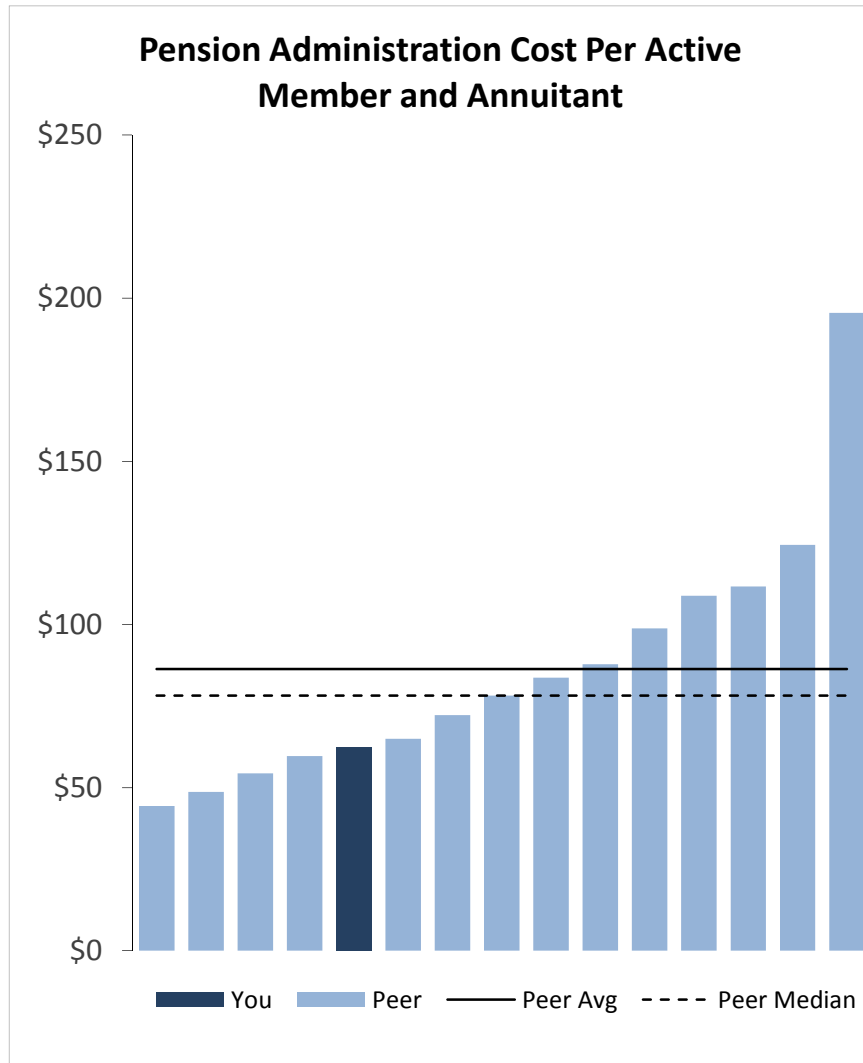
\* Systems from the UK complete a separate benchmarking survey and hence your analysis does not include their results

## 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)		
	Members	Annuitants	Total
NYSLRS	537	403	940
CalSTRS	421	247	668
Ohio PERS	349	182	532
Michigan ORS	264	255	520
Virginia RS	342	163	505
Pennsylvania PSERS	300	199	499
Washington State DRS	290	144	435
<b>Wisconsin DETF</b>	<b>257</b>	<b>167</b>	<b>425</b>
Indiana PRS	258	127	385
STRS Ohio	198	143	341
Colorado PERA	229	98	327
Arizona SRS	204	119	323
Oregon PERS	171	122	293
Illinois MRF	176	99	275
Iowa PERS	164	102	266
Peer Median	258	144	425
Peer Average	277	171	449

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 \$62 per active member and annuitant. This was \$24 below the peer average of \$86.**



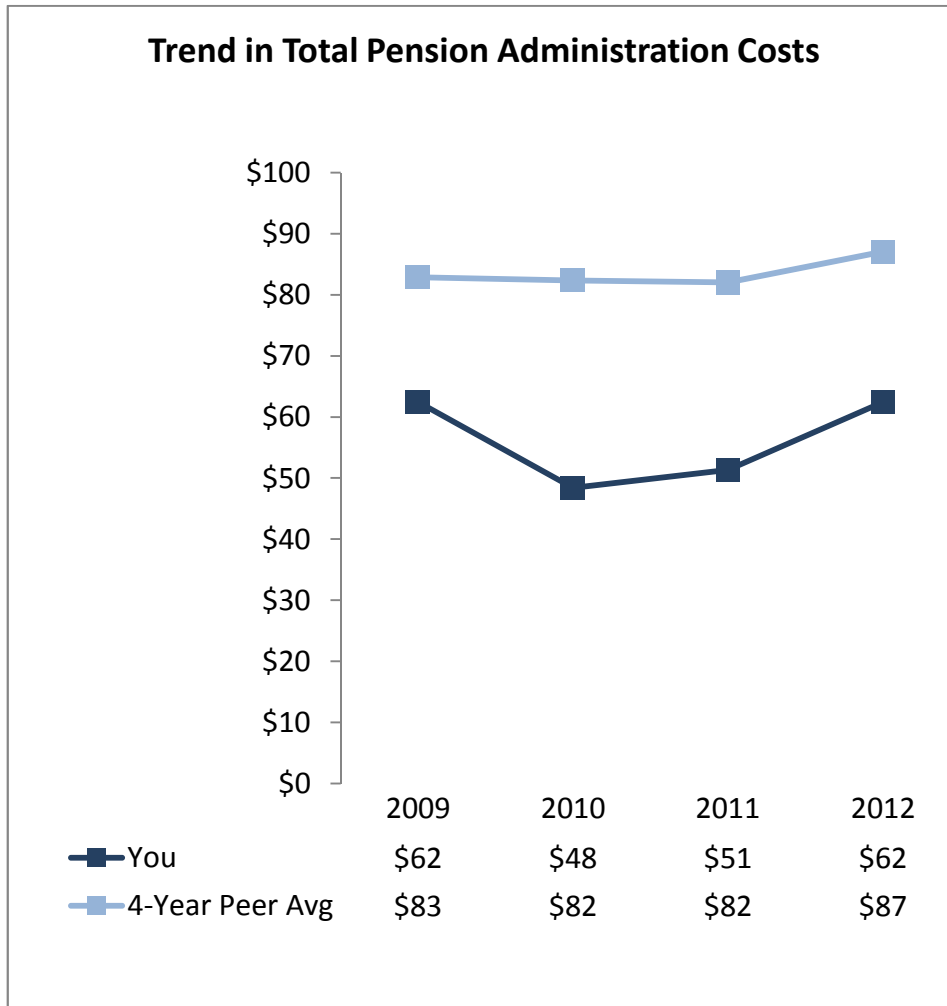
Your total pension administration cost was \$26.5 million. This excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$3.9 million.

## Cost comparison per activity.

Activity	(\$000s)	\$ per Active Member & Annuitant			More/Less vs. avg.	
	You	You	Peer Med	Peer Avg	\$	%
<b>1. Member Transactions</b>						
a. Pension Payments	904	2.13	2.94	3.31	-1.18	-36%
b. Pension Inceptions	880	2.07	2.83	4.04	-1.97	-49%
c. Withdrawals and Transfers-out	303	0.71	0.86	1.64	-0.92	-56%
d. Purchases and Transfers-in	102	0.24	1.26	1.79	-1.55	-87%
e. Disability	780	1.84	1.84	2.79	-0.95	-34%
<b>2. Member Communication</b>						
a. Call Center	1,585	3.73	5.24	5.43	-1.70	-31%
b. Mail Room, Imaging	1,050	2.47	1.94	2.19	0.28	13%
c. 1-on-1 Counseling	838	1.97	1.75	2.82	-0.85	-30%
d. Presentations and Group Counseling	525	1.24	0.93	1.21	0.03	2%
e. Written Pension Estimates	1,347	3.17	0.84	1.16	2.01	173%
f. Mass Communication	605	1.43	2.77	3.11	-1.68	-54%
<b>3. Collections and Data Maintenance</b>						
a. Data and Money from Employers	885	2.08	2.18	3.11	-1.02	-33%
b. Service to Employers	410	0.96	1.55	1.69	-0.73	-43%
c. Data Not from Employers	234	0.55	1.08	1.17	-0.62	-53%
<b>4. Governance and Financial Control</b>						
a. Financial Administration and Control	806	1.90	2.27	2.89	-1.00	-34%
b. Board, Strategy, Policy	872	2.05	1.65	1.93	0.13	7%
c. Government and Public Relations	880	2.07	0.63	1.02	1.05	103%
<b>5. Major Projects</b>						
a. Amortization of non-IT major projects	0	0.00	0.00	0.02	-0.02	-100%
b. Non-IT major projects (if you don't capitalize)	1,358	3.20	0.00	0.56	2.64	470%
c. Amortization of IT major projects	84	0.20	0.20	1.78	-1.58	-89%
d. IT major projects (if you don't capitalize)	0	0.00	1.39	4.25	-4.25	-100%
<b>6. Information Technology</b>						
a. IT Strategy, Database, Applications (excl. major projects)	5,000	11.77	12.56	13.76	-1.98	-14%
b. IT Desktop, Networks, Telecom	2,027	4.77	5.50	6.11	-1.34	-22%
<b>7. Support Services and Other</b>						
a. Building and Utilities	2,597	6.11	5.50	6.68	-0.57	-9%
b. Human Resources	472	1.11	1.11	1.83	-0.72	-39%
c. Actuarial	488	1.15	1.40	1.62	-0.47	-29%
d. Legal and Rule Interpretation	726	1.71	2.05	2.78	-1.07	-38%
e. Internal and External Audit	581	1.37	1.10	1.43	-0.06	-4%
f. Pay-as-you-go benefits for retired staff	0	0.00	0.00	0.77	-0.77	-100%
g. Other Support Services	178	0.42	1.10	3.49	-3.07	-88%
<b>Total Pension Administration</b>	<b>26,515</b>	<b>62.43</b>	<b>78.21</b>	<b>86.38</b>	<b>-23.95</b>	<b>-28%</b>

Your total cost of \$26.5 million excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$3.9 million.

## Cost Trends

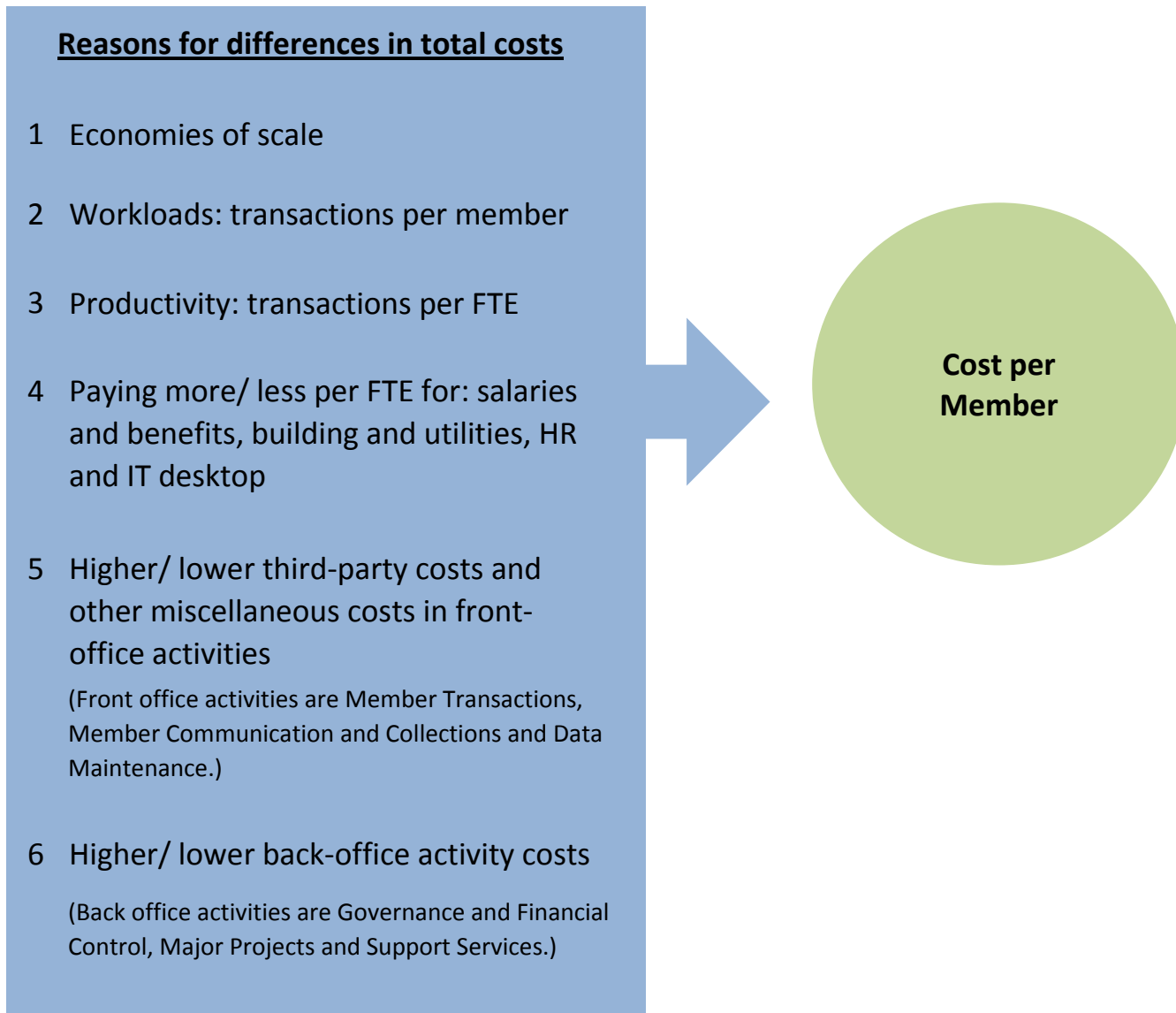


Beginning in FY2010, you embarked on a multiyear Transformation Integration Modernization Project (TIM) to modernize your business processes and integrate your information technology systems.

Despite the increased spending over the past 3 years, your costs remained well below your peers.

Trend analysis is based on systems that have provided 4 consecutive years of data (13 of your 15 peers).

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



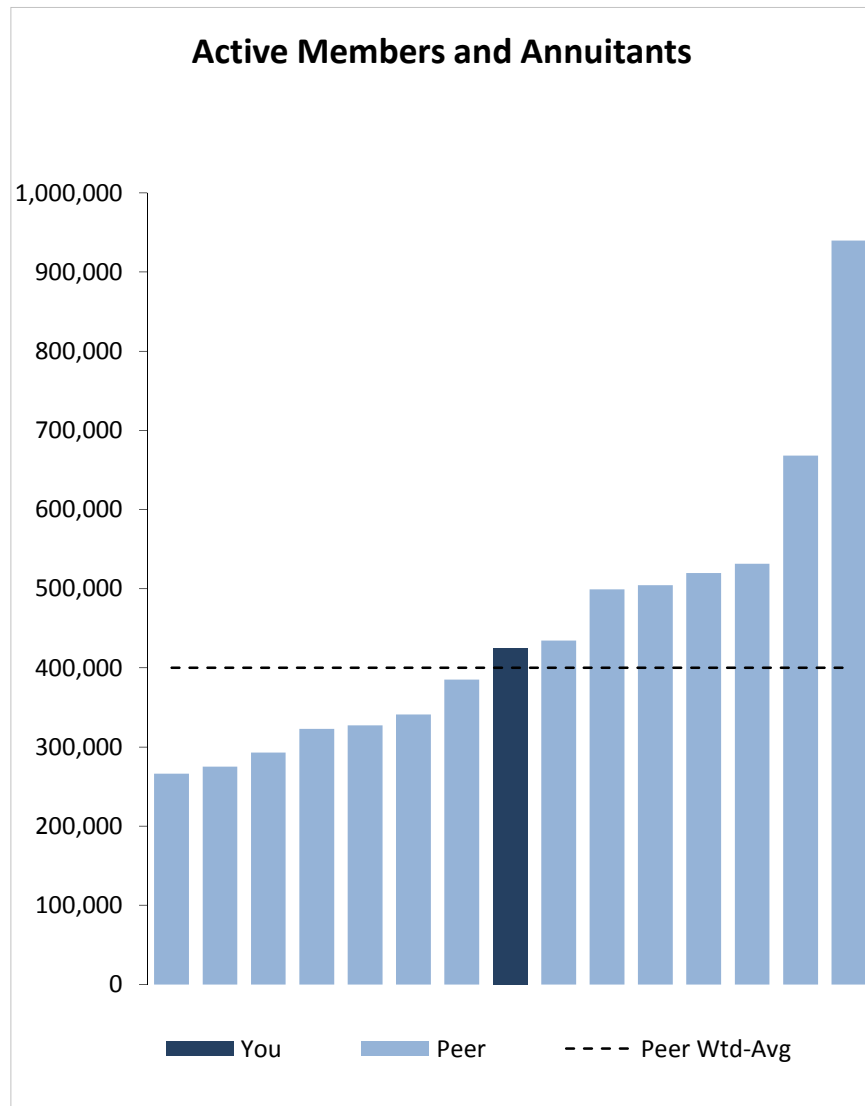
## Reasons why your total cost was \$24 below the peer average.

Reason	Impact
1. Economies of scale advantage	-\$0.62
2. Similar/slightly lower transactions per member (workloads)	-\$1.84
3. Higher transactions per FTE (productivity)	-\$2.19
4. Lower costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	-\$6.47
5. Lower third-party and other costs in front-office activities	-\$5.83
6. Paying more/-less for back-office activities:	
- Governance and Financial Control	\$1.03
- Major Projects	-\$3.13
- IT Strategy, Database, Applications (excl. major projects)	-\$0.67
- Actuarial, Legal, Audit, Other Support Services	-\$4.24
<b>Total</b>	<b>-\$23.95</b>

CEM reconciles to the peer average instead of the median because there are interactions between the reasons that would be lost if we used medians. Also, the reasons will only add to 100% if we use averages.



## Reason 1: You had an economies of scale advantage.

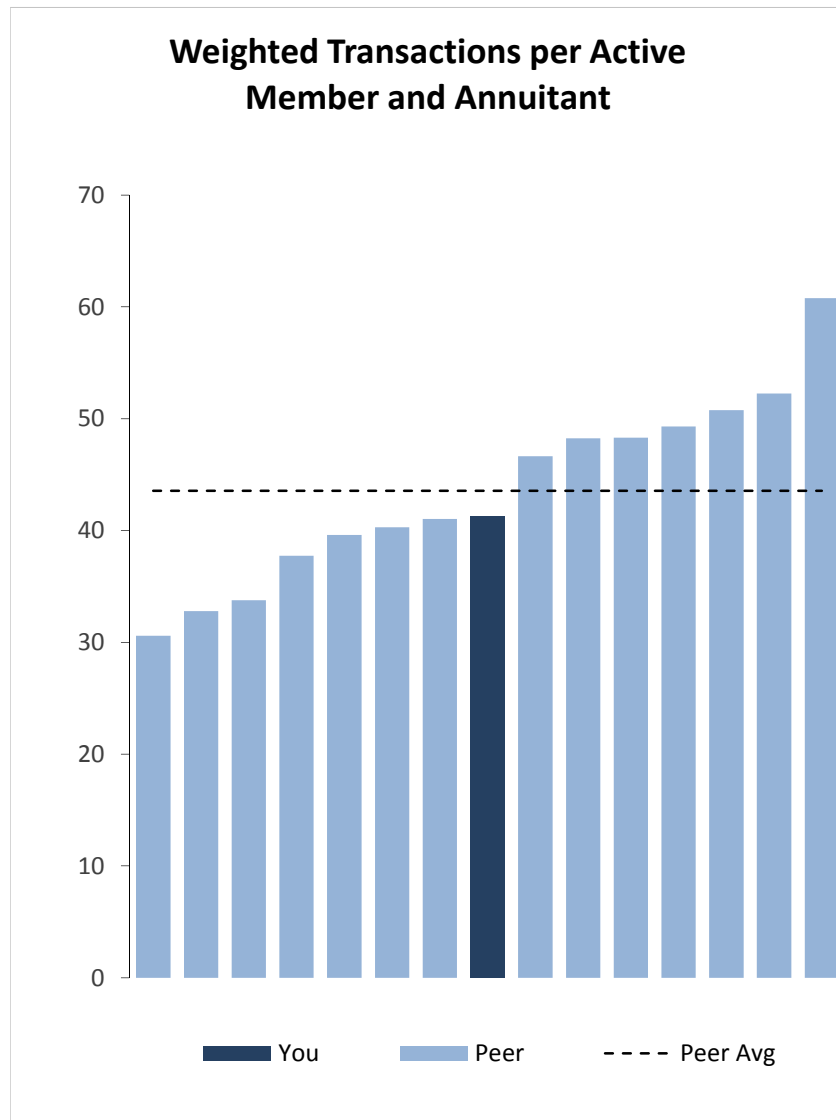


Your system had 6% more members than the peer weighted-average. Your larger size means that you had a cost advantage relative to the average peer of \$0.62 per member.

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.

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/slightly lower transaction volumes per member (workloads).



Your weighted transactions were 5% below the peer average. Your lower transaction volumes decreased your total cost per member by an estimated \$1.84 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.

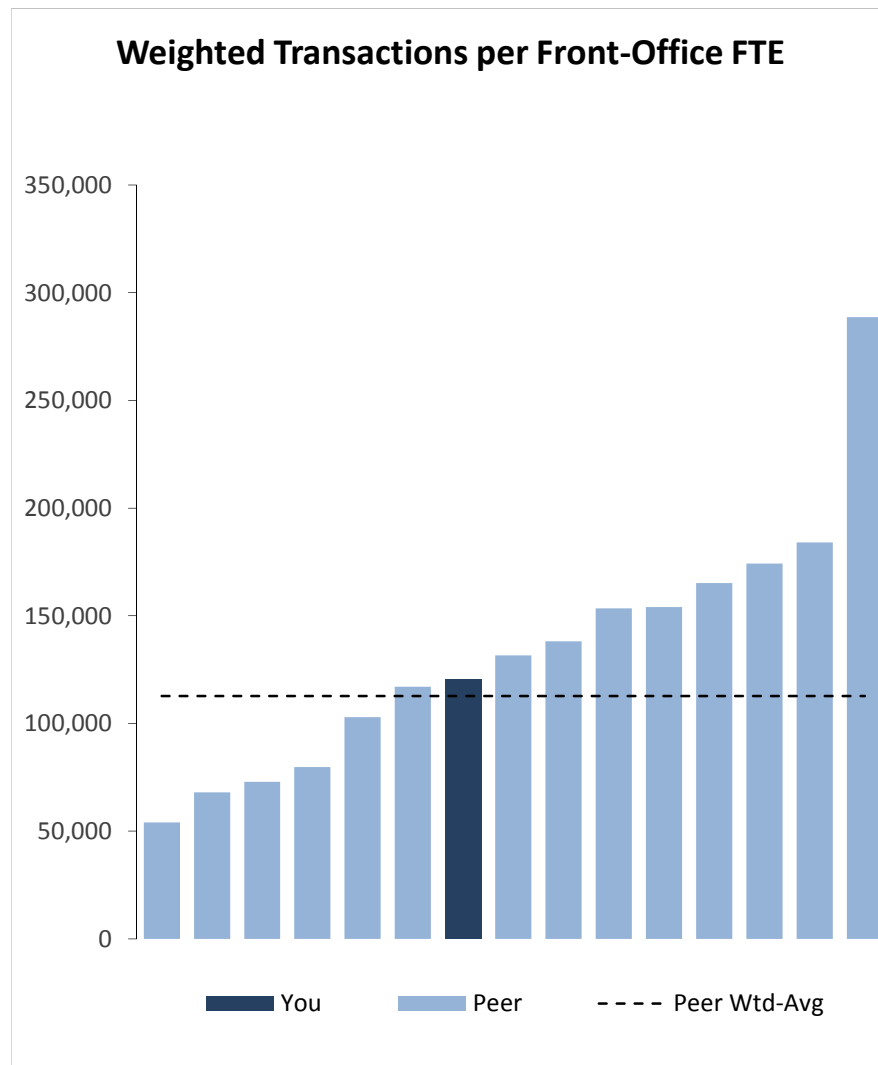
## Where did you do more/fewer transactions?

Where did you do more/fewer transactions?				
Front Office Transactions (or Transaction Driver)	Volume per 1,000 Active Members and Annuitants			\$ per Member Transaction Impact
	You	Peer Average	More/-Less	
<b>1. Member Transactions</b>				
a. Pension Payments (Annuitants)	394	377	5%	\$0.13
b. New Payee Inceptions	36	29	25%	\$0.89
c. Withdrawals and Transfers-out	14	35	-60%	-\$2.43
d. Purchases and Transfers-in	2	10	-81%	-\$1.27
e. Disability Applications	5.9	2.7	121%	\$2.50
<b>2. Member Communication</b>				
a. Calls and Emails	483	696	-31%	-\$1.45
b. Incoming Mail	407	496	-18%	-\$0.36
c. Members Counseled 1-on-1	17	28	-37%	-\$0.62
d. Member Presentations	1	1	-20%	-\$0.27
e. Written Estimates	46	30	53%	\$1.21
<b>3. Collections and Data Maintenance</b>				
a. Data and Money from Employers (Active Members)	606	623	-3%	-\$0.09
b. Service to Employers (Active Members)	606	623	-3%	-\$0.04
c. Data Not from Employers (Actives, Inactives, Annuitants)	1,365	1,413	-3%	-\$0.03
<b>Weighted Total</b>	<b>41,260</b>	<b>43,555</b>	<b>-5%</b>	<b>\$1.84</b>

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 7% above the peer weighted-average (adjusted for economies of scale to avoid double counting). This decreased your total cost per member by \$2.19 relative to the peer average.

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

- 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 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	\$72,083	\$82,449
Building and Utilities	\$12,520	\$11,632
Human Resources	\$2,277	\$3,193
IT Desktop, Networks, Telecom	\$9,773	\$10,632
Total	\$96,654	\$107,905

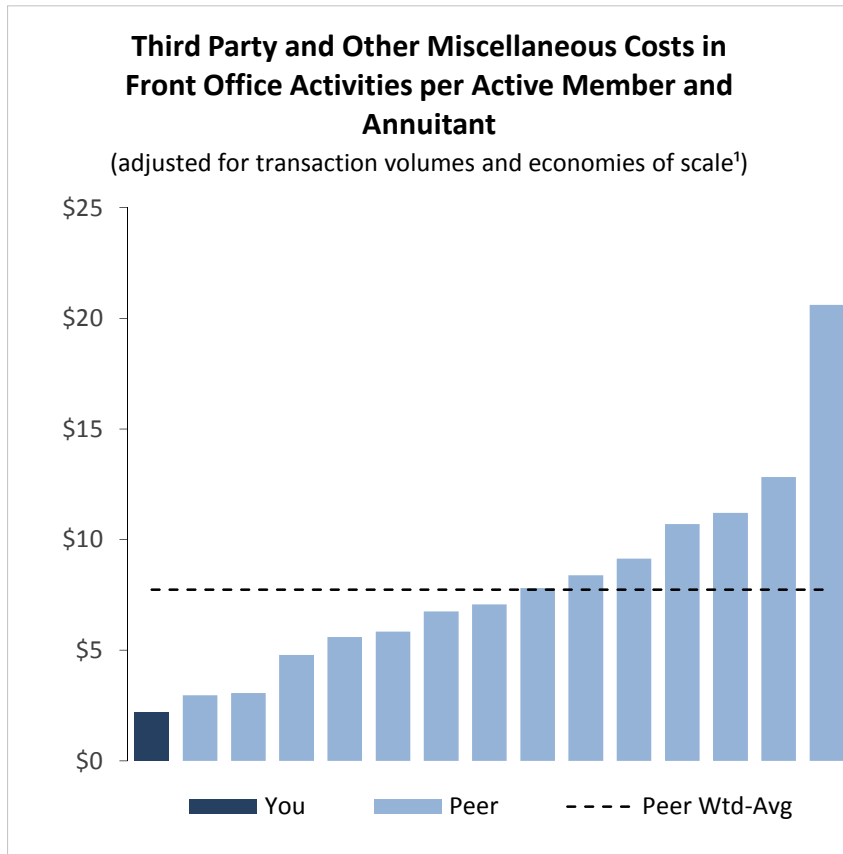
Your lower costs per FTE decreased your total cost by \$6.47 per member relative to the peer average.

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 activities<sup>2</sup> were \$2.22 per member which was 71% below the adjusted peer weighted average of \$7.74. Your lower third party costs decreased your total cost per member by \$5.83 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	\$7.09	\$6.06	\$1.03
Major Projects	\$3.58	\$6.71	-\$3.13
IT Strategy, Database, Applications (	\$13.33	\$14.00	-\$0.67
Actuarial, Legal, Audit, Other	\$5.41	\$9.65	-\$4.24
<b>Total</b>	<b>\$29.41</b>	<b>\$36.42</b>	<b>-\$7.01</b>

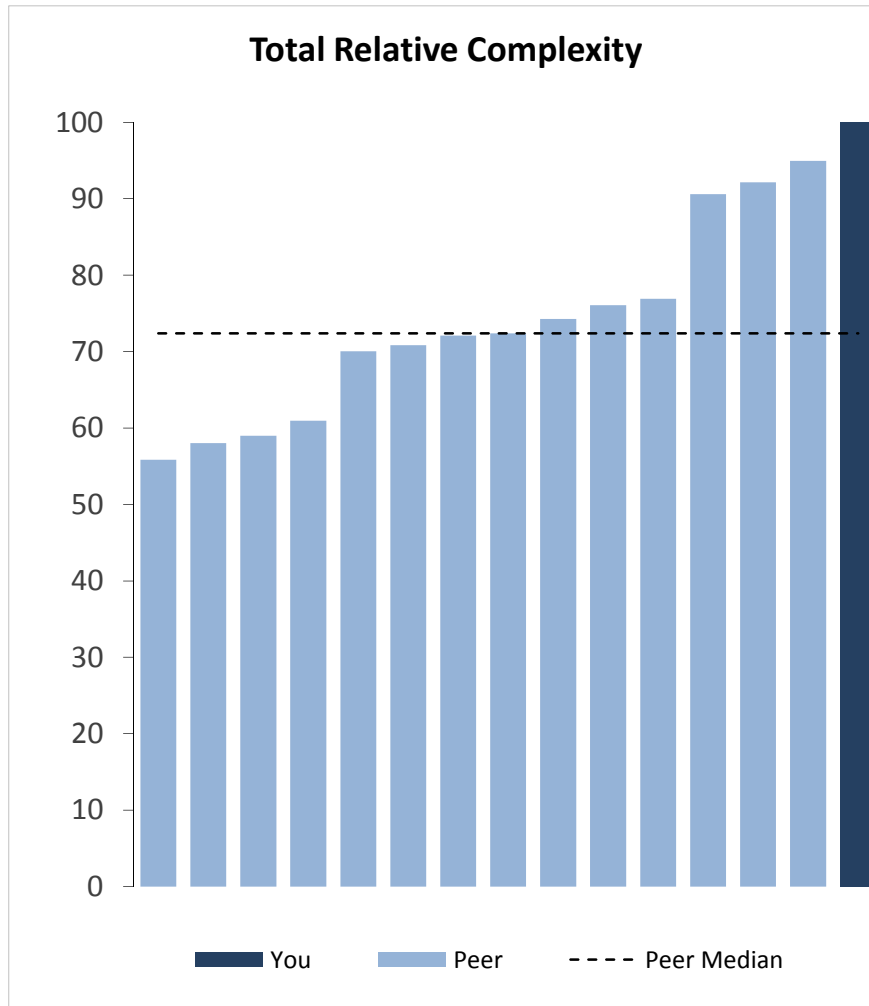
To avoid double counting, back office costs are adjusted for economies of scale and cost per FTE for: salaries, benefits, building, utilities, IT desktop and human resources. Before adjustments, your total costs for the above back-office activities were \$41. The unadjusted peer average was \$57.

Your adjusted cost per active member and annuitant of \$29.41 for back-office activities was below the peer average of \$36.42. Paying less for back-office activities decreased your total cost per member by \$7.01 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

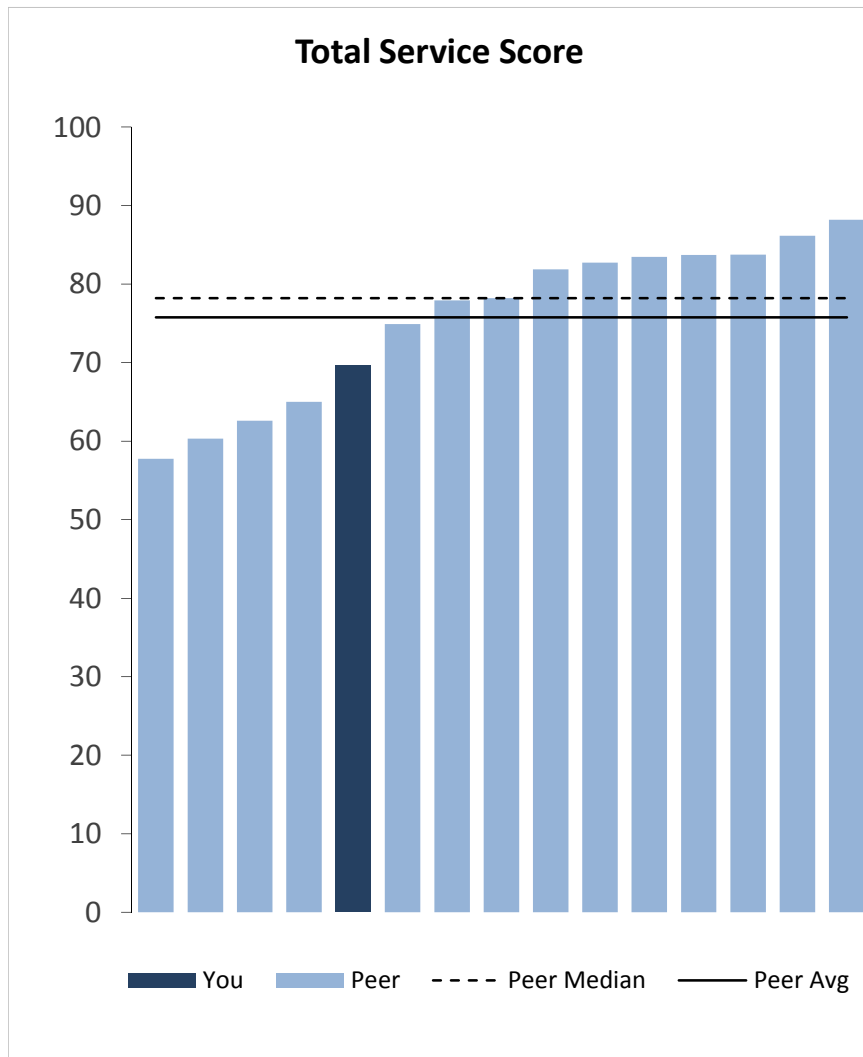
**Back-office costs and productivity are impacted by system complexity. Your total relative complexity score of 100 well was above the peer median of 72.**



Cause	You	Peer Median
Pension Payment Options	59	62
Customization Choices	81	10
Multiple Plan Types and Overlay:	95	63
Multiple Benefit Formula	28	45
External Reciprocity	35	35
COLA Rules	12	23
Contribution Rates	34	36
Variable Compensation	100	85
Service Credit Rules	59	61
Divorce Rules	100	55
Purchase Rules	55	65
Refund Rules	31	45
Disability Rules	85	82
Translation	40	0
Defined Contribution Plan Rules	100	100
<b>Total Relative Complexity</b>	<b>100</b>	<b>72</b>



## Your total service score was 70 out of 100. This was below the peer median of 78.



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

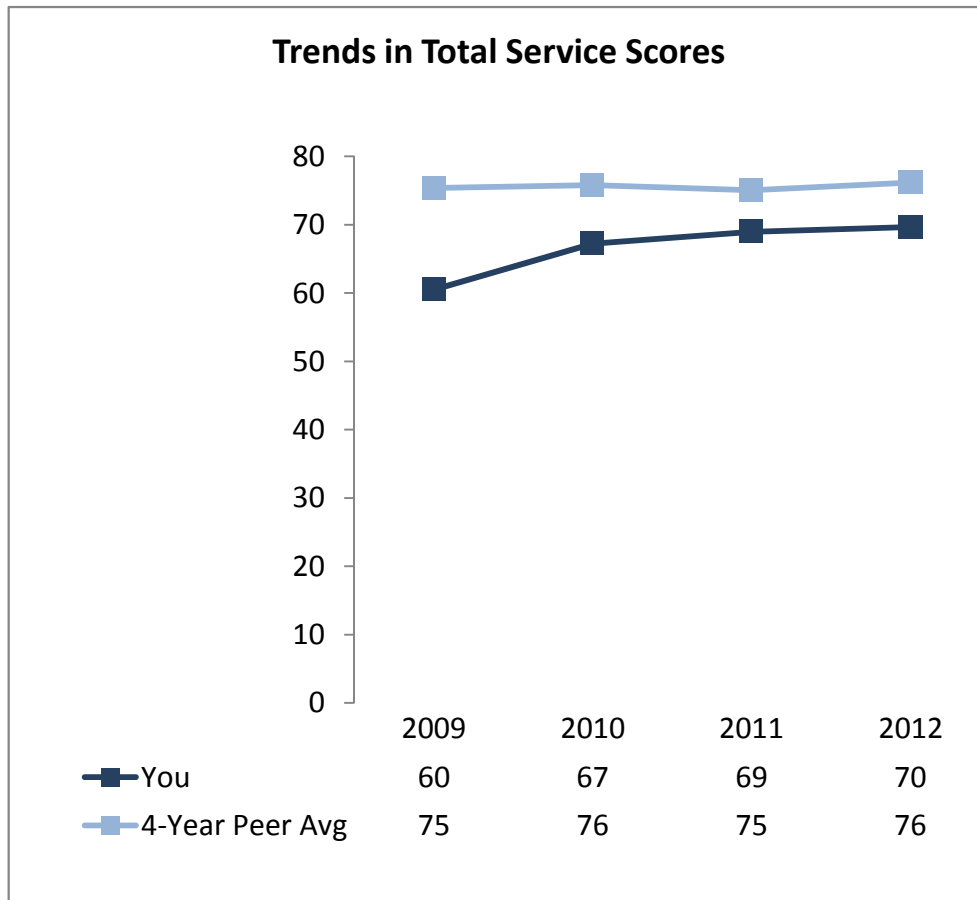
A higher service score is not necessarily better because:

- High service may not always be cost effective or optimal e.g., 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 activity 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 them.

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
<b>1. Member Transactions</b>				
a. Pension Payments	19.7%	95	97	-2%
b. Pension Inceptions	7.4%	91	84	8%
c. Withdrawals and Transfers-out	0.3%	10	81	-88%
d. Purchases and Transfers-in	3.1%	82	82	0%
e. Disability	4.8%	82	82	0%
<b>2. Member Communication</b>				
a. Call Center	21.2%	51	61	-16%
b. 1-on-1 Counseling	7.4%	58	89	-35%
c. Member Presentations	6.5%	92	89	3%
d. Written Pension Estimates	4.7%	74	85	-13%
<b>e. Mass Communication</b>				
a. Website	7.6%	35	76	-54%
b. Newsletters	3.8%	80	90	-11%
c. Member statements	6.6%	86	86	0%
d. Other mass communication	0.9%	52	55	-5%
<b>3. Other</b>				
Satisfaction Surveying	5.0%	12	38	-68%
Disaster Recovery	1.0%	58	87	-33%
<b>Weighted Total Service Score</b>	<b>100.0%</b>	<b>70</b>	<b>78</b>	<b>-10%</b>

## Your service score increased from 60 to 70 between 2009 and 2012.



Your total service score has increased by 10 points since 2009. This increase reflects improvements in the following service areas:

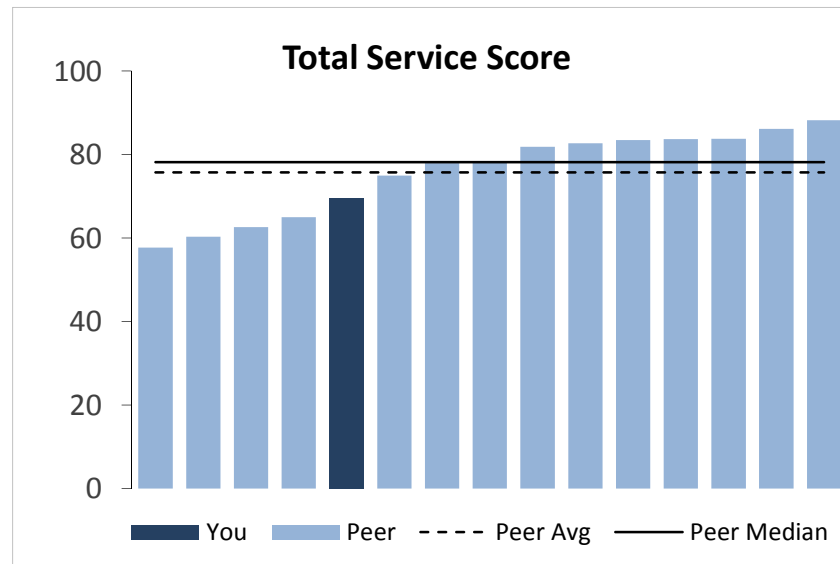
- **Calls**. You have significantly reduced your undesired call outcomes (i.e., busy signals, abandoned calls). You now also review your staff's responses to calls on a regular basis for coaching purposes.
- **Member presentations**. You have reduced the average group size, from 52 to 20 attendees, hence allowing greater opportunity for individual attention. Presentations conducted in the field have also grown, from 12% of all presentations to 79%, thereby providing members with easier face-to-face access to you and convenience.

Trend analysis is based on systems that have provided 4 consecutive years of data (13 of your 15 peers).

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

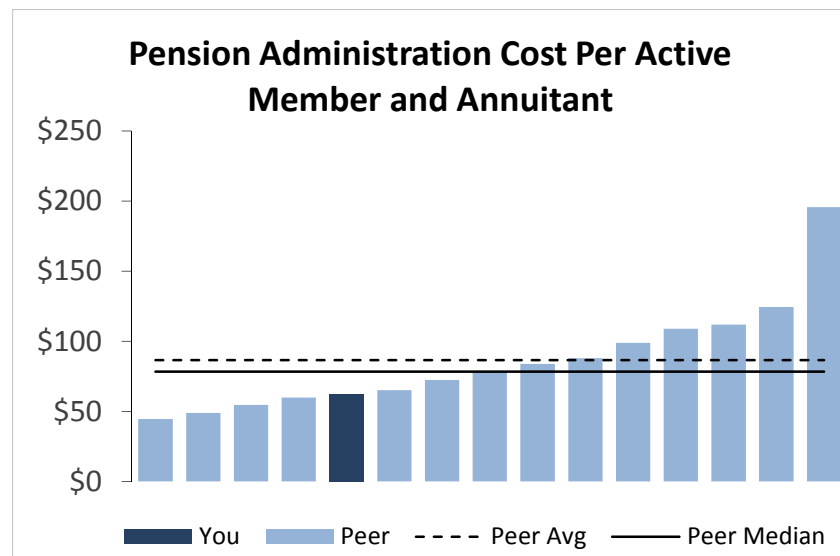
Online Tool	<u>% offering tool</u>			<u>If offered: Volume per 1,000 active members and annuitants</u>		
	You	Peer	All	You	Peer Median	All Median
Benefit calculators						
In non-secure area	Yes	67%	50%	381.8	247.1	310.8
In secure area not linked to member data	No	20%	13%	n/a	21.2	104.9
In secure area linked to member's salary and service data	No	80%	79%	n/a	397.0	315.2
Service credit purchase calculator	Yes	60%	66%	3.9	47.1	48.2
Download forms	Yes	100%	98%	2,316.1	248.7	208.8
Register for counseling sessions or presentations	No	73%	64%	n/a	7.4	14.8
Change address	No	67%	76%	n/a	18.5	31.8
Change beneficiary	No	40%	44%	n/a	22.1	24.0
Change family information	No	33%	31%	n/a	53.6	47.3
Tools for annuitants						
Change banking information for direct deposit	No	47%	38%	n/a	9.4	7.4
Change tax withholding amount	No	53%	43%	n/a	10.7	5.7
Download or print duplicate tax receipts	No	87%	63%	n/a	24.3	24.4
View annuity payment details	No	93%	67%	n/a	138.4	101.9
Apply for retirement	No	47%	31%	n/a	3.2	3.3
View status of disability application	No	7%	4%	n/a	0.0	0.0
Secure mailbox	No	53%	33%	n/a	36.8	40.7
Download member statement	No	80%	77%	n/a	190.3	203.1
View pensionable earnings and/or service without downloading	No	80%	83%	n/a	657.9	614.2
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	75%	72%			
Is a complete annual history from the beginning of employment provided?	n/a	67%	53%			

## Key Takeaways:



Your total service score was 70 out of 100. This was below the peer median of 78.

- Your total service score has increased by 10 points since 2009.



Your total pension administration cost was \$62 per active member and annuitant. This was \$24 below the peer average of \$86.