

**Defined Benefit Administration
Benchmarking Analysis**
Fiscal Year 2013

**Wisconsin Department of Employee
Trust Funds**

Final Report - 23 June, 2014

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Executive Summary

This section contains:

- Ideas about how you can use this report
- A list of CEM's global participants
- Your custom peer group
- Comparisons of your costs to those of your peers
- The impact of cost drivers (economies of scale, transaction volumes, productivity, etc.) on your relative cost performance
- Your service levels relative to your peers

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

75 leading global pension systems participate in the benchmarking service.

Participants

United States

Arizona SRS
 CalPERS
 CalSTRS
 Colorado PERA
 Delaware PERS
 Florida RS
 Idaho PERS
 Illinois MRF
 Indiana PRS
 Iowa PERS
 KPERS
 LACERA
 Michigan ORS
 MOSERS
 Nevada PERS
 New Mexico ERB
 NYC TRS
 NYSLRS
 Ohio PERS
 Orange County ERS
 Oregon PERS
 Pennsylvania PSERS

South Carolina PEBA
 South Dakota RS
 STRS Ohio
 SURS Illinois
 Texas MRS
 TRS Louisiana
 TRS of Texas
 Utah RS
 Virginia RS
 Washington State DRS
 Wisconsin DETF

United Kingdom*

Armed Forces Pension Schemes
 BMW
 BSA NHS Pension Scheme
 Principal Civil Service Pension Scheme
 Railway Pensions
 Scottish Public Pension Agency (SPPA)
 The Pension Protection Fund (PPF)
 Unilever
 Universities Superannuation Scheme (USS)

Canada

APS
 BC Pension Corporation
 Defence Canada
 Federal Public Service
 HOOPP
 LAPP
 OMERS
 Ontario Pension Board
 Ontario Teachers
 OPTrust
 RCMP
 Saskatchewan HEPP

Scandinavia

Alecta
 ATP

United Arab Emirates

Abu Dhabi RPB

The Netherlands

ABP
 bpfBOUW
 BPF Schilders
 Pensioenfonds Metaal en Techniek
 Pensioenfonds van de Metalektro
 PFZW
 Rabobank Pensioenfonds
 Stichting Pens. Medisch Specialisten

Australia*

AustralianSuper
 BUSS(Q)
 CBUS
 First State Super
 HESTA
 QSuper
 REST
 StatewideSuper
 SunSuper
 VicSuper

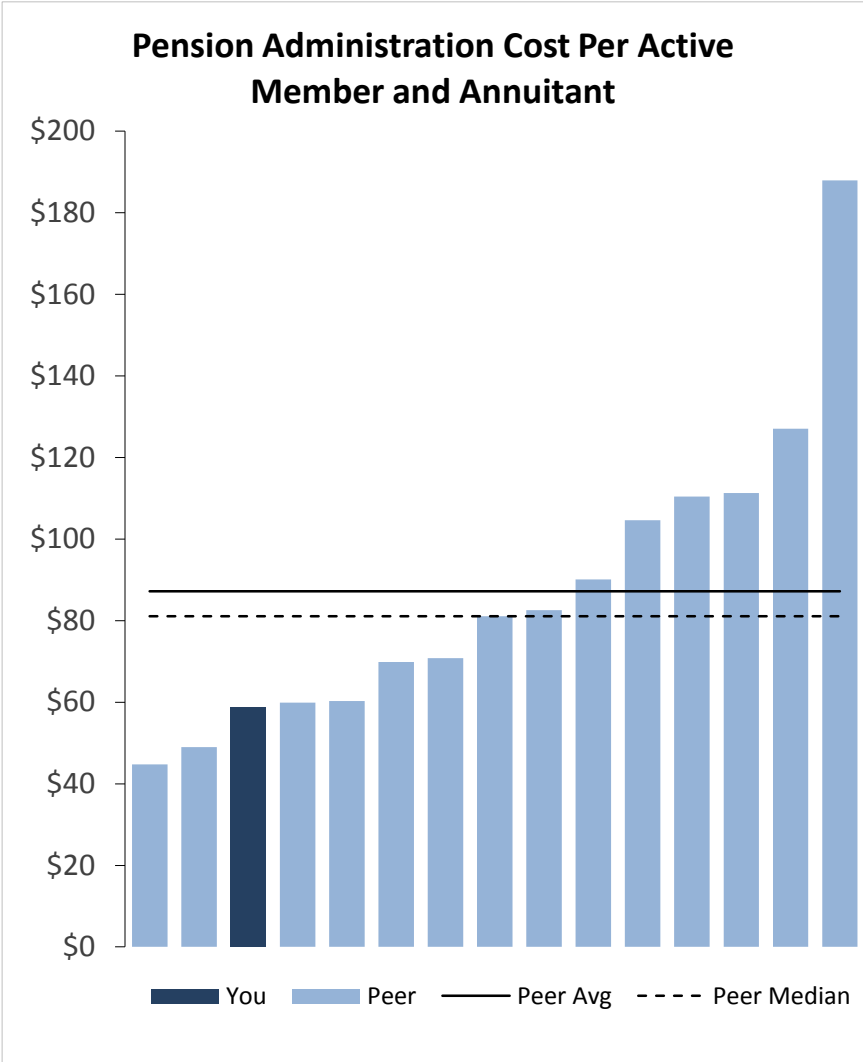
* Systems from Australia and the UK complete separate benchmarking surveys and hence your analysis does not include their results.

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

Custom Peer Group for Wisconsin DETF			
Peers (sorted by size)	<u>Membership (in 000's)</u>		
	Active Members	Annuitants	Total
NYSLRS	529	413	942
CalSTRS	417	267	684
Ohio PERS	348	191	539
Virginia RS	341	170	510
Michigan ORS	243	256	500
Pennsylvania PSERS	284	208	492
Washington State DRS	291	151	442
Wisconsin DETF	257	174	430
Indiana PRS	253	133	386
STRS Ohio	198	149	348
Colorado PERA	230	100	330
Arizona SRS	203	125	328
Oregon PERS	167	126	293
Illinois MRF	175	102	277
Iowa PERS	165	105	270
Peer Median	253	151	430
Peer Average	273	178	451

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 \$59 per active member and annuitant. This was \$29 below the peer average of \$87.



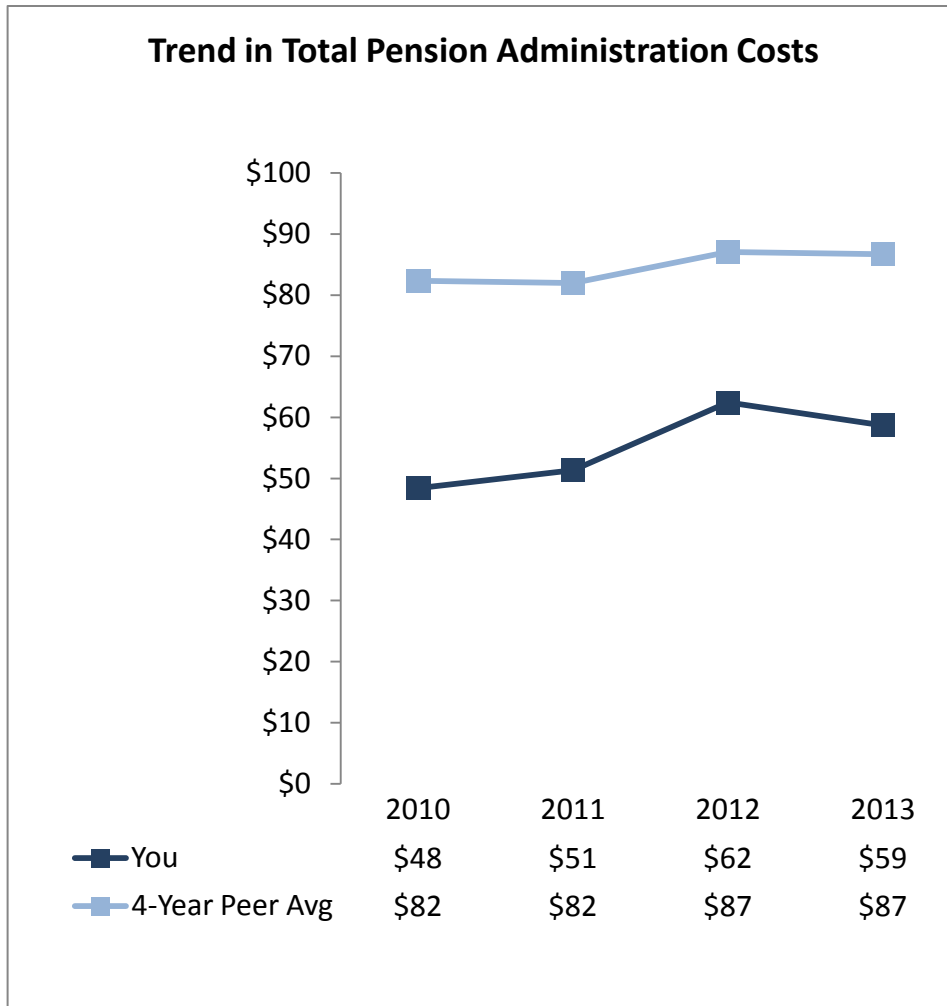
Your total pension administration cost was \$25.3 million. This excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$4.7 million.

Cost comparison per activity.

Activity	(\$000)	\$ per Active and Annuitant			More/-Less vs. avg.	
	You	You	Peer	Peer	\$	%
1. Member Transactions						
a. Pension Payments	1,187	2.76	2.95	3.49	-0.73	-21%
b. Pension Inceptions	992	2.30	3.88	4.33	-2.03	-47%
c. Withdrawals and Transfers-out	330	0.77	0.81	1.35	-0.59	-43%
d. Purchases and Transfers-in	138	0.32	1.11	1.80	-1.48	-82%
e. Disability	747	1.74	1.74	2.79	-1.05	-38%
2. Member Communication						
a. Call Center	1,730	4.02	5.41	5.42	-1.40	-26%
b. Mail Room, Imaging	1,122	2.61	2.10	2.25	0.35	16%
c. 1-on-1 Counseling	780	1.81	1.77	2.70	-0.89	-33%
d. Presentations and Group Counseling	527	1.22	1.01	1.25	-0.02	-2%
e. Written Pension Estimates	1,365	3.17	0.93	1.17	2.00	170%
f. Mass Communication	961	2.23	3.13	3.39	-1.16	-34%
3. Collections and Data Maintenance						
a. Data and Money from Employers	859	2.00	2.40	3.15	-1.15	-37%
b. Service to Employers	324	0.75	1.25	1.56	-0.81	-52%
c. Data Not from Employers	151	0.35	1.10	1.17	-0.83	-70%
4. Governance and Financial Control						
a. Financial Administration and Control	809	1.88	2.11	2.69	-0.81	-30%
b. Board, Strategy, Policy	591	1.37	1.65	1.85	-0.48	-26%
c. Government and Public Relations	833	1.93	0.62	0.93	1.01	109%
5. Major Projects						
a. Amortization of non-IT Major Projects	0	0.00	0.00	0.01	-0.01	-100%
b. Non-IT Major Projects (if you don't capitalize)	1,523	3.54	0.00	1.20	2.34	194%
c. Amortization of IT Major Projects	110	0.26	0.26	2.40	-2.14	-89%
d. IT Major Projects (if you don't capitalize)	121	0.28	0.60	5.28	-5.00	-95%
6. Information Technology						
a. IT Strategy, Database, Applications (excl. major projects)	5,376	12.49	13.34	13.75	-1.27	-9%
b. IT Desktop, Networks, Telecom	897	2.08	4.97	5.48	-3.39	-62%
7. Support Services and Other						
a. Building and Utilities	1,463	3.40	4.11	5.72	-2.32	-41%
b. Human Resources	421	0.98	1.07	1.76	-0.78	-44%
c. Actuarial	176	0.41	1.51	1.53	-1.12	-73%
d. Legal and Rule Interpretation	948	2.20	2.05	2.94	-0.74	-25%
e. Internal and External Audit	623	1.45	1.13	1.48	-0.03	-2%
f/g. Other Support Services	160	0.37	1.61	4.37	-4.00	-92%
Total Pension Administration	25,263	58.68	81.09	87.23	-28.55	-33%

Your total cost of \$25.3 million excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$4.7 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 \$3.0 million. Refer to section 3, page 21 for details.

Cost Trends

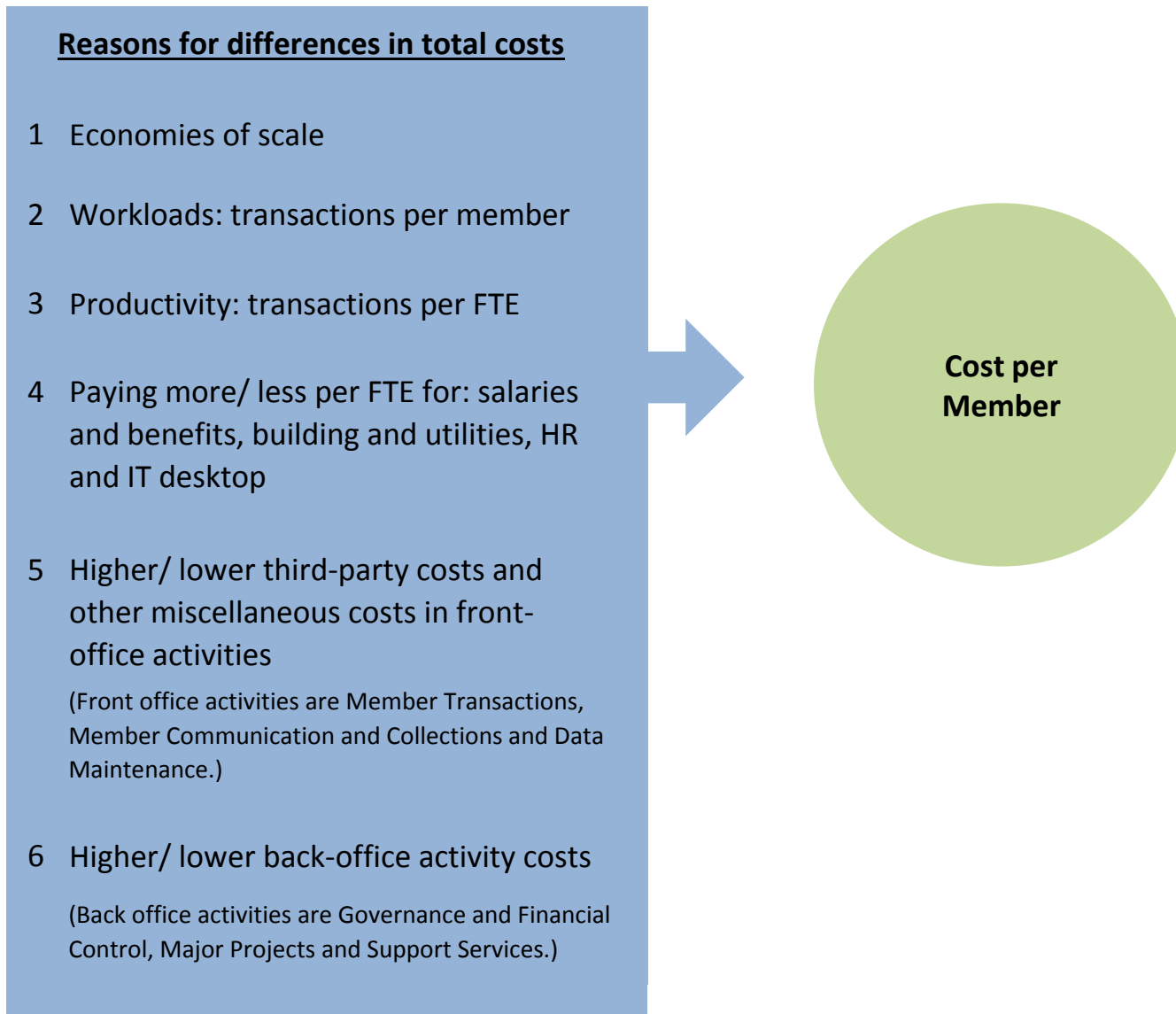


Trend analysis is based on systems that have provided 4 consecutive years of data (13 of your 15 peers).

You are in your fourth year of a multiyear Transformation Integration Modernization Project (TIM) that will modernize your business processes and integrate your information technology systems. You also began preparation for a new benefit administration system.

Despite the increased spending over the past 4 years, your costs remained well below those of your peers.

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

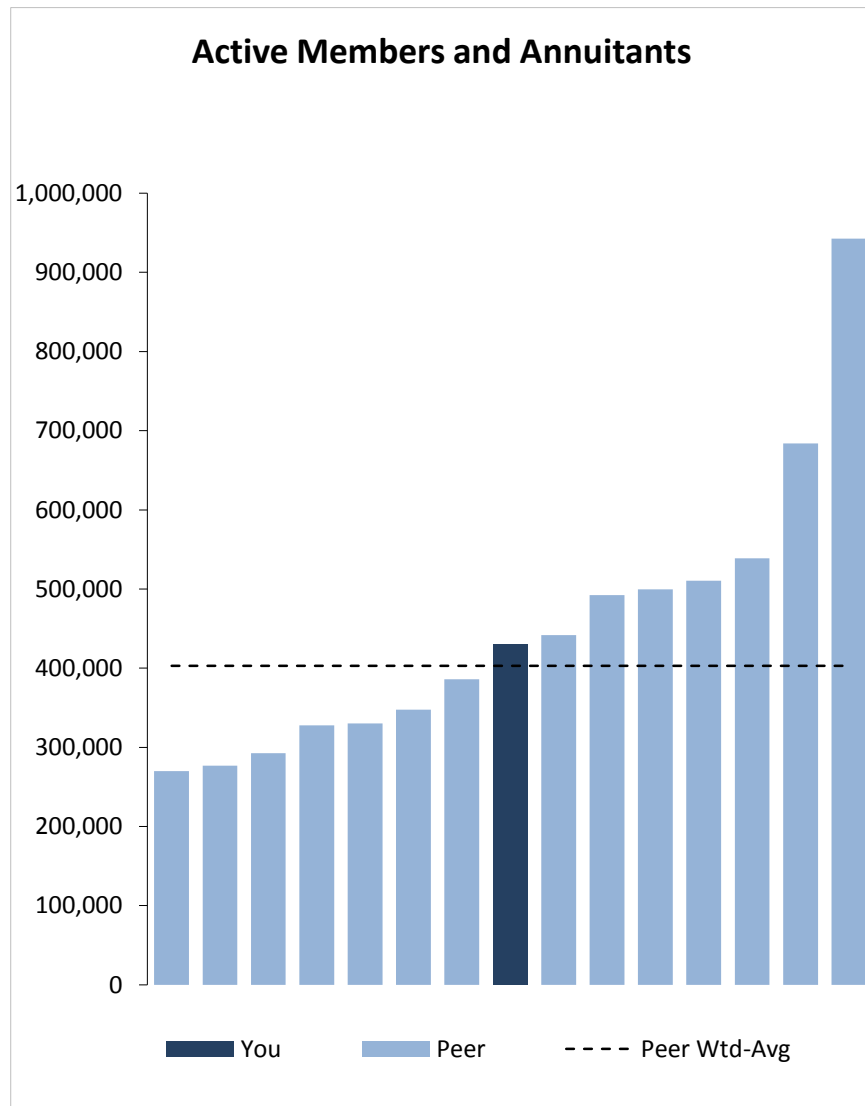


Reasons why your total cost was \$29 below the peer average.

Reason	Impact
1. Economies of scale advantage	-\$0.68
2. Lower transactions per member (workloads)	-\$2.34
3. Higher transactions per FTE (productivity)	-\$2.39
4. Lower costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	-\$12.19
5. Lower third-party and other costs in front-office activities	-\$4.07
6. Paying more/-less for back-office activities:	
- Governance and Financial Control	\$0.68
- Major Projects	-\$3.81
- IT Strategy, Database, Applications (excl. major projects)	\$0.74
- Actuarial, Legal, Audit, Other Support Services	-\$4.49
Total	-\$28.55

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. Also, the reasons will only add to 100% if we used averages.

Reason 1: You had an economies of scale advantage.



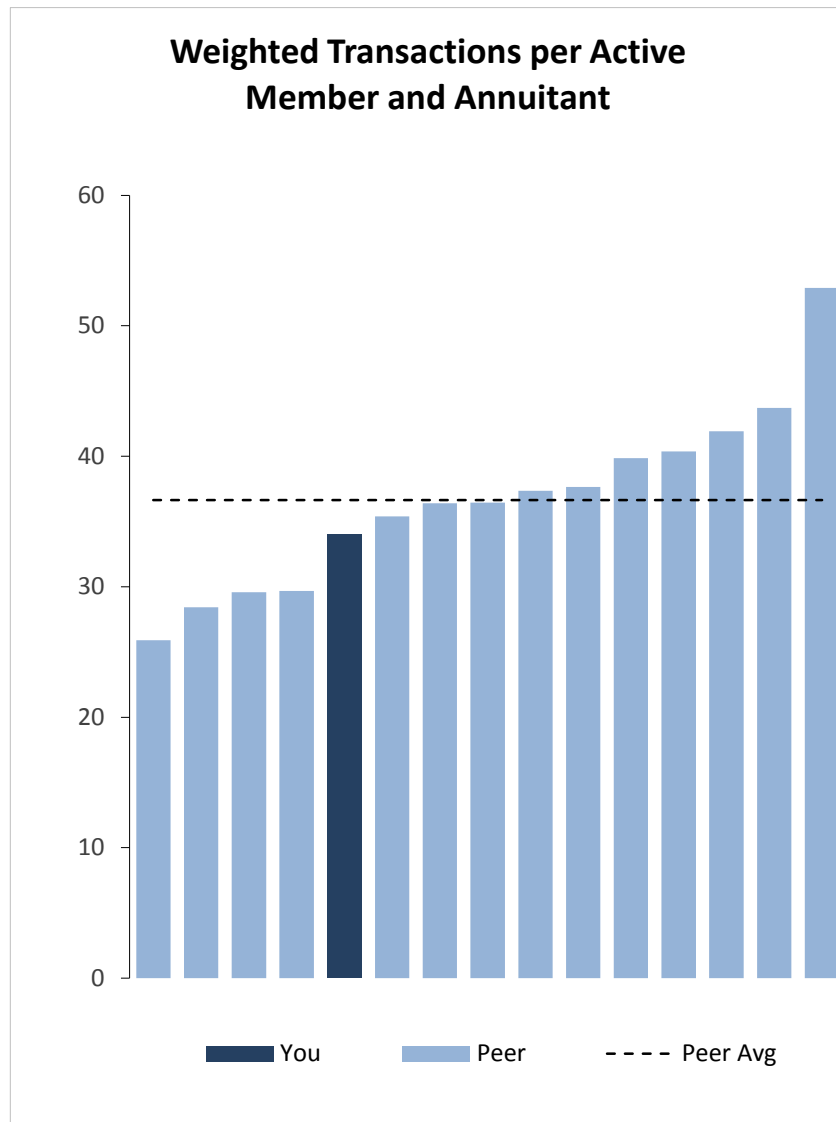
Your system had 7% more members than the peer weighted-average. Your larger size means that you had a cost advantage relative to the average peer of \$0.68 per member.

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%	107,622	\$88.36	\$29.67
-50%	215,244	\$68.58	\$9.89
-25%	322,866	\$61.98	\$3.30
0%	430,488	\$58.68	\$0.00
+25%	538,110	\$56.71	-\$1.98
+50%	645,732	\$55.39	-\$3.30
+75%	753,354	\$54.44	-\$4.24

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 lower transaction volumes per member (workloads).



Your weighted transactions were 7% below the peer average. Your lower transaction volumes decreased your total cost per member by an estimated \$2.34 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?

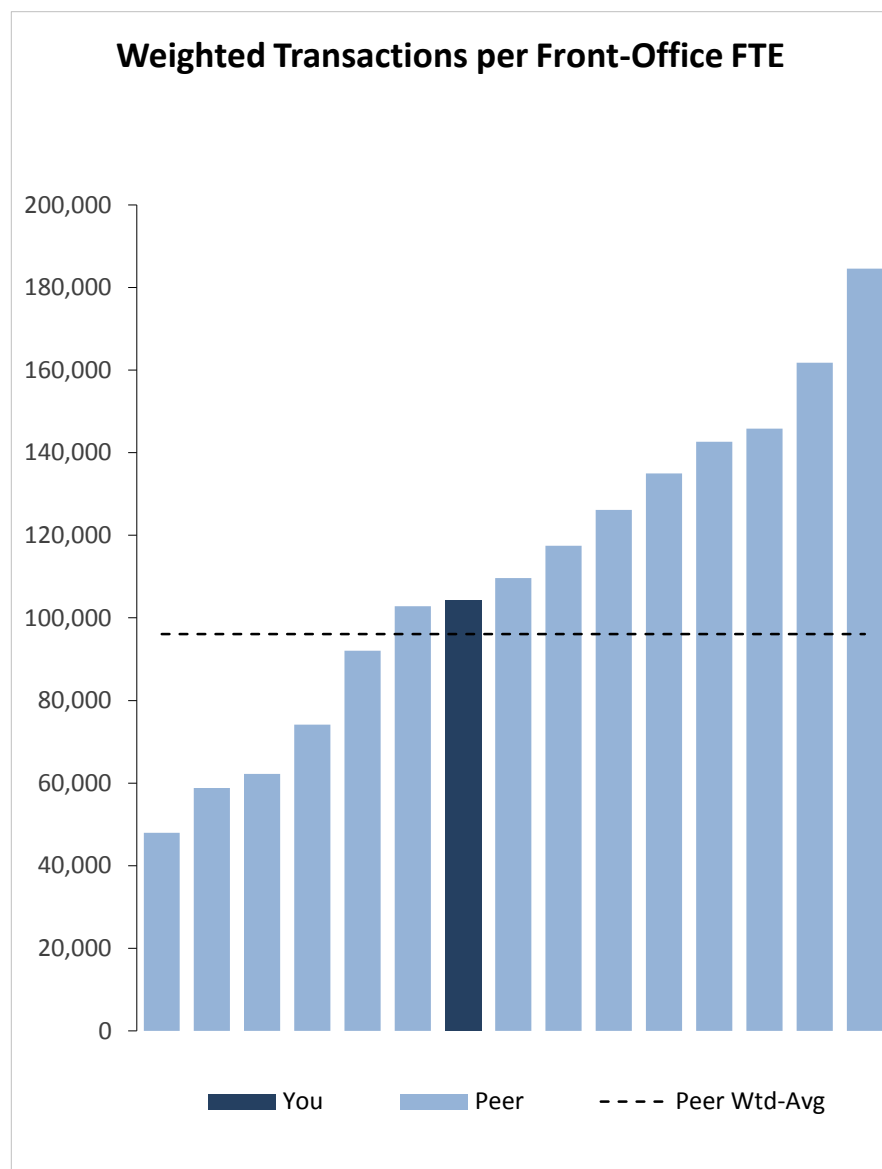
Where did you do more/fewer transactions?				
Front Office Transactions (or Transaction Driver)	Volume per 1,000 Active Members and Annuitants			\$ per Member Transaction Impact
	You	Peer Average	More/Less	
1. Member Transactions				
a. Pension Payments (Annuitants)	403	389	4%	\$0.11
b. New Payee Inceptions	21	27	-20%	-\$0.76
c. Withdrawals and Transfers-out	13	26	-51%	-\$0.73
d. Purchases and Transfers-in	2	10	-83%	-\$1.37
e. Disability Applications*	6	3	119%	\$2.59
2. Member Communication				
a. Calls and Emails	476	692	-31%	-\$1.59
b. Incoming Mail	415	412	1%	\$0.01
c. Members Counseled 1-on-1	12	25	-53%	-\$0.81
d. Member Presentations	1	2	-53%	-\$0.84
e. Written Estimates	44	26	71%	\$1.20
3. Collections and Data Maintenance				
a. Data and Money from Employers (Active Members)	597	611	-2%	-\$0.07
b. Service to Employers (Active Members)	597	611	-2%	-\$0.03
c. Data Not from Employers (Actives, Inactives, Annuitants)	1,355	1,423	-5%	-\$0.04
Weighted Total	34,005	36,636	-7%	-\$2.34

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

* Although your disability applications transaction volume is recognized here as a cost driver, most of the costs related to disability are incurred by a third party administrator and are therefore excluded from the cost analysis.

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



Your weighted transactions per front-office FTE were 8% 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 \$2.39 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 lower costs per FTE for: salaries and benefits, IT desktop, networks and telecom, building and utilities, and human resources.

Cost per FTE			
	You	Peer Avg	FTE-Wtd Peer Avg
Salaries and Benefits	\$72,870	\$84,377	\$84,585
Building and Utilities	\$6,867	\$9,726	\$9,940
Human Resources	\$1,973	\$2,795	\$3,057
IT Desktop, Networks, Telecom	\$4,208	\$9,823	\$9,521
Total	\$85,918	\$106,721	\$107,102

Your lower costs per FTE decreased your total cost by \$12.19 per member relative to the peer average.

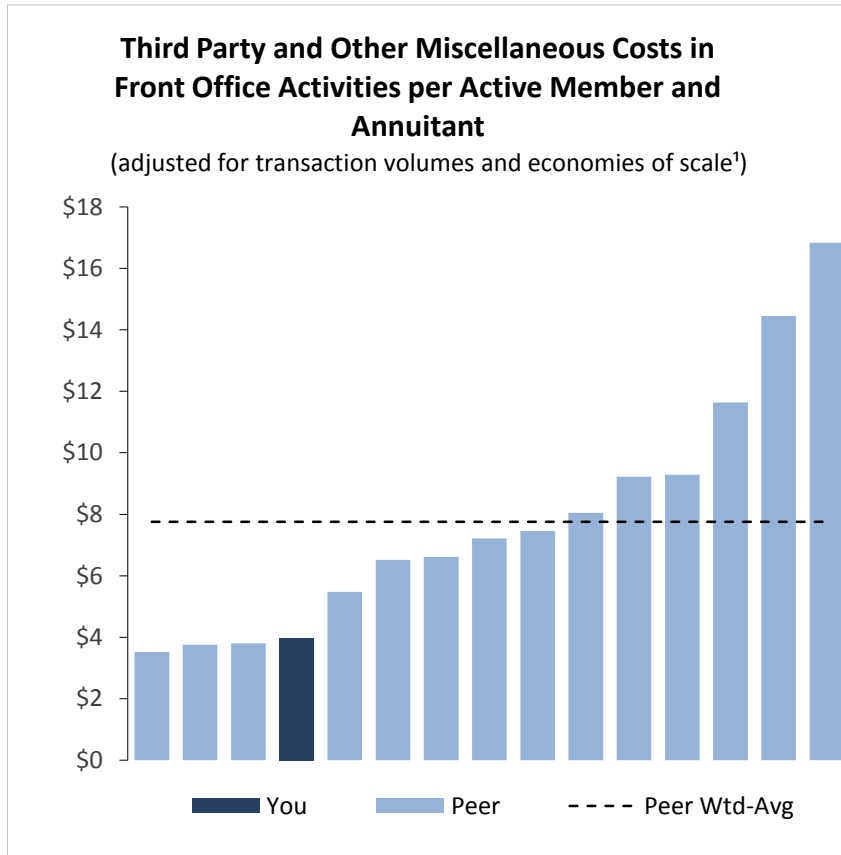
The peer average is weighted such that peers with more FTEs get a higher weight because 'cost per FTE' differences matter more for peers with more FTEs.

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.

Labor costs in your area were 7% below 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 activities² were \$3.98 per member which was 49% below the adjusted peer weighted average of \$7.75. Your lower third party costs decreased your total cost per member by \$4.07 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	\$5.77	\$5.10	\$0.68
Major Projects	\$4.38	\$8.19	-\$3.81
IT Strategy, Database, Applications	\$13.35	\$12.61	\$0.74
Actuarial, Legal, Audit, Other	\$4.87	\$9.36	-\$4.49
Total	\$28.38	\$35.26	-\$6.88

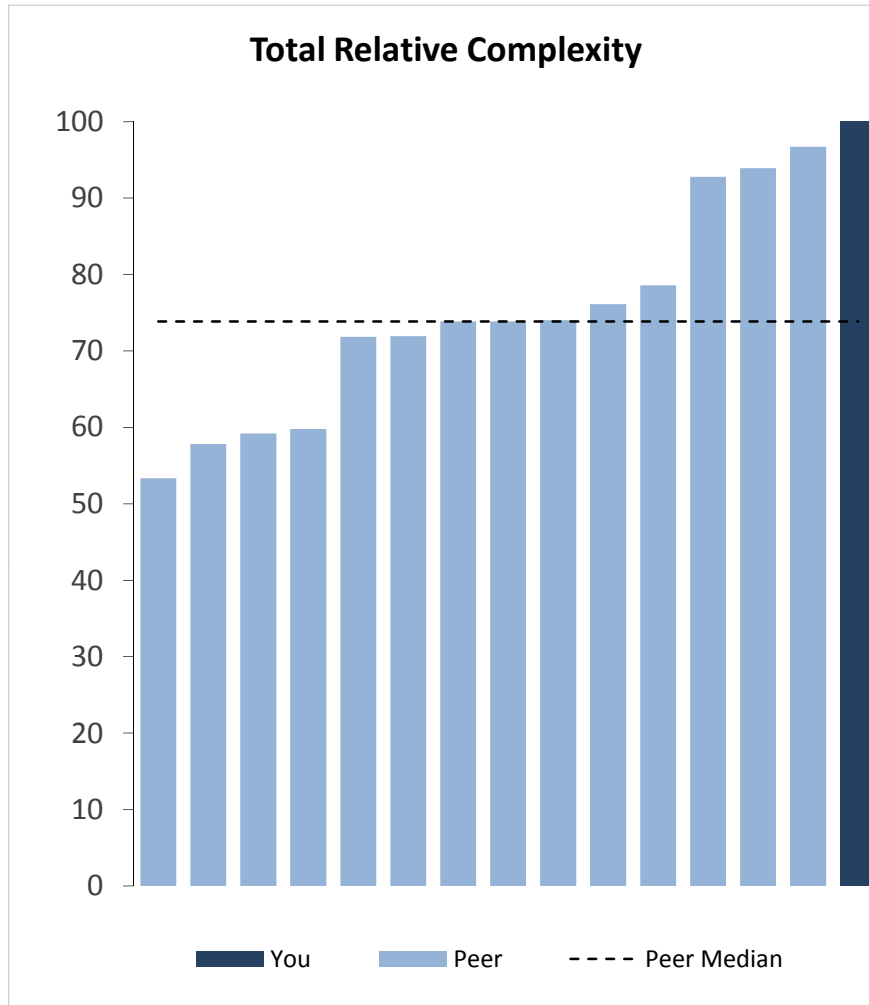
To avoid double counting, back office costs are adjusted for economies of scale and cost per FTE for: salaries, benefits, building, utilities, IT desktop and human resources. Before adjustments, your total costs for the above back-office activities were \$36. The unadjusted peer average was \$58.

Your adjusted cost per active member and annuitant of \$28.38 for back-office activities was below the peer average of \$35.26. Paying less for back-office activities decreased your total cost per member by \$6.88 relative to the peer average.

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

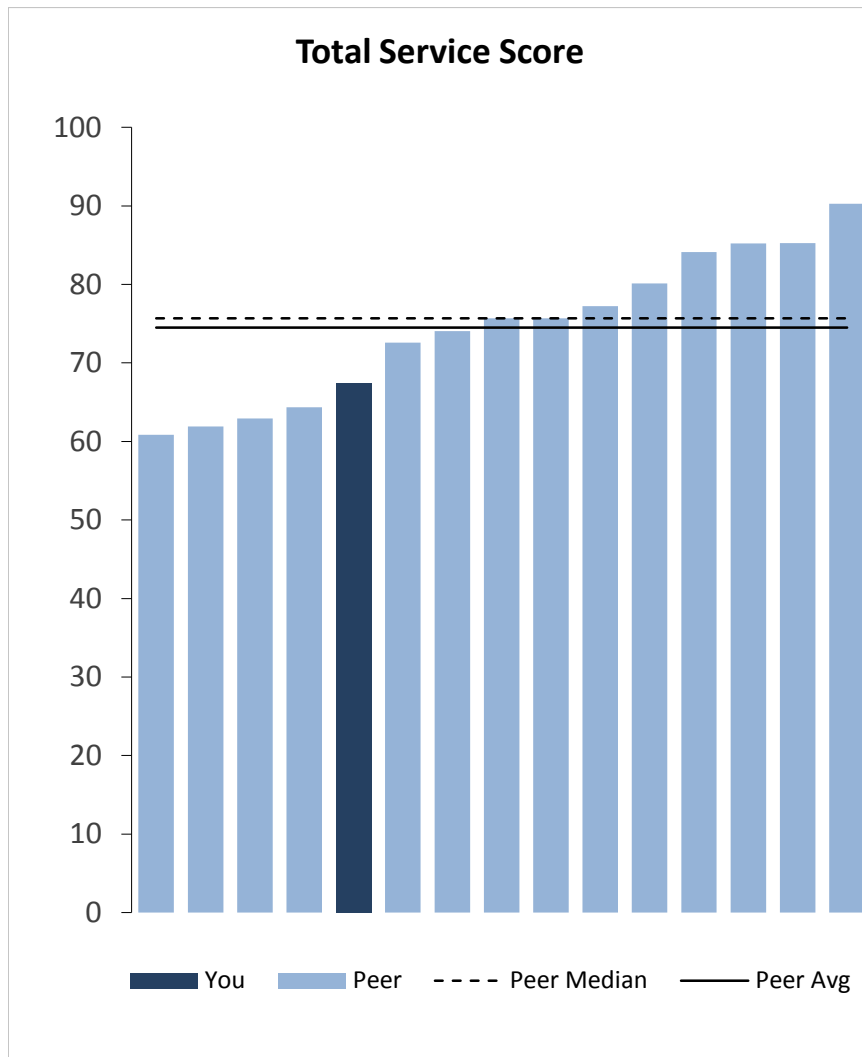
- How much you do. For example, some systems invest more in disaster recovery.
- IT capability
- IT investment cycle
- Plan complexity

Back-office costs and productivity are impacted by system complexity. Your total relative complexity score of 100 was above the peer median of 74.



Cause	You	Peer Median
Pension Payment Options	58	60
Customization Choices	74	9
Multiple Plan Types and Overlay:	95	63
Multiple Benefit Formula	27	44
External Reciprocity	35	35
COLA Rules	12	23
Contribution Rates	41	43
Variable Compensation	100	100
Service Credit Rules	59	61
Divorce Rules	100	55
Purchase Rules	55	65
Refund Rules	27	39
Disability Rules	86	82
Translation	0	0
Defined Contribution Plan Rules	100	100
Total Relative Complexity	100	74

Your total service score was 67. This was below the peer median of 76.



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	97	-2%
b. Pension Inceptions	7.4%	91	85	7%
c. Withdrawals and Transfers-out	0.3%	10	85	-88%
d. Purchases and Transfers-in	3.1%	76	82	-7%
e. Disability	4.8%	82	82	0%
2. Member Communication				
a. Call Center	21.2%	40	52	-23%
c. 1-on-1 Counseling	7.4%	61	90	-32%
d. Member Presentations	6.5%	92	87	6%
e. Written Pension Estimates	4.7%	63	85	-26%
f. Mass Communication				
a. Website	7.6%	41	77	-47%
b. Newsletters	3.8%	80	90	-11%
c. Member statements	6.6%	81	86	-6%
d. Other mass communication	0.9%	50	51	-2%
3. Other				
Satisfaction Surveying	5.0%	26	37	-30%
Disaster Recovery	1.0%	58	87	-33%
Weighted Total Service Score	100.0%	67	76	-12%

Examples of key service measures included in your Service Score:

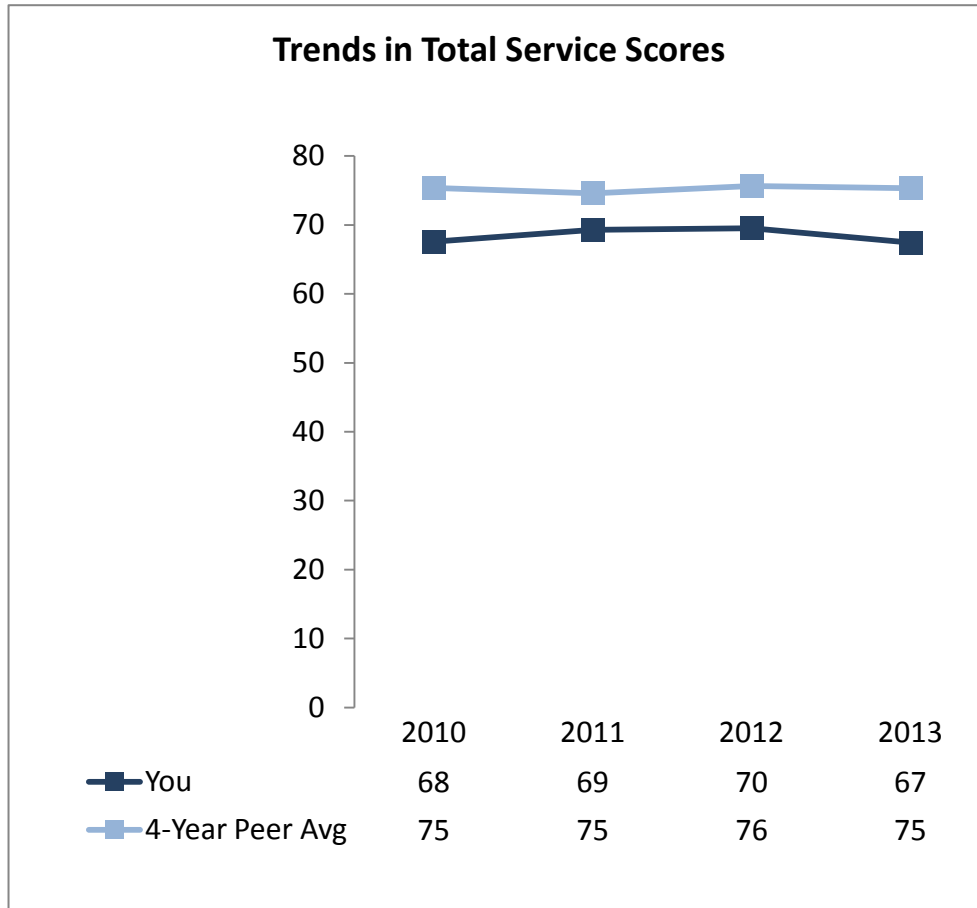
Select Key Service Metrics	You	Peer Avg
<u>Member Contacts</u>		
• % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	13%	15%
• Average total wait time including time negotiating auto attendants, etc.	282 secs	244 secs
<u>Website</u>		
• Can members access their own data in a secure environment?	No	93% Yes
• Do you have an online calculator linked to member data?	No	80% Yes
• # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc.	2	8
<u>1-on-1 Counseling and Member Presentations</u>		
• % of your active membership that attended a 1-on-1 counseling session	2.0%	4.2%
• % of your active membership that attended a presentation	3.4%	5.4%
<u>Pension Inceptions</u>		
• What % of annuity pension inceptions are paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	99.0%	88.9%
• What % of annuity pension inceptions were initiated online?	n/a	35%
<u>Member Statements</u>		
• How current is an active member's data in the statements that the member receives?	3.0 mos	2.3 mos
• Do statements provide an estimate of the future pension entitlement?	Yes	67% Yes

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 282 seconds. To achieve a perfect service score, members must reach a knowledgeable person on the phone in 20 seconds or less.	+ 5.2
# 2	13.2% of your incoming calls resulted in undesired outcomes. To achieve a perfect service score, members must experience no undesired call outcomes.	+ 3.1
# 3	You offer 2 of the 16 website transactions and tools applicable to you. To achieve a perfect service score you must offer all 16 on-line transactions and tools.	+ 2.4
# 4	0.5% of your total 1-on-1 sessions were located in the field. To achieve a perfect service score, the number of 1-on-1 sessions located in the field must be 25% or more.	+ 1.0

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 would have to do to achieve a higher score.

Your service score decreased from 68 to 67 between 2010 and 2013.



Your total service score has decreased 1 point since 2010.

This was the result of a 6% increase in your undesired call outcomes (i.e., busy signals, abandoned calls), from 7% in 2010 to 13% in 2013.

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

Historic scores have been restated to reflected changes in methodology. Therefore, your historic service scores may differ from previous reports.

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

Online Tool	% offering tool			If offered: Volume per 1,000 active members and annuitants		
	You	Peer	All	You	Peer Median	All Median
Benefit calculators						
In non-secure area	Yes	67%	53%	470.4	343.6	273.5
In secure area not linked to member data	No	20%	9%	n/a	24.4	53.3
In secure area linked to member's salary and service data	No	80%	87%	n/a	441.6	349.0
Service credit purchase calculator	Yes	67%	68%	5.8	65.2	67.4
Download forms	Yes	100%	100%	1,816.5	289.9	231.6
Register for counseling sessions	No	36%	31%	n/a	8.7	4.7
Register for presentations	Yes	64%	66%	3.6	14.7	15.7
Change address	No	80%	80%	n/a	23.0	26.6
Change beneficiary	No	47%	47%	n/a	20.6	40.6
Change family information	No	33%	28%	n/a	108.5	53.9
Tools for annuitants						
Change banking information for direct deposit	No	47%	43%	n/a	7.1	4.2
Change tax withholding amount	No	60%	44%	n/a	12.0	8.0
Download or print duplicate tax receipts	No	87%	69%	n/a	33.4	29.8
View annuity payment details	No	93%	75%	n/a	180.6	130.6
Apply for retirement	No	60%	38%	n/a	6.9	6.4
View status of online retirement application	n/a	60%	67%	n/a	47.6	28.3
View status of disability application	No	13%	7%	n/a	26.9	26.3
Secure mailbox	No	60%	42%	n/a	46.1	80.6
Download member statement	No	80%	85%	n/a	208.4	168.0
Digital file	No	27%	22%	n/a	396.6	396.6
Upload documents	No	18%	10%	n/a	7.1	7.1
View pensionable earnings and/or service without downloading	No	80%	87%	n/a	760.0	669.2
If yes:						
Are both salary and service data available?	n/a	100%	94%			
Online data up-to-date to the most recent pay period?	n/a	83%	73%			

Complete annual history from the beginning of employment?	n/a	67%	56%
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