

Wisconsin ETF

Pension Administration Benchmarking Results Fiscal Year 2015

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Sept. 29, 2016



How you can use CEM's pension administration benchmarking service:

- Measure and manage costs. Understand the factors influencing cost with a detailed peer analysis of your:
 - Staff costs
 - Transaction volumes
 - Productivity
- Measure and manage service. An analysis of over 120 key performance metrics that compares:
 - Your service levels relative to your peers
 - Service areas to improve or reduce
- Gain insights into current research on pension administration best practices and trends through CEM's *Insights*. Research publications in 2016 will review trends in pension funds usage of social media.
- Network with your peers at CEM's annual Global Pension Administration Conference to share best practices in pension administration.
- Access to CEM's online peer network for research and current issues in pension administration.
- Benchmarking cost and service performance is critical because *"What gets measured, gets managed"*.

Wisconsin DETF

Highlights of the report

- Wisconsin DETF is very low cost
 - Well below U.S. norms
- Service levels are below peer average
 - starting to improve as a result of investments
- ETF is a very complex system
 - the most complex in its peer group

72 leading global pension systems participate in the benchmarking service.

Participants			
<u>United States</u>		<u>Canada</u>	<u>Australia*</u>
Arizona SRS	TRS Illinois	APS	BUSS(Q)
CalPERS	TRS Louisiana	BC Pension Corporation	CBUS
CalSTRS	TRS of Texas	Defence Canada	First State Super
Colorado PERA	Utah RS	FPSP	HESTA
Delaware PERS	Virginia RS	HOOPP	QSuper
Florida RS	Washington State DRS	LAPP	REST
Idaho PERS	Wisconsin DETF	OMERS	SunSuper
Illinois MRF		Ontario Pension Board	VicSuper
Indiana PRS		Ontario Teachers	
Iowa PERS	<u>The Netherlands</u>	OPTrust	
Kentucky RS	ABN Amro Pensioenfonds	RCMP	<u>United Kingdom*</u>
KPERS	ABP	RRQ	Armed Forces Pension Schemes
LACERA	bpfBOUW	Saskatchewan HEPP	BAE Systems
Michigan ORS	Pensioenfonds Metaal en Techniek		National Grid
MOSERS	Pensioenfonds van de Metalektro	<u>Scandinavia</u>	Principal Civil Service Pension Scheme
NYC TRS	PFZW	Alecta	Pension Protection Fund
NYSLRS	Rabobank Pensioenfonds	ATP	Railway Pensions
Ohio PERS	St. Algemeen Pensioenfonds KLM	<u>United Arab Emirates</u>	Scottish Public Pension Agency
Ohio SERS		Abu Dhabi RPB	Teachers' Pensions Scheme
Oregon PERS	<u>South Africa</u>		Universities Superannuation Scheme
Pennsylvania PSERS	South Africa GEPP		
South Dakota RS			
STRS Ohio			

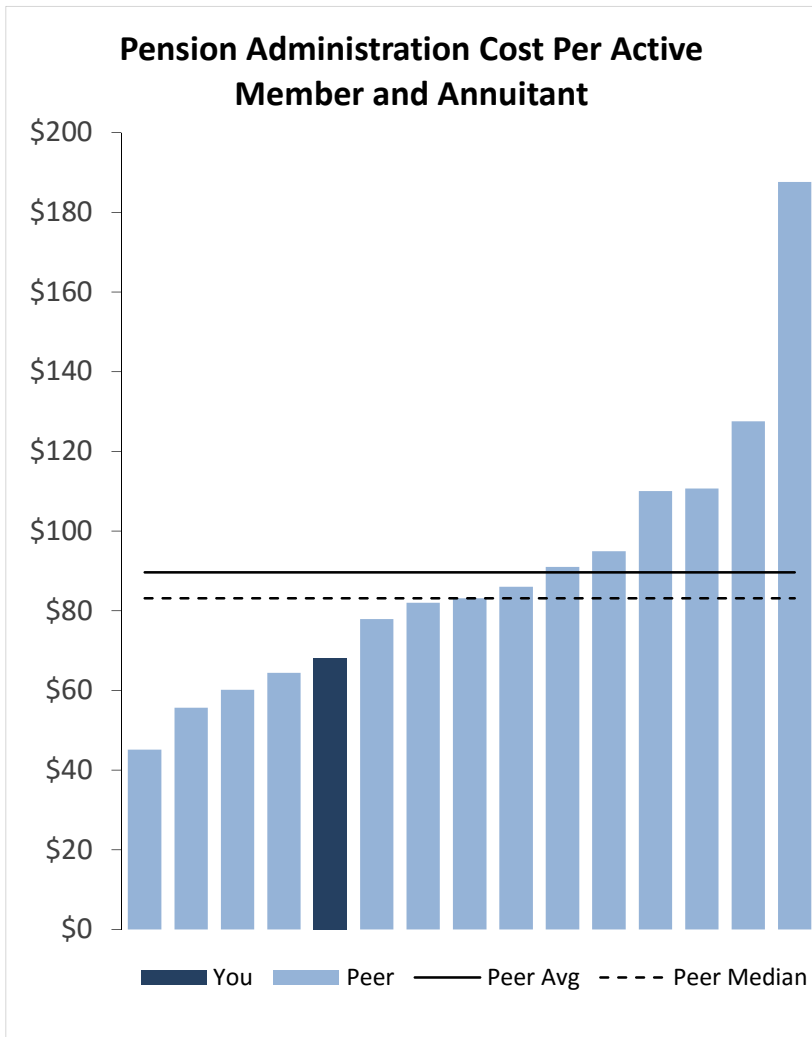
* Systems in Australia and the UK complete different benchmarking surveys and hence your analysis does not include their results.

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	523	430	953
CalSTRS	429	281	711
Ohio PERS	346	201	547
Virginia RS	341	185	525
Michigan ORS	233	255	488
Pennsylvania PSERS	256	220	476
Washington State DRS	301	165	466
Wisconsin DETF	257	186	443
Indiana PRS	257	138	395
STRS Ohio	207	160	366
Colorado PERA	234	107	341
Arizona SRS	203	136	339
Oregon PERS	165	135	299
Illinois MRF	174	112	286
Iowa PERS	167	111	279
Peer Median	256	165	443
Peer Average	273	188	461

Your total pension administration cost was \$68 per active member and annuitant. This was \$21¹ below the peer average of \$90.

¹The minor difference is due to rounding.



	<u>\$ per Active Member and Annuitant</u>			<u>\$000s</u>
	<u>Annuitant</u>		<u>Peer</u>	<u>You</u>
	<u>You</u>	<u>Peer Avg</u>	<u>Med</u>	
Member Transactions	9	13	11	3,797
Member Communication	14	16	14	6,359
Collections & Data Mtce.	4	7	5	1,762
Governance and Fin. Control	7	6	6	2,936
Major Projects	13	8	7	5,877
Information Technology	13	24	20	5,689
Support Services & Other	9	17	15	3,794
Total Pension Administration	68	90	83	30,214

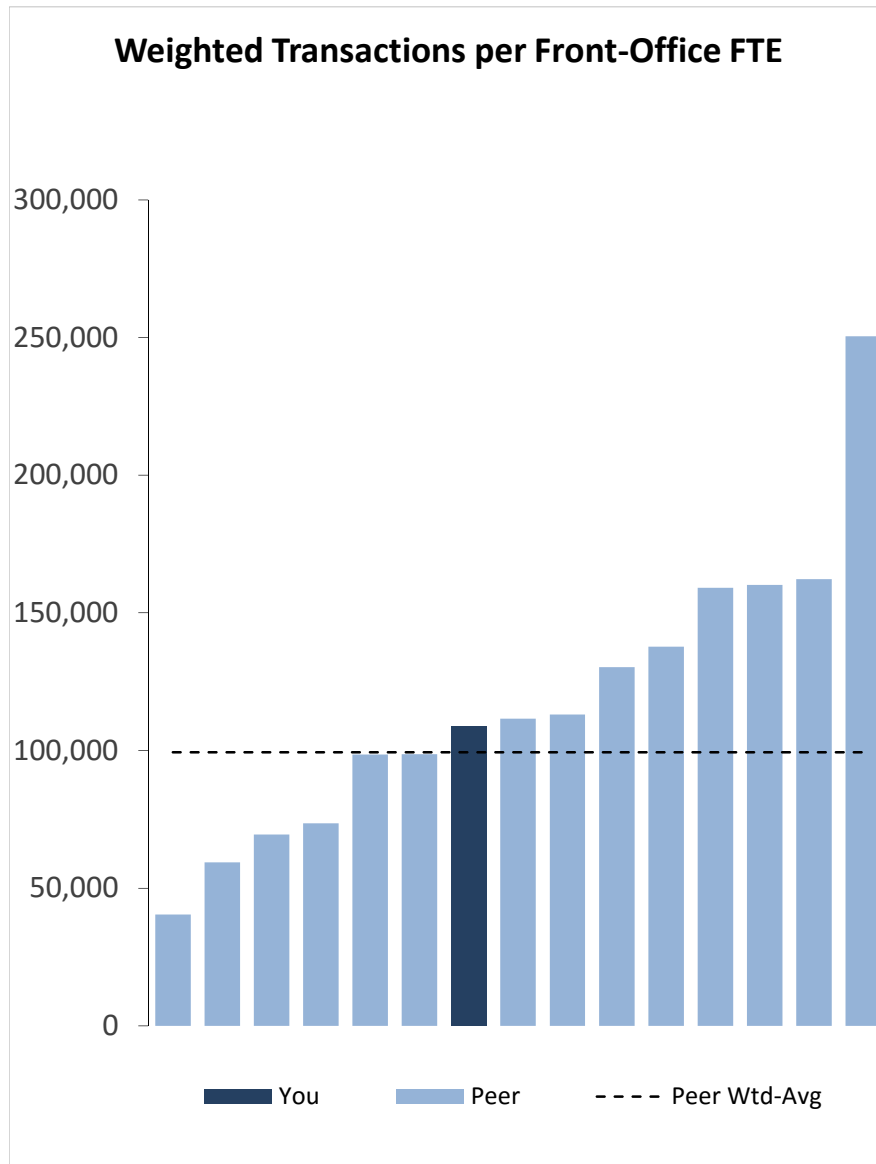
Your total pension administration cost was \$30.2 million. This excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$7.5 million.

Reasons why your total cost was \$21 below the peer average.

Reason	Impact
1. Economies of scale	-\$0.69
2. Lower transactions per member (workloads)	-\$0.59
3. Higher transactions per FTE (productivity)	-\$2.89
4. Lower costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	-\$13.44
5. Lower third-party and other costs in front-office activities	-\$3.27
6. Paying more/-less for back-office activities ¹ :	
- Governance and Financial Control	\$2.39
- Major Projects	\$7.22
- IT Strategy, Database, Applications (ex. major projects)	-\$6.08
- Actuarial, Legal, Audit, Other Support Services	-\$4.06
Total	-\$21.42

¹ 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. These figures will, therefore, not match the unadjusted back office cost differences on the previous page.

You had higher transactions per FTE (total productivity).



- Your transactions per front-office FTE were 9% above the peer average.
- Your higher transaction volumes per FTE decreased your total cost per member by \$2.89 relative to the peer average.

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

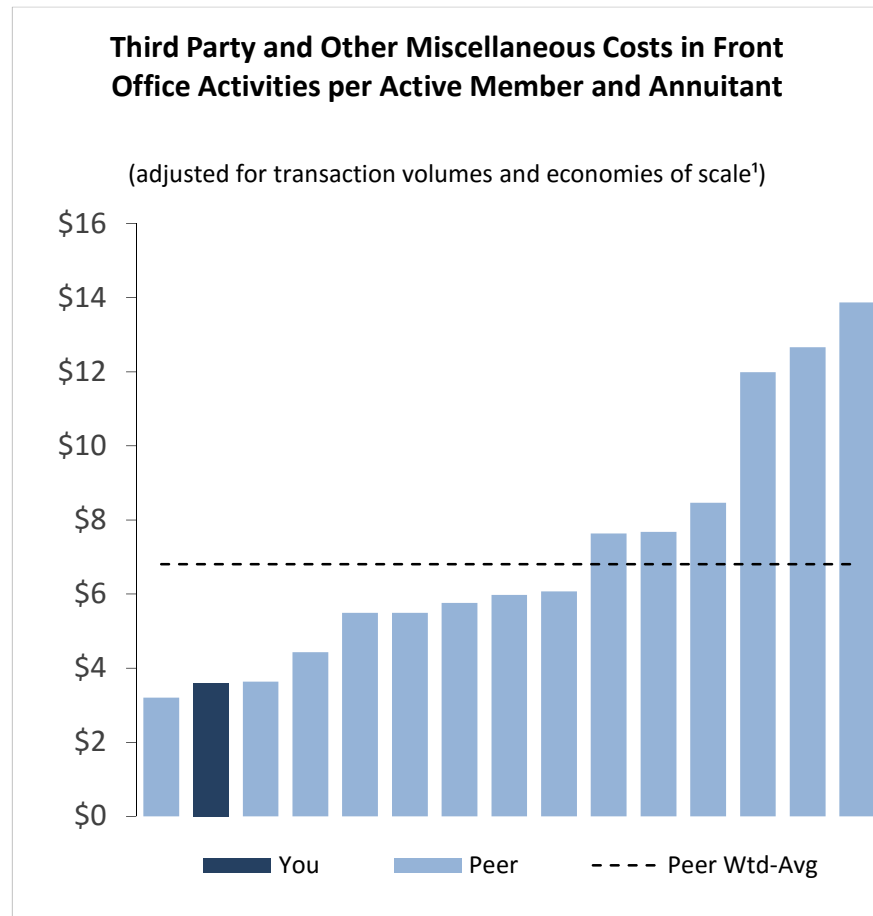
Cost per FTE		
	You	Peer Avg
Salaries and Benefits	\$73,107	\$89,386
Building and Utilities	\$6,642	\$9,685
Human Resources	\$2,949	\$3,063
IT Desktop, Networks, Telecom	\$10,430	\$14,161
Total	\$93,127	\$116,296

Your lower costs per FTE decreased your total cost by \$13.44 per member relative to the peer average.

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.

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

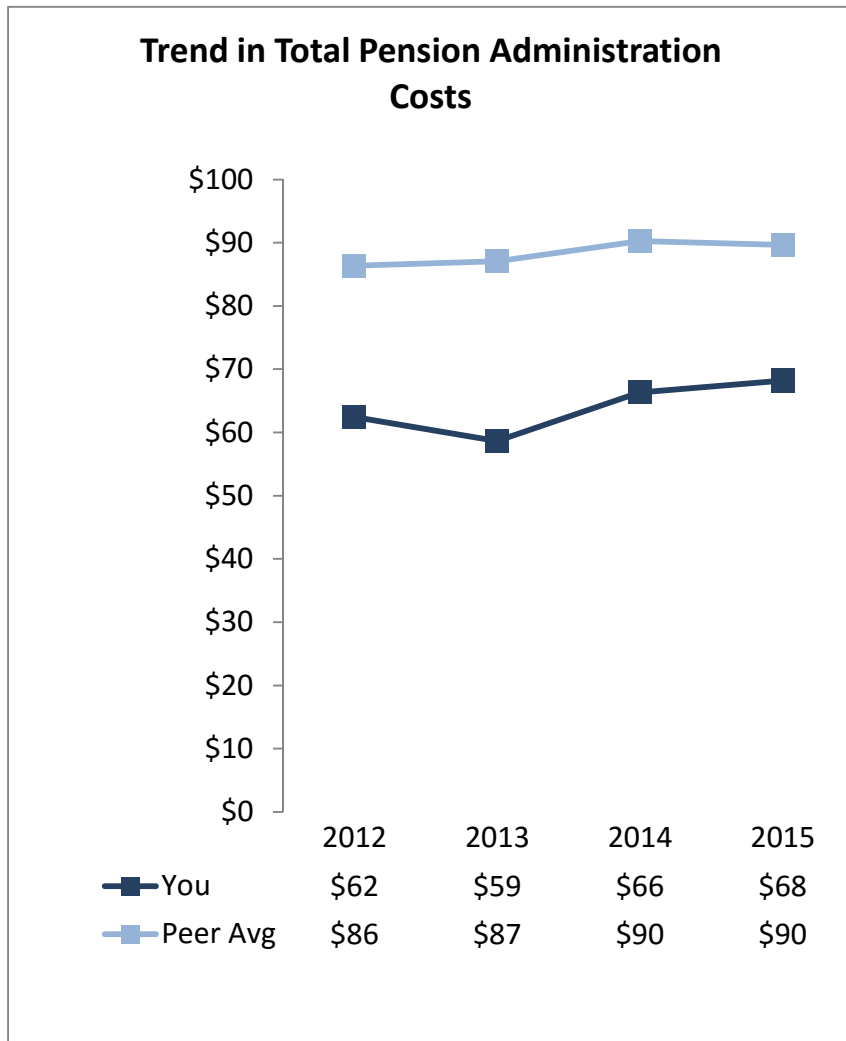


- Your third party and other miscellaneous costs (such as travel, office supplies, etc.) in the front-office activities² were \$3.60 per member which was 47% below the peer weighted average of \$6.81.
- Your lower third party costs decreased your total cost per member by \$3.27 relative to the peer average.

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.

Cost Trends

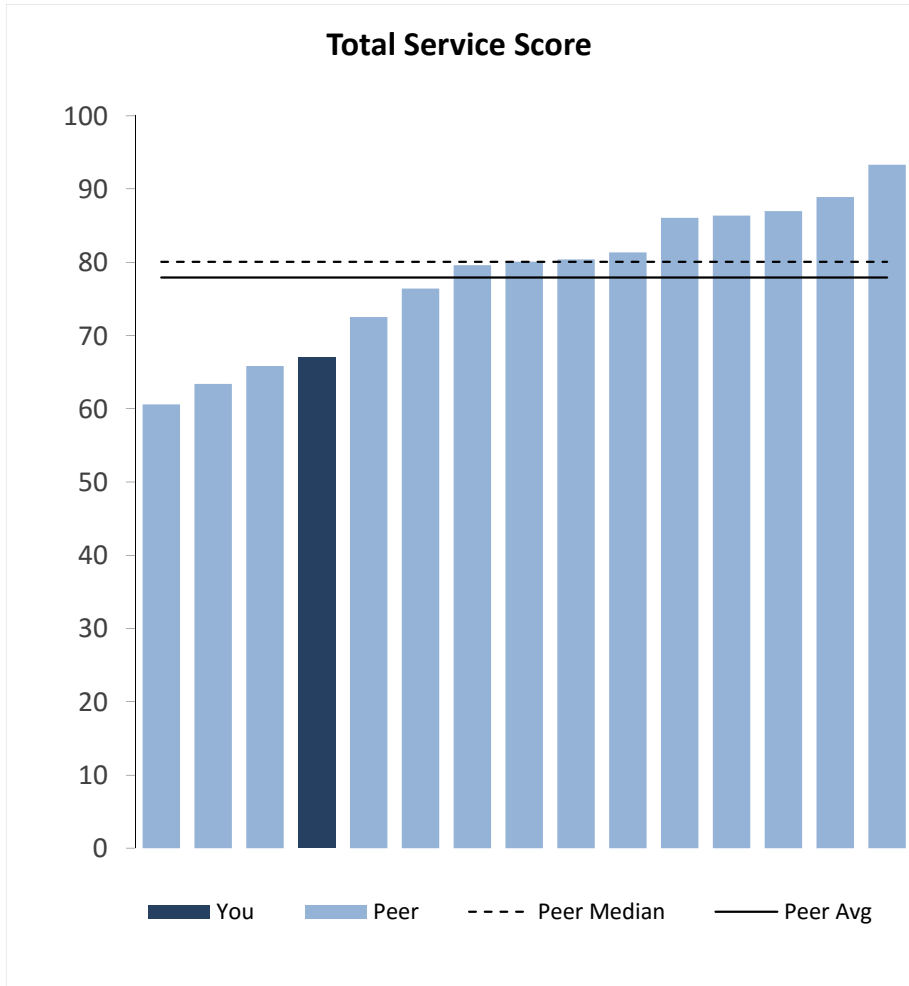


Your total pension administration cost per active member and annuitant increased by 3.0% per annum between 2012 and 2015. Despite the increased spending, your costs remained well below those of your peers.

The primary drivers of your cost increase were the two multi-year projects to update your operations:

- Transformation Integration Modernization Project (TIM) that will modernize your business processes and integrate your information technology systems; and
- New benefit administration system

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



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

Higher service is not necessarily cost-effective.

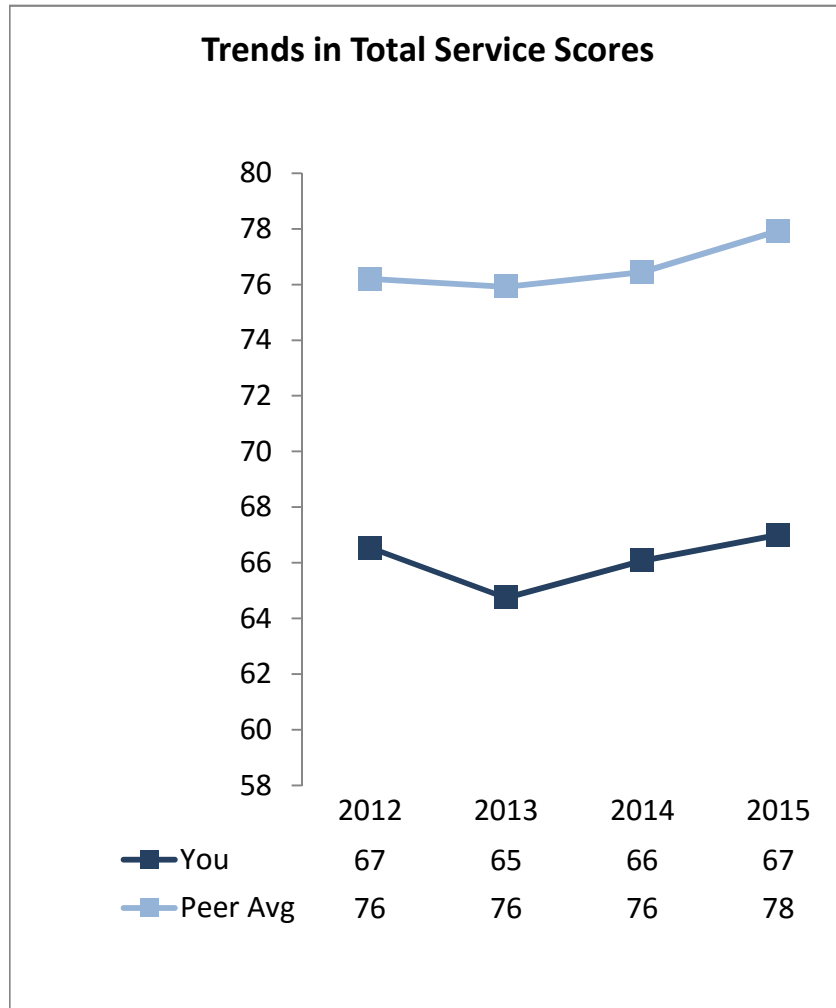
Service scores by activity

Activity	Weight	You	Peer Median
1. Member Transactions			
a. Pension Payments	19.7%	99	100
b. Pension Inceptions	7.4%	91	87
c. Withdrawals & Transfers-out	1.3%	28	93
d. Purchases & Transfers-in	3.1%	90	84
e. Disability	3.8%	82	82
2. Member Communication			
a. Call Center	21.2%	40	62
c. 1-on-1 Counseling	7.4%	72	87
d. Member Presentations	6.5%	93	90
e. Written Pension Estimates	4.7%	70	86
f. Mass Communication			
• Website	11.3%	22	79
• News & targeted communication	2.8%	88	82
• Member statements	4.7%	84	86
3. Other			
Satisfaction Surveying	5.0%	38	38
Disaster Recovery	1.0%	58	84
Weighted Total Service Score	100.0%	67	80

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)	18%	16%
• Average total wait time including time negotiating auto attendants, etc.	253 secs	190 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.	3	12
<u>1-on-1 Counseling and Member Presentations</u>		
• % of your active membership that attended a 1-on-1 counseling session	2.5%	3.8%
• % of your active membership that attended a presentation	5.7%	5.7%
<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%	88.4%
<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	73% Yes

Your service score, although the same in 2012 and 2015, increased from 2013 to 2015.



Your service levels over the past 4 years reflect some offsetting changes. Service improvements were seen in:

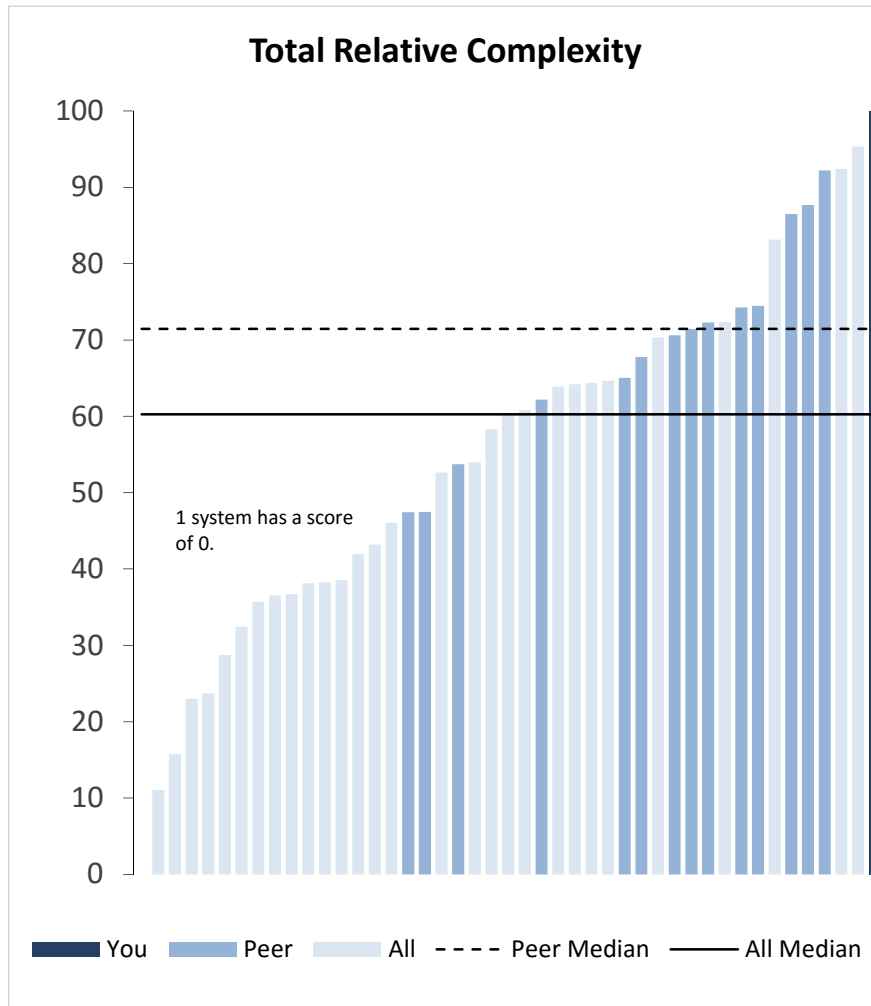
- **Call center:** Members calling in can now add or change their email address over the phone.
- **Satisfaction surveying:** You have expanded your satisfaction surveying program to include survey calls and 1-on-1 counseling.

Website: You now have most of your forms available on-line for either completion or downloading.

The above improvements were partially offset by the highly-weighted calls activity. Undesired call outcomes, such as busy signals and abandoned calls, increased from 8.4% to 18.3% between 2012 and 2015.

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

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



Relative Complexity Score by Cause (0 least - 100 most)		
Cause	You	Peer Avg
Pension Payment Options	59	57
Customization Choices	100	25
Multiple Plan Types & Overlays	95	52
Multiple Benefit Formula	27	43
External Reciprocity	35	29
COLA Rules	12	29
Contribution Rates	41	61
Variable Compensation	85	80
Service Credit Rules	63	61
Divorce Rules	100	69
Purchase Rules	55	68
Refund Rules	31	52
Disability Rules	82	78
Translation	0	8
Defined Contribution Plan Rules	100	60
Total Relative Complexity	100	72

Key Takeaways:

Cost

- Your total pension administration cost was \$68 per active member and annuitant. This was \$21 below the peer average of \$90.
- The primary reasons why were:
 - higher transactions per FTE (higher productivity)
 - lower cost per FTE
 - lower third party and other miscellaneous costs

Service

- Your total service score was 67. This was below the peer median of 80.
- Your service score, although the same in 2012 and 2015, increased from 2013 to 2015.

Complexity

- Your complexity is the highest in the peer group.

Global trends

1. Improved efficiency
 - Improving processes - Lean, Six Sigma
 - Straight through processing
 - Maximizing online transactions
2. Competition in Australia & the Netherlands. Operating more like competitive businesses in the rest of the world.
 - Better communication
 - Branding, member engagement, customer satisfaction
 - Improved Board quality
3. Better communication
 - Customer experience vs. transaction
 - More targeted messaging
 - More segmentation
 - Personas
 - Data mining
 - More channels: Web, Apps, YouTube, Facebook, Twitter, Linked In, etc.
4. Belief that online is the highest service channel if done correctly.
 - Reduced emphasis on counseling and presentations (less true for systems with health care)
5. Pension envy and poor funded status
 - Dutch plans had to reduce payments to retirees when funded status fell below 95%.
 - Political advocacy using members
6. System upgrades
 - Processes and data need to be optimized first.
 - One driver is the need for better online real-time capability.