



What gets measured
gets managed





Wisconsin Department of Employee Trust Funds 2016 Pension Administration Benchmarking Report

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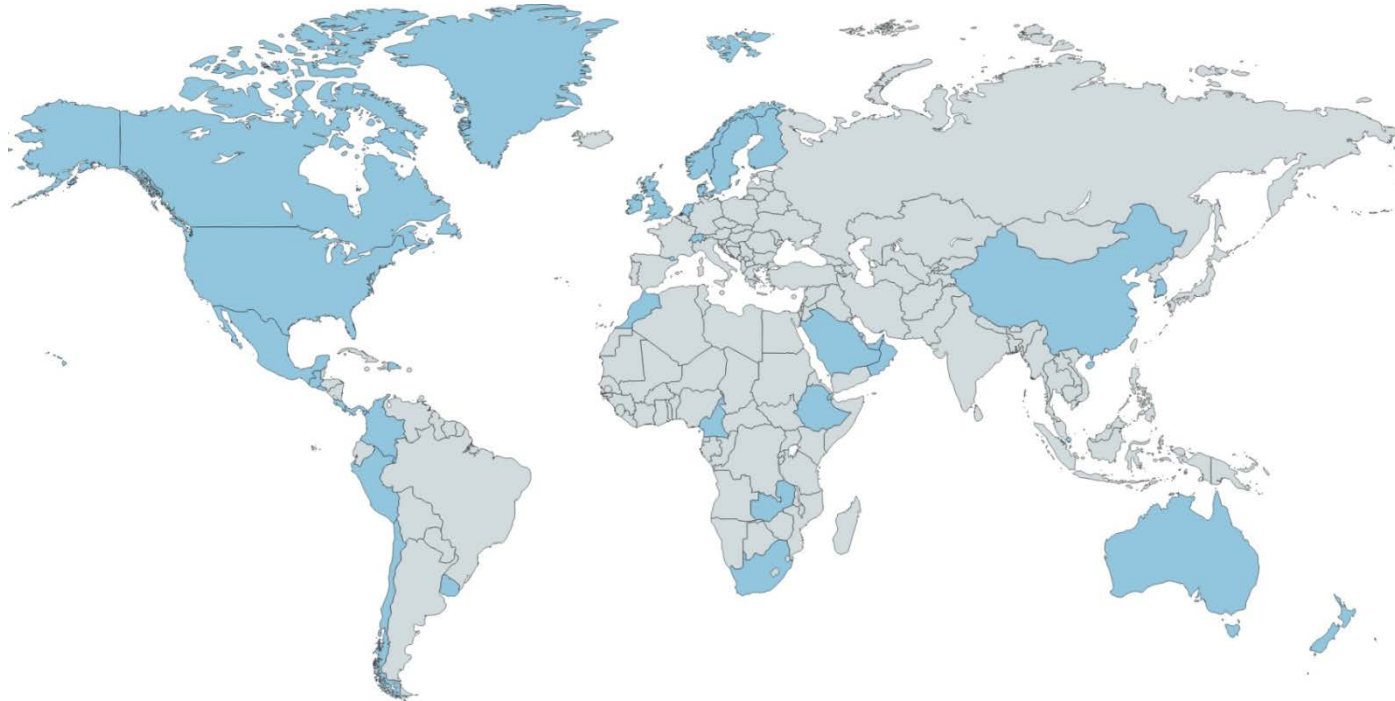
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Who is CEM?

<p>1</p> <p>Unique Global database</p> 	<ul style="list-style-type: none">▪ World class pension clients:<ul style="list-style-type: none">– 350+ clients for 36 countries– Combined assets over US\$10 trillion– 150 of the world's top 300 pension schemes– SWFs, pension funds, endowments, etc.
<p>2</p> <p>Comprehensive metrics</p> 	<ul style="list-style-type: none">▪ World leader in demonstrating value-for-money in the pension industry.▪ Annual performance data from 1991 - 2016 including:<ul style="list-style-type: none">– Fund and asset class holdings, returns, value add and cost– Value add relative to reference portfolios and benchmarks– Costs by asset class and implementation style– Staffing by front-office asset class and mid/back-office support– Member administration costs and service levels▪ A relentless focus on quality.
<p>3</p> <p>Deep expertise and insight</p> 	<ul style="list-style-type: none">▪ Award winning and proprietary research on investments and member services:<ul style="list-style-type: none">– Drawn from our database and direct working relationships with clients including our 'Global Leaders' peer group.▪ 30 staff including 7 CFAs, 1 PhD, 7 MBAs and 3 MSc.
<p>4</p> <p>Independent and Confidential</p> 	<ul style="list-style-type: none">▪ Independent provider of objective and actionable benchmarking information:<ul style="list-style-type: none">– No vested interest in the outcomes of our work – benchmarking is all we do.▪ Strict confidentiality standards:<ul style="list-style-type: none">– The information that CEM collects is sensitive and we are very careful about how we handle it.

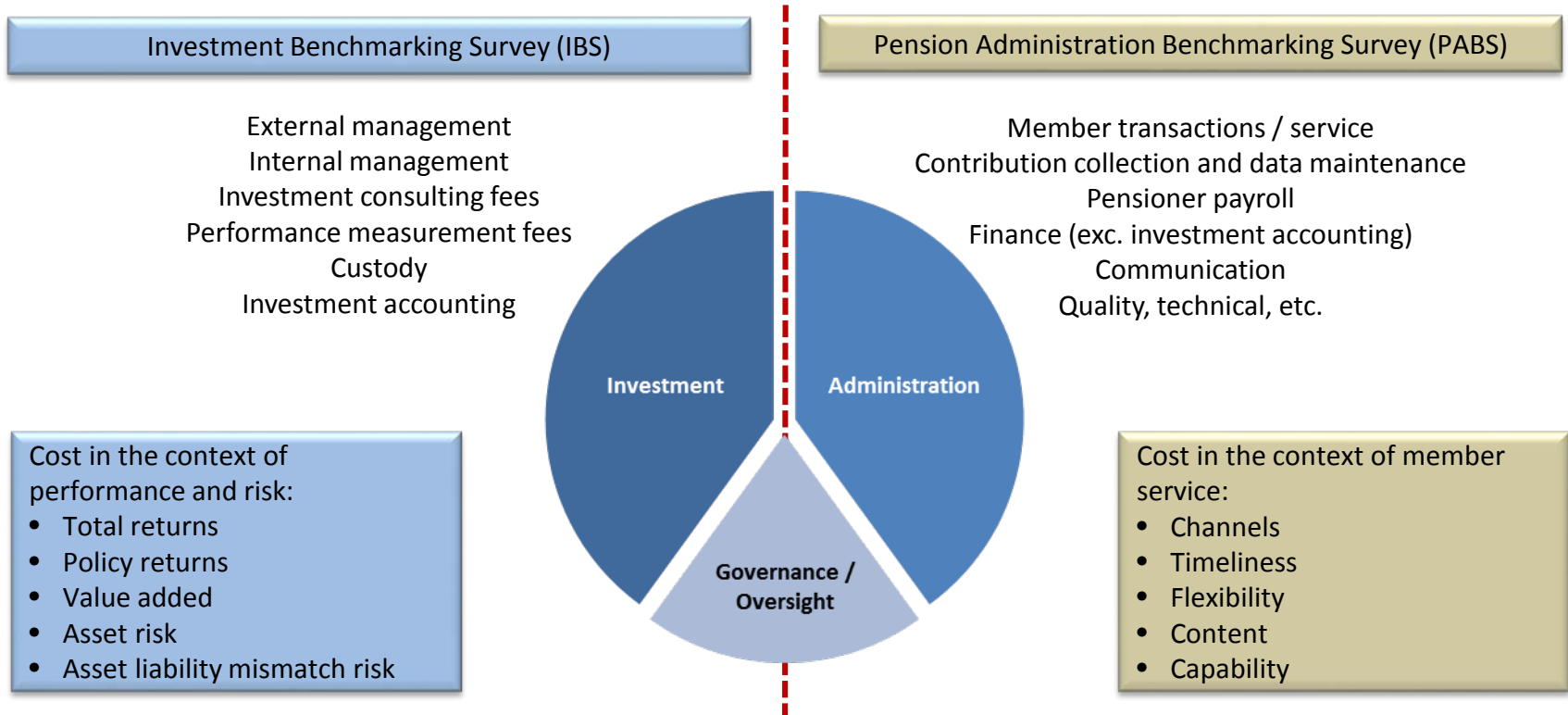
CEM has global databases



Year	# of funds by region				# of funds by type		Assets Under Management (\$ billions)							
	Can	Euro	U.S.	Other	DB	DC	90 th	75 th	50 th	25 th	10 th	Avg.	Total	#
2013 - 2015 ¹	104	167	394	24	505	184	33.6	12.0	3.8	1.6	0.7	16.0	10,991	689

1. All unique funds that participated in the 3-year period ending December 31, 2015 are included.

Two annual CEM surveys capture all costs related to running pension plans



Governance and Oversight costs are split between the Investment and Administration Surveys:

Head of pensions / secretariat
Trustee fees and expenses
Actuarial, legal, audit fees

70 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
NYC TRS
NYSLRS
Ohio PERS
Oregon PERS
Pennsylvania PSERS
Pennsylvania SERS
PSRS PEERS of Missouri
South Carolina RS
South Dakota RS

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

The Netherlands

ABN Amro Pensioenfond
ABP
bpfBOUW
Pensioenfond Metaal en Teckniek
Pensioenfond PGB
Pensioenfond TNO
Pensioenfond van de Metalektro
Pensioenfond Vervoer
Pensioenfond voor de Woningcorporaties
PFZW
PPF APG
Rabobank Pensioenfond
Shell Pensioenfond

Canada

APS
BC Pension Corporation
Canadian Forces Pension Plans
FPSP
HOOPP
LAPP
Nova Scotia Pension Corp.
OMERS
Ontario Pension Board
Ontario Teachers
OPTrust
RCMP

Scandinavia

Alecta
ATP

Australia*

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

United Kingdom*

Armed Forces Pension Schemes
Principal Civil Service Pension Scheme
Scottish Public Pension Agency
Teachers' Pensions Scheme
Universities Superannuation Scheme

Your custom peer group – 15 systems

Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
NYSLRS	526	441	967
CalSTRS	429	281	711
Ohio PERS	345	206	551
Virginia RS	342	192	534
Michigan ORS	217	265	482
Washington State DRS	310	172	481
Pennsylvania PSERS	254	225	479
Wisconsin DETF	256	192	448
Indiana PRS	247	153	400
STRS Ohio	212	159	371
Colorado PERA	238	110	348
Arizona SRS	204	140	344
Oregon PERS	168	139	307
Illinois MRF	174	116	291
Iowa PERS	168	114	283
Peer Median	247	172	448
Peer Average	273	194	466

Your 2016 CEM Pension Administration Benchmarking Results



Your total pension administration cost was \$67. Peer average cost was \$90. You are lower cost by \$23.

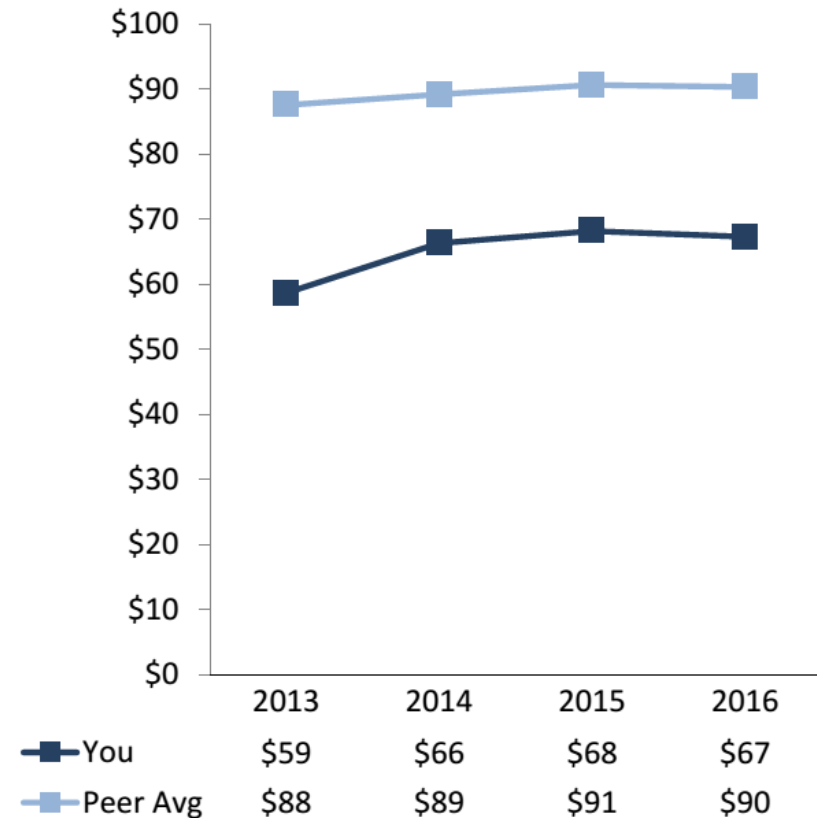
- This is cost per active member and annuitant.
- Investment related costs and optional benefit costs (\$2M in healthcare and \$1.4M optional and third party administered benefits) are excluded.

Category	\$ per Active Member and Annuitant			\$000s You
	You	Peer Avg	Peer Med	
Member Transactions	8	13	10	3,612
Member Communication	15	16	15	6,689
Collections and Data Maintenance	4	7	5	1,734
Governance and Financial Control	6	6	6	2,882
Major Projects	11	8	7	4,919
Information Technology	14	24	19	6,359
Building	3	6	4	1,559
Legal	1	3	2	657
HR, Actuarial, Audit	4	8	14	1,738
Total Pension Administration	67	90	84	30,148

Your costs have increased over the past 4 years, as has your peers.

- Your costs increased at 4.7% per annum, but your costs remained well below peers.
- Largest increase was in Major Projects, with Transformation Integration Modernization Project (TIM) and your new benefit administration system.

Trend in Total Pension Administration Costs



Reasons why your total cost was below peer average by \$23 per member.

Reason	Impact
1. Economies of scale - minimal impact in this peer group	-\$0.66
2. Similar transactions per member (workloads)	-\$1.30
3. Similar transactions per FTE (productivity)	-\$1.74
4. Lower costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	-\$14.41
5. Lower third-party and other costs in front-office activities	-\$2.80
6. Paying more/-less for back-office activities ¹ :	
- Governance and Financial Control	\$1.96
- Major Projects	\$4.50
- IT Strategy, Database, Applications (excl. major projects)	-\$4.25
- Actuarial, Legal, Audit, Other Support Services	-\$4.34
Total	-\$23.05

One major reason: Lower FTE costs

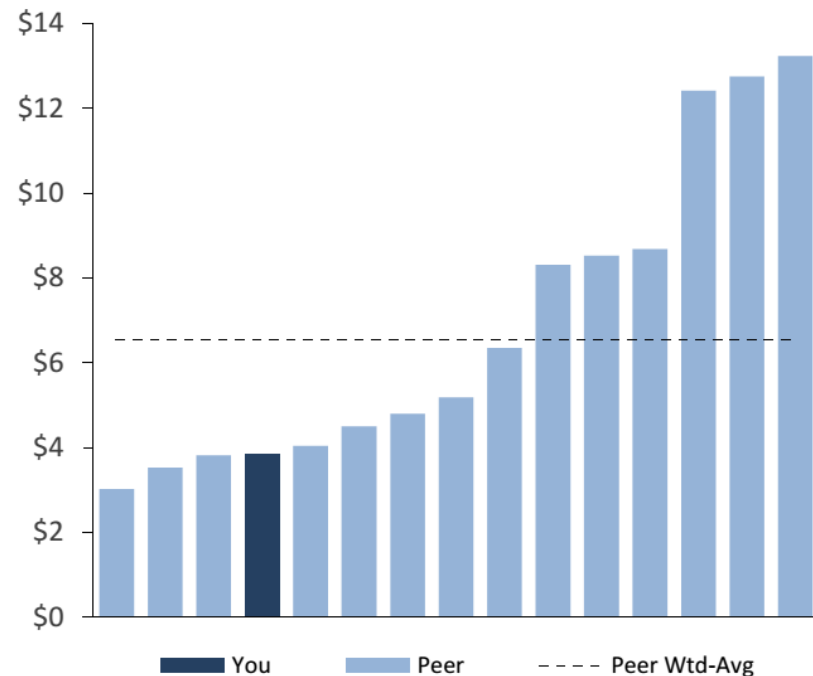
- Your 'fully loaded' cost per FTE is lower than your peers by 22%.
- Your lower cost per FTE decreased your cost per member by \$14.41 relative to the peer average.

	Cost per FTE	
	You	FTE-Wtd Peer Avg
Salaries and Benefits	\$74,494	\$90,777
Building and Utilities	\$6,870	\$10,214
Human Resources	\$2,905	\$3,397
IT Desktop, Networks, Telecom	\$8,940	\$14,732
Total	\$93,209	\$119,120

You also have lower third party and other miscellaneous costs in front-office activities.

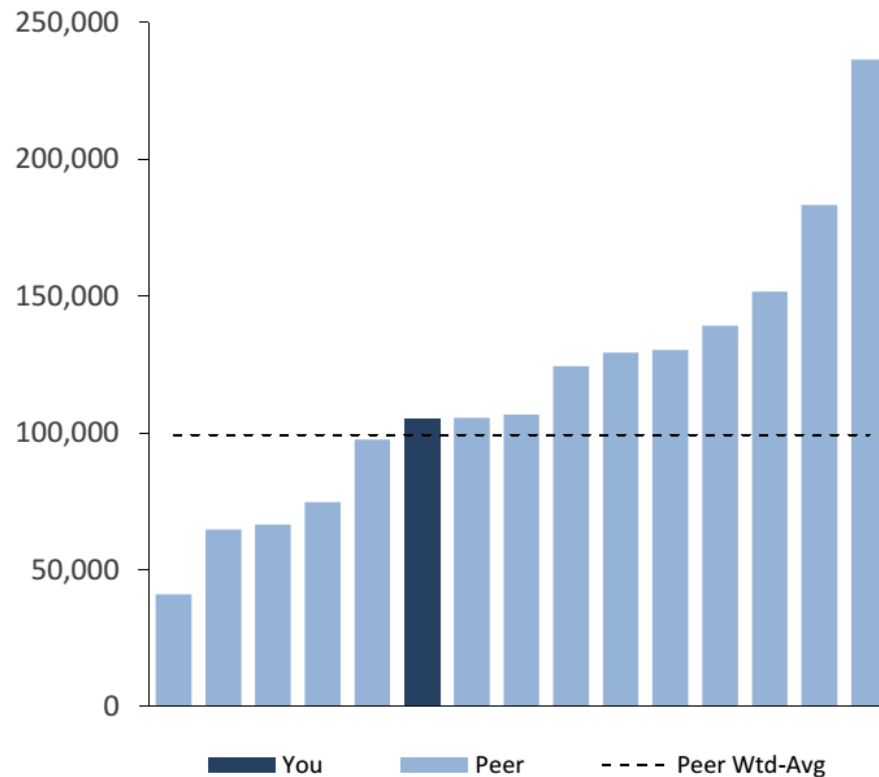
- Your third party and other miscellaneous costs in front-office activities was 41% below the peer average.
- This decreased your cost per member by \$2.80 relative to the peer average.

Third Party and Other Miscellaneous Costs in Front Office Activities per Active Member and Annuitant



Your higher transaction volume per FTE also decreased your costs, saving you \$1.74.

Weighted Transactions per Front-Office FTE

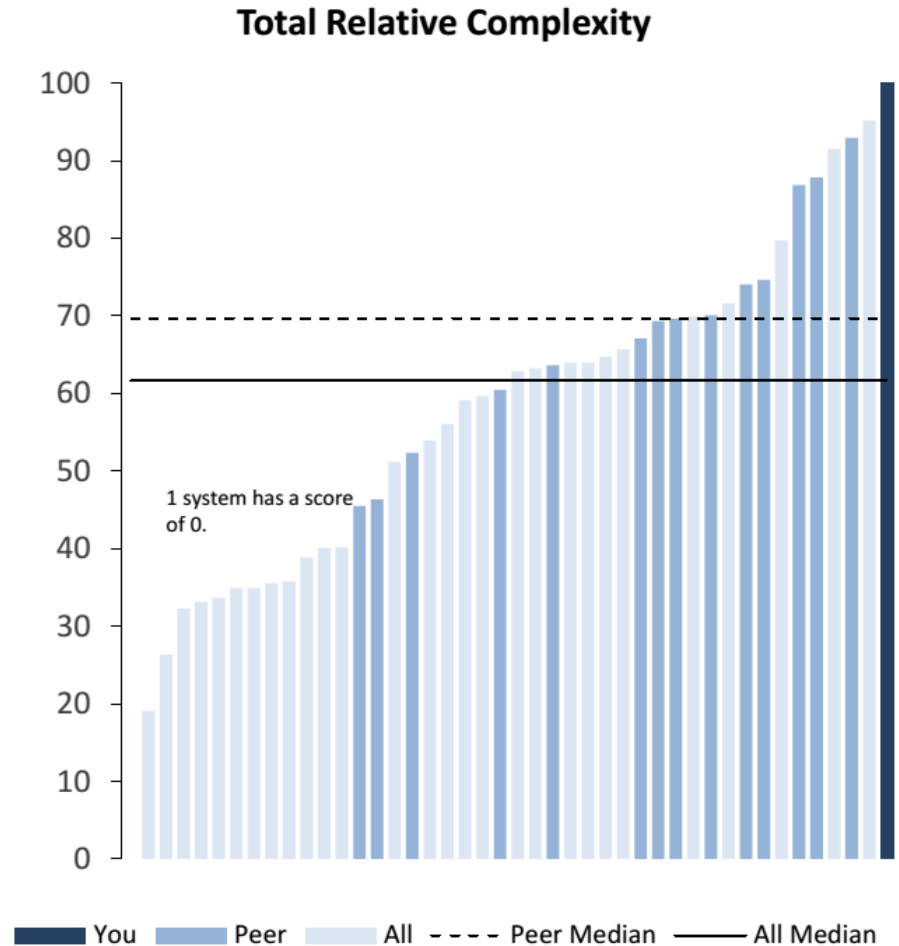


Your back office costs are lower than your peers, saving you another \$2.13.

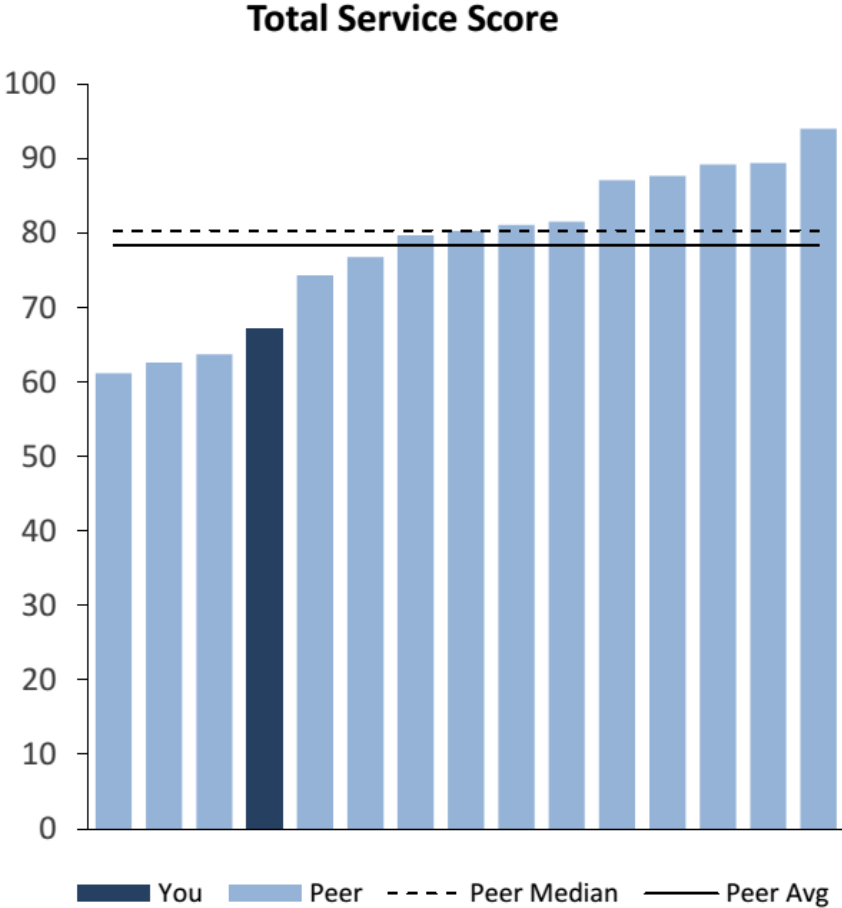
Back-office activities	Cost per Active Member and Annuitant	
	You	Peer Avg
Governance and Financial Control	\$7.37	\$5.42
Major Projects	\$11.77	\$7.27
IT Strategy, Database, Applications (excl. major projects)	\$10.56	\$14.81
Actuarial, Legal, Audit, Other Support Services	\$4.43	\$8.77
Support Services that Vary per FTE		
Total	\$34.13	\$36.26

Back-office costs and productivity are impacted by system complexity.

- You are a complex plan.
- You have managed to achieve productivity and back office cost savings, despite your high complexity!



Your total service score was 67.



Service is defined from a member's perspective

- More channels
- More availability
- Faster turnaround time
- More choice
- Better content

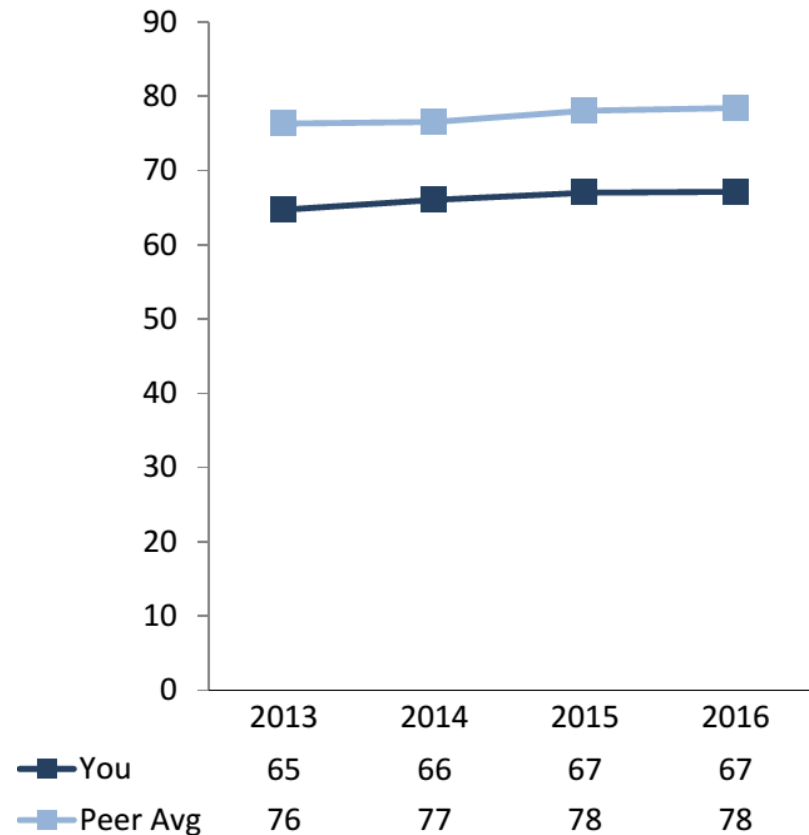
Higher service is not necessarily cost effective

Service Scores by Activity

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	88
c. Refunds, Withdrawals and Transfers-out	1.3%	28	88
d. Purchases and Transfers-in	3.1%	90	82
e. Disability	3.8%	82	82
2. Member Communication			
a. Call Center	21.2%	39	65
c. 1-on-1 Counseling	7.4%	69	87
d. Presentations and Group Counseling	6.5%	90	90
e. Written Pension Estimates	4.7%	75	87
f. Mass Communication			
• Website	11.3%	22	83
• News and targeted communication	2.8%	88	80
• Member statements	4.7%	91	88
3. Other			
Satisfaction Surveying	5.0%	38	38
Disaster Recovery	1.0%	82	84
Weighted Total Service Score	100.0%	67	80

Your Total Service Score has improved over the past 4 years

Trends in Total Service Scores



Comparison of service to activity over the past 4 years

Service Scores by Activity					
Activity	Weight	You			
		2016	2015	2014	2013
1. Member Transactions					
a. Pension Payments	19.7%	99	99	99	99
b. Pension Inceptions	7.4%	91	91	91	91
c. Refunds, Withdrawals and Transfers-out	1.3%	28	28	28	10
d. Purchases and Transfers-in	3.1%	90	90	90	76
e. Disability	3.8%	82	82	82	82
2. Member Communication					
a. Call Center	21.2%	39	40	43	42
c. 1-on-1 Counseling	7.4%	69	72	72	73
d. Presentations and Group Counseling	6.5%	90	93	93	92
e. Written Pension Estimates	4.7%	75	70	72	63
f. Mass Communication					
• Website	11.3%	22	22	18	18
• News and targeted communication	2.8%	88	88	79	79
• Member statements	4.7%	91	84	84	81
3. Quality Indicators					
→ Satisfaction Surveying	5.0%	38	38	22	22
Disaster Recovery	1.0%	82	58	58	58
Total service score	100%	67	67	66	65

The biggest improvements you made during this time:

Written pension estimate turnaround time improved from 21 days to 10 days

Improved the accuracy and delivery speed of your member statements

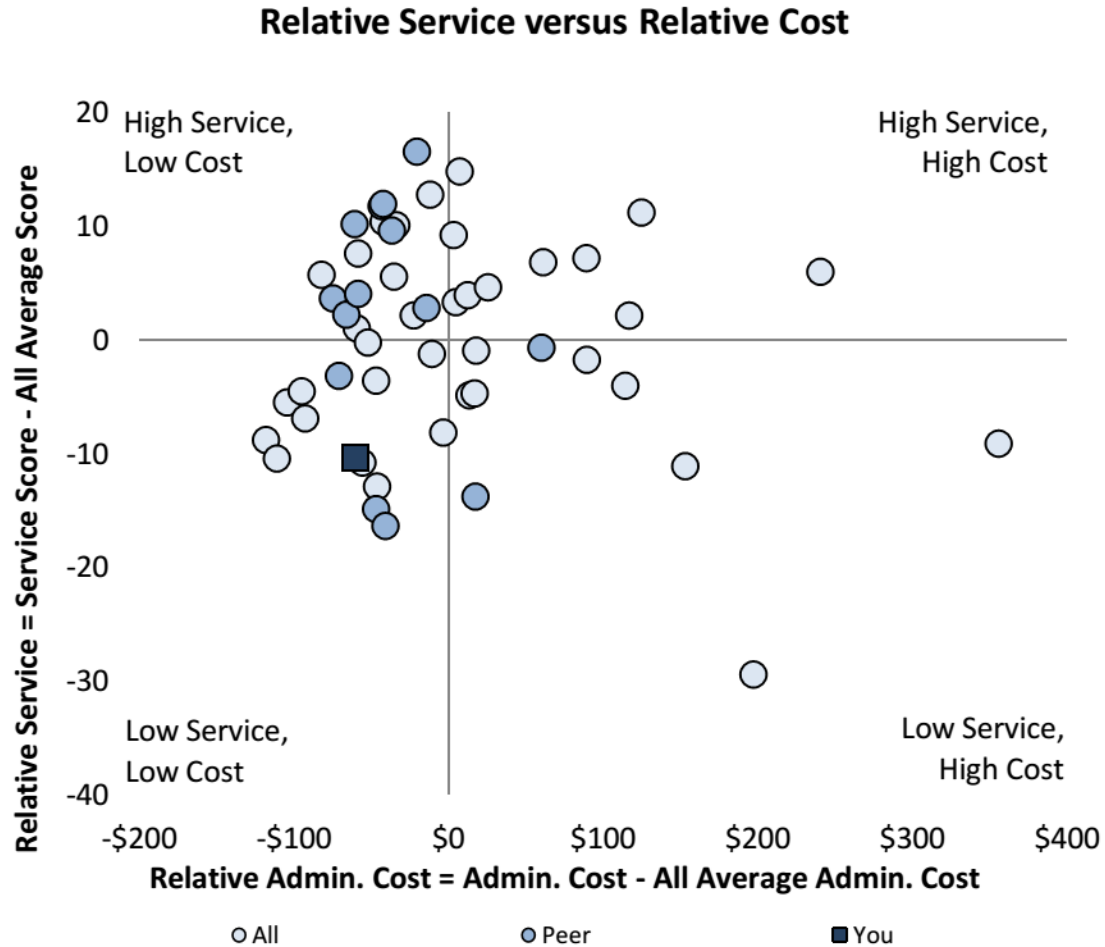
You expanded your satisfaction surveying program to include 1-on-1 counseling



Examples of key services measures included in your Service Score:

Select Key Service Metrics	You	Peer Avg
<u>Member Contacts</u>		
<ul style="list-style-type: none"> • % of calls resulting in undesired outcomes (busy signals, messages, hang-ups) • Average total wait time including time negotiating auto attendants, etc. 	19% 287 secs	17% 228 secs
<u>Website</u>		
<ul style="list-style-type: none"> • Can members access their own data in a secure environment? • Do you have an online calculator linked to member data? • # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc. 	No No 3	87% Yes 80% Yes 13
<u>1-on-1 Counseling and Member Presentations</u>		
<ul style="list-style-type: none"> • % of your active membership that attended a 1-on-1 counseling session • % of your active membership that attended a presentation 	2.6% 7.3%	3.6% 6.3%
<u>Pension Inceptions</u>		
<ul style="list-style-type: none"> • 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>		
<ul style="list-style-type: none"> • How current is an active member's data in the statements that the member receives? • Do statements provide an estimate of the future pension entitlement? 	3.0 mos Yes	2.2 mos 73% Yes

Is there a relationship between costs and service? No.



Key Takeaways:

Costs

Low cost organization. Your total pension administration cost of \$67 per member is lower than the peer average of \$90.

Service

Lower service organization. Your total service score was 67 versus a peer median of 80.

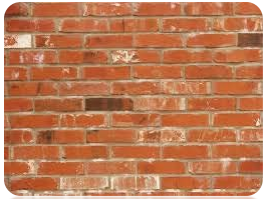
Your service score has improved over the past 4 years (previously 65 in 2012).

Improvements in service score because of IT investment takes awhile to show and sometimes does not show up at all!

You do not have to be a high service organization!!



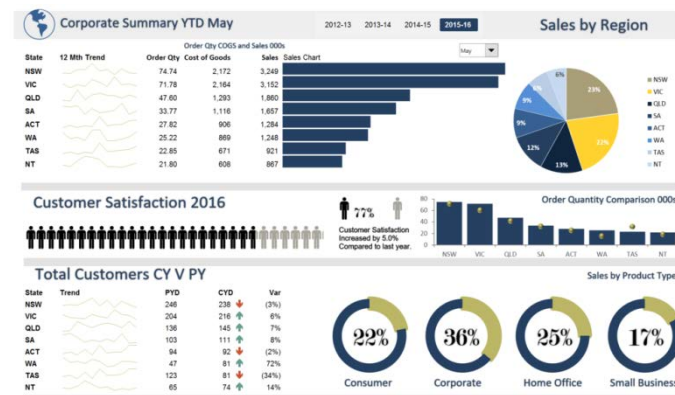
Best Practice, Global Trends – primarily all searching for ways to communicate and engage with your members



- Lessons from behavioural science and neuromarketing from the Dutch
 - Bricks, grass, paper all more exciting than pension
 - Pension has negative connotation
 - Small things can help such as using arrows instead of bullets in communicating
- Systems are trying – using social media, creating videos, etc. and measuring their success at it such as your engagement survey initiative
- DC plans also trying – auto enrollment becoming common where they did not exist a few years ago.

Research prospectus – use of dashboards in pension administration

- Methodology:
 - Case studies of 3-5 varied systems (geography, in-house/outsourced)
- Main Questions:
 - How is the organization using dashboards at a Board and Senior Management level?
 - What data is being captured and presented?
 - How has decision making changed as a result of dashboards?
- When?
 - Final report – December 19, 2017
 - Presentation of key results – May 2018 (CEM Global Peer Conference)



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