



What gets measured
gets managed

**Wisconsin Department of Employee Trust Funds
Pension Administration Benchmarking Report
Fiscal year June 30, 2017**

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Expert Team

Deep expertise and insight with over 25 years of experience benchmarking value for money.



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A relentless focus on quality resulting in highly effective analysis, reporting and research.



Confidential

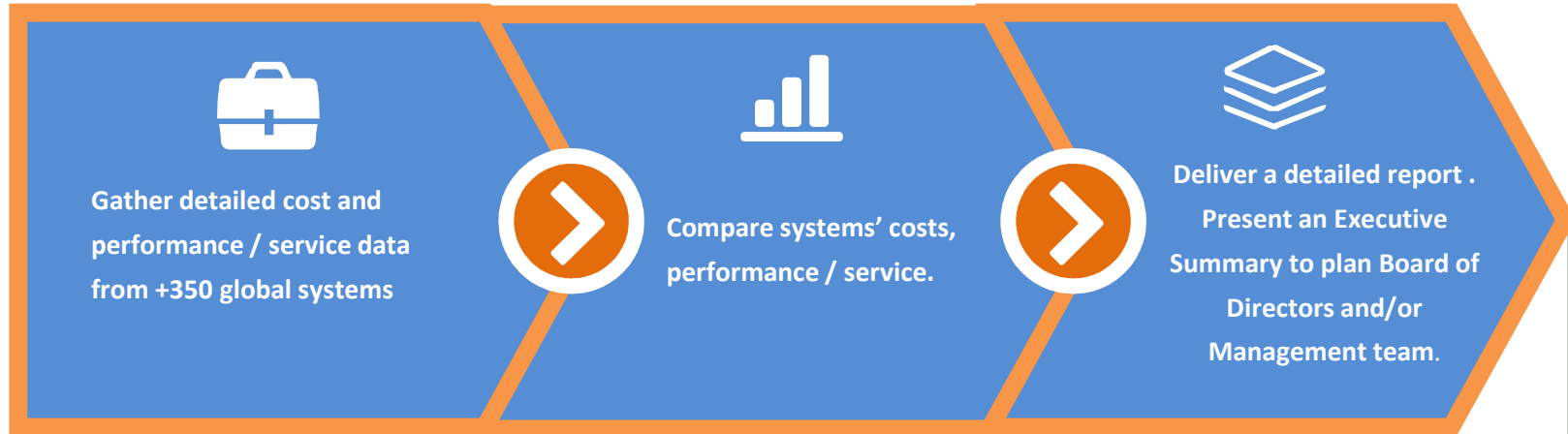
The information that CEM collects is sensitive. We are very careful about how we handle it.



Unbiased

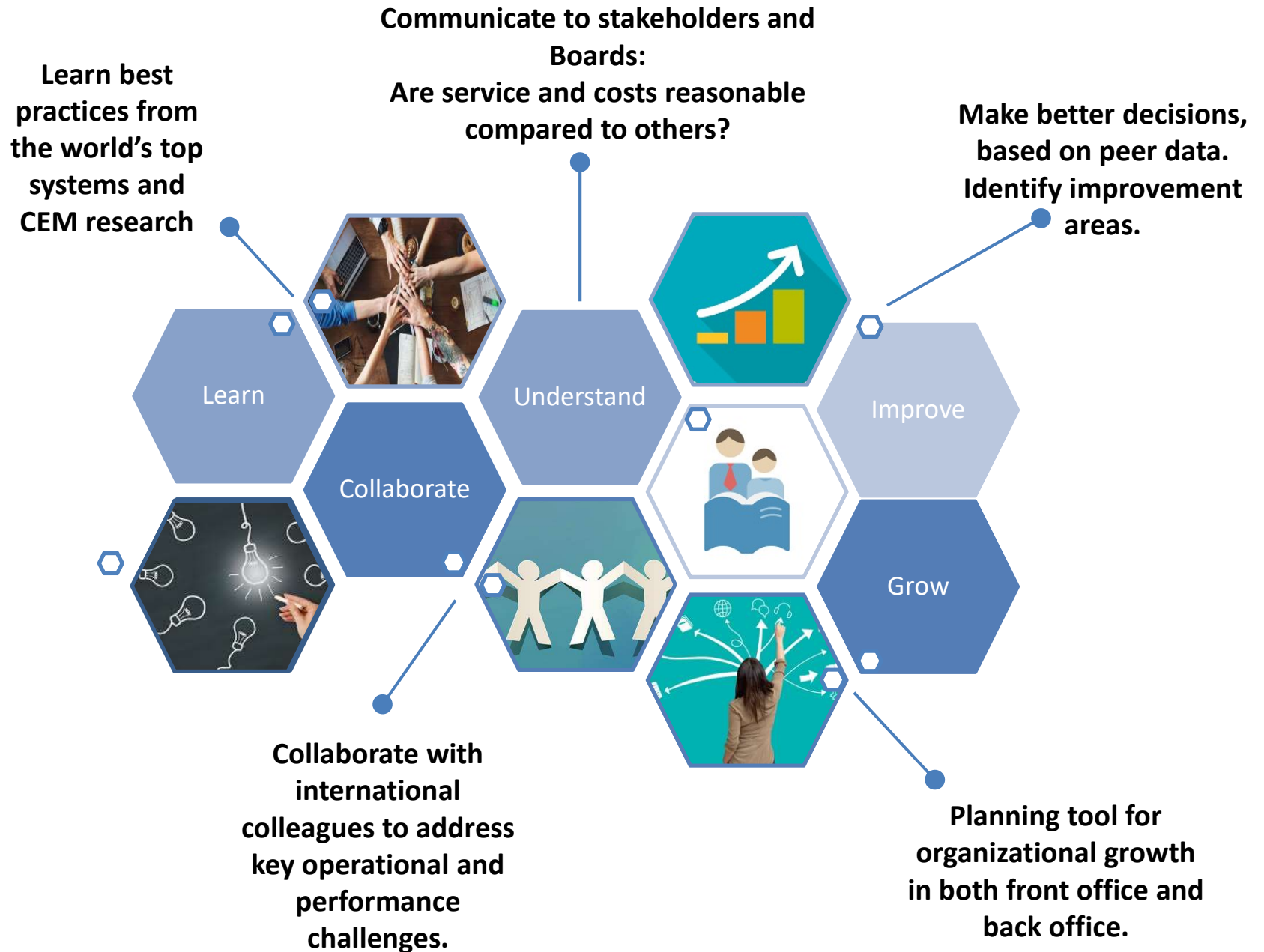
Benchmarking and research is all that we do.

The CEM Benchmarking Process



- ✓ **'CEM'** is an acronym for **Cost Effectiveness Measurement**.
- ✓ We are the world leader in demonstrating value-for-money in the pension industry.
- ✓ Our reports provide actionable benchmarking information.
- ✓ CEM analysis is objective and independent. We do not manage money and have no vested interest in the outcomes of our work. Benchmarking is all we do.

These are some of the reasons why systems work with CEM:



Collaborate with 70 leading global pension systems that participate in the benchmarking service.

Participants

United States

Arizona SRS
CalPERS
CalSTRS
Colorado PERA
Delaware PERS
ERS of Georgia
Florida RS
Idaho PERS
Illinois MRF
Indiana PRS
Iowa PERS
KPERs
LACERA
Michigan ORS
Nevada PERS
NYC ERS
NYC TRS
NYSLRS
Ohio PERS
Oregon PERS
Pennsylvania PSERS
Pennsylvania SERS

PSRS PEERS of Missouri
South Dakota RS
STRS Ohio
TRS Illinois
TRS Louisiana
TRS of Texas
Utah RS
Virginia RS
Washington State DRS
Wisconsin DETF

United Kingdom*

Armed Forces Pension Schemes
British Airways
BSA NHS Pensions
Pension Protection Fund
Principal Civil Service Pension Scheme
Railways Pension Scheme
Rolls Royce
Scottish Public Pension Agency
Teachers' Pensions Scheme
Tesco
Universities Superannuation Scheme

Canada

APS
BC Pension Corporation
Canadian Forces Pension Plans
FPSPP
HOOPP
LAPP
OMERS
Ontario Pension Board
Ontario Teachers
OPTrust
RCMP

Scandinavia

Alecta
ATP

The Netherlands*

ABN Amro Pensioenfonds
ABP
BPF Koopvaardij
bpfBOUW
Pensioenfonds Metaal en Techniek
Pensioenfonds PGB
Pensioenfonds TNO
Pensioenfonds van de Metalektro
Pensioenfonds Vervoer
Pensioenfonds voor de Woningcorporaties
PFZW
PPF APG
Rabobank Pensioenfonds
Shell Pensioenfonds



Key Takeaways for Fiscal year 2017 results:

Cost

- Your total pension administration cost was \$71.66 per active member and annuitant. This was \$21.79 below the peer average of \$93.45.
- Your cost per member was lower mostly because you had lower costs per FTE and lower back-office costs.
- Your costs increased from \$67.31 per member in 2016 to \$71.66 per member in 2017 primarily because of increased IT spending.

Service

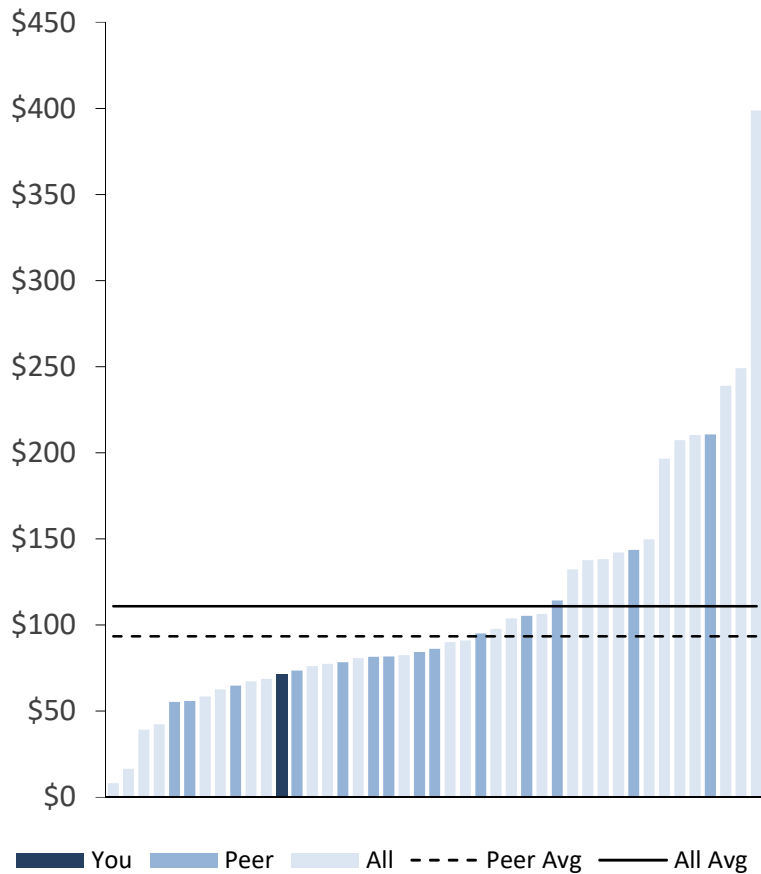
- Your total service score was 70. This was below the peer median of 81.
- Your service score increased by 3 points over the past year.

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 Members	Annuitants	Total
NYSLRS	529	452	981
CalSTRS	455	291	746
Ohio PERS	347	208	555
Virginia RS	341	199	540
Washington State DRS	318	179	497
Pennsylvania PSERS	256	230	486
Michigan ORS	210	269	479
Wisconsin DETF	257	198	455
Indiana PRS	260	153	413
STRS Ohio	212	160	372
Colorado PERA	240	114	354
Arizona SRS	206	145	351
Oregon PERS	173	141	314
Illinois MRF	175	122	297
Iowa PERS	170	118	288
Peer Median	256	179	455
Peer Average	277	199	475

Your total pension administration cost was \$71.66 per active member and annuitant. This was \$21.79 below the peer average of \$93.45.

Pension Administration Cost Per Active Member and Annuitant

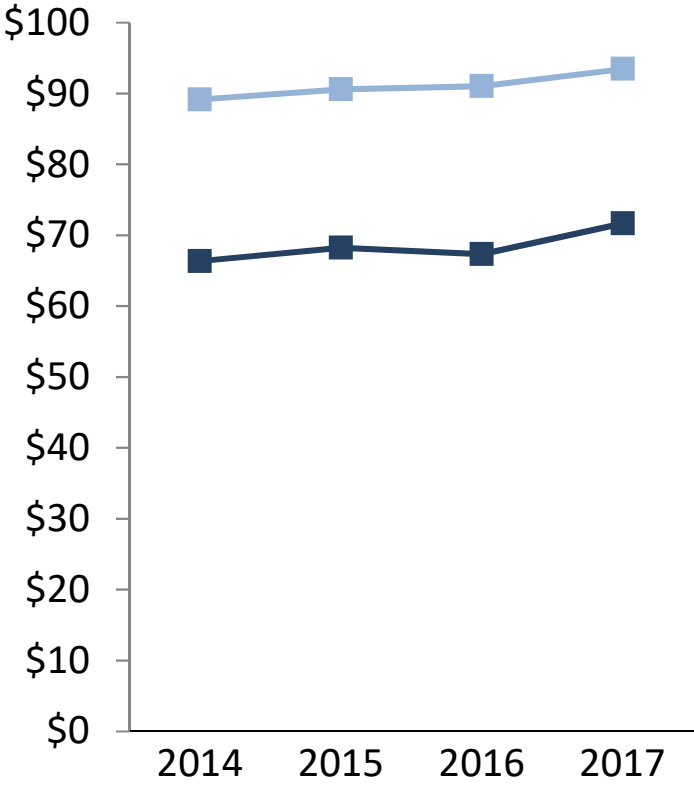


Category	\$ per Active Member and Annuitant			\$000s You
	You	Peer Avg	Peer Med	
Member Transactions	7	12	10	3,203
Member Communication	15	17	16	6,860
Collections and Data Maintenance	6	7	6	2,596
Governance and Financial Control	8	6	7	3,856
Major Projects	1	8	8	517
Information Technology	23	24	22	10,509
Building	4	6	5	1,714
Legal	2	3	2	836
HR, Actuarial, Audit	6	9	5	2,508
Total Pension Administration	72	93	82	32,599 *

*This excludes the fully-attributed cost of administering healthcare, optional and third-party administered benefits of \$5.5 million.

Your costs increased from \$67.31 per member in 2016 to \$71.66 per member in 2017.

Trend in Total Pension Administration Costs



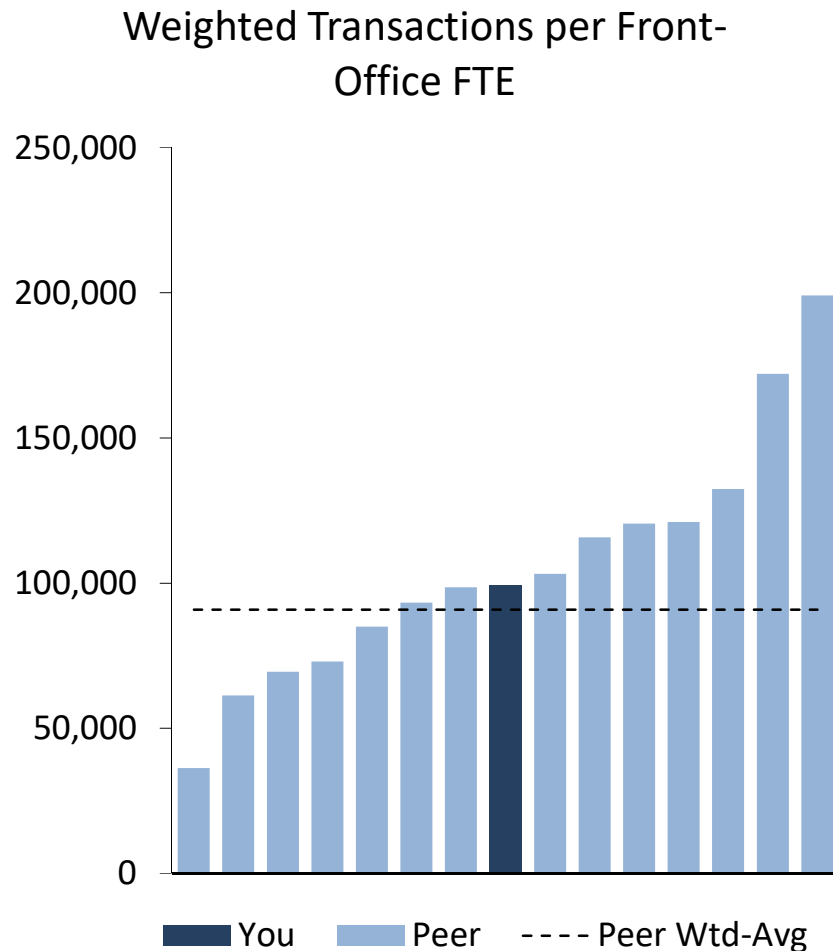
Reasons for the increase include:
Increased IT spending for data integrity and migration initiatives, new Telecom system, etc.

■ You	\$66	\$68	\$67	\$72
■ Peer Avg	\$89	\$91	\$91	\$93

Reasons why your total cost was \$21.79 below the peer average.

	Impact
Economies of scale - minimal impact in this peer group	-\$0.63
Similar transactions per member (workloads)	-\$0.47
Higher transactions per FTE (productivity)	-\$3.23
Lower costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	-\$6.09
Lower third-party and other costs in front-office activities	-\$2.47
Paying more/-less for back-office activities	-\$8.90
	<hr/>
	-\$21.79

One reason for your lower cost was that 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 \$3.23 relative to the peer average.

Though staff productivity is a component of productivity, other factors also impact it including IT capability/on-line transactions and use of consultants versus internal staff, complexity, service levels, etc.

Another reason: Your lower overall costs per FTE.

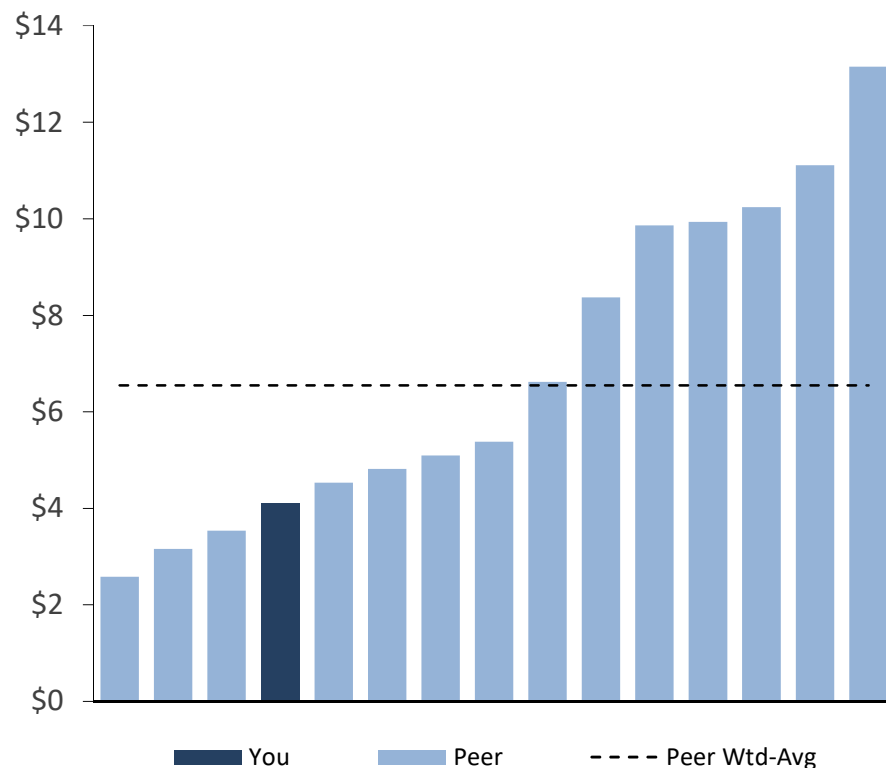
Cost per FTE	You	FTE-Wtd Peer Avg
	Salaries and Benefits	\$77,536
Building and Utilities	\$7,997	\$10,414
Human Resources	\$6,604	\$3,734
IT Desktop, Networks, Telecom	\$19,358	\$14,409
Total	\$111,495	\$122,755

Your lower costs per FTE decreased your total cost by \$6.09 per member relative to the peer average.

This continues to be one of the main reasons for your lower total costs. However, your cost per FTE has increased. In 2016, it was \$93,209. The main reason for the change is your IT costs per FTE have increased from \$8,940 in 2016 to \$19,358 in 2017.

Another reason: you had lower third party and other miscellaneous costs in the front-office activities.

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



Your third party and other miscellaneous costs (such as travel, office supplies, etc.) in the front-office activities were \$4.10 per member which was 37% below the peer weighted average of \$6.55.

Your lower third party costs decreased your total cost per member by \$2.47 relative to the peer average.

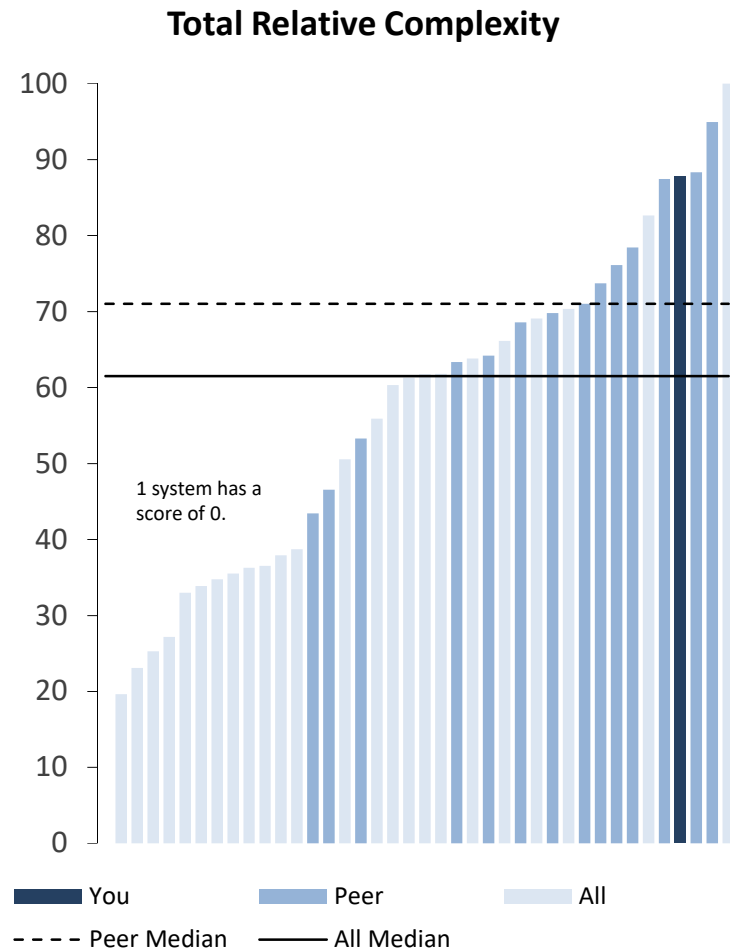
Biggest reason: You paid less for back-office activities.

Back-Office Activities - Cost per Member			
Back Office Activities	You	Peer Avg	More/ -less
Governance and Financial Control	\$10.17	\$6.39	\$3.78
Major projects & IT Strategy, Database, and Applications	\$17.41	\$25.13	-\$7.72
Actuarial, Legal, Audit, Other	\$5.24	\$10.21	-\$4.97
Total	\$32.83	\$41.73	-\$8.90

Your cost per active member and annuitant of \$32.83 for back-office activities was below the peer average of \$41.73.

Paying less for back-office activities decreased your total cost per member by \$8.90 relative to the peer average.

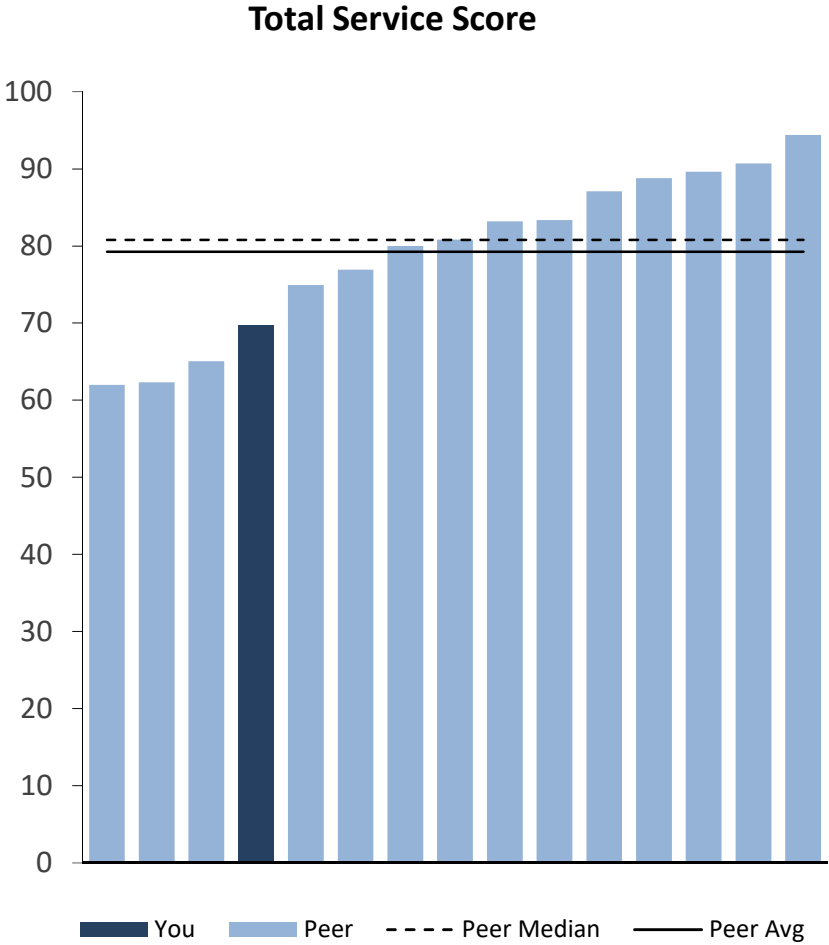
Your total relative complexity score of 88 was above the peer median of 71.



Relative Complexity Score by Cause (0 least - 100 most)			
Cause	Weight	You	Peer Avg
Pension Payment Options	15%	57	53
Customization Choices	20%	65	26
Multiple Plan Types and Overlays	10%	95	52
Multiple Benefit Formula	16%	27	43
External Reciprocity	3%	35	31
COLA Rules	4%	13	33
Contribution Rates	3%	40	61
Variable Compensation	4%	85	80
Service Credit Rules	3%	62	60
Divorce Rules	3%	100	69
Purchase Rules	6%	55	68
Refund Rules	4%	31	52
Disability Rules	6%	81	78
Translation	1%	0	8
Defined Contribution Plan Rules	3%	100	60
Total Relative Complexity	100%	88*	71

*In prior years' reports your score was 100. The change reflects correcting an incorrect plan design response to the question of whether employers are able to alter existing rule sets.

Your total service score was 70. This was below the peer median of 81.



Your total service score of 70 is the weighted average of your 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	89
c. Refunds, Withdrawals and Transfers-out	1.3%	100	94
d. Purchases and Transfers-in	3.1%	84	89
e. Disability	3.8%	82	82
2. Member Communication			
a. Call Center	21.2%	50	62
c. 1-on-1 Counseling	7.4%	71	91
d. Presentations and Group Counseling	6.5%	90	91
e. Written Pension Estimates	4.7%	67	87
f. Mass Communication			
• Website	11.3%	22	83
• News and targeted communication	2.8%	75	80
• Member statements	4.7%	91	88
3. Other			
Satisfaction Surveying	5.0%	38	46
Disaster Recovery	1.0%	88	88
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Weighted Total Service Score	100.0%	70	81

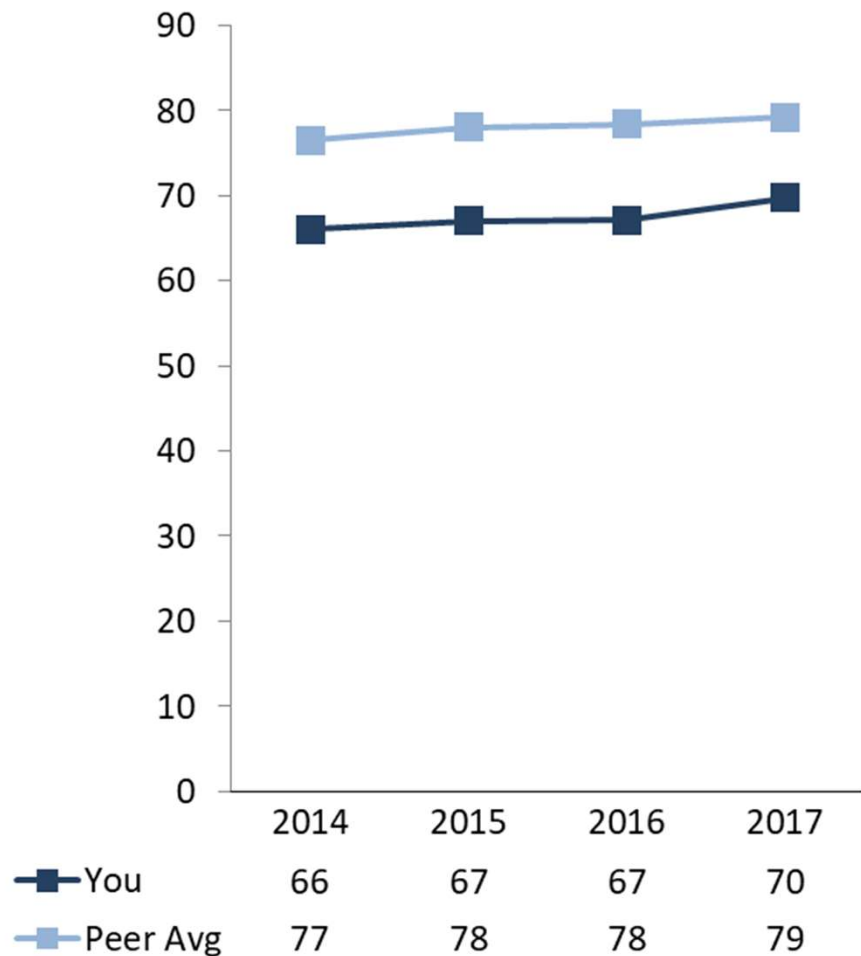
If you want to increase your service score, the areas where you are lower than your peers are a good place to look at such as website and satisfaction surveying.

Website weight to be increased by 10% next year so even more important.



Your service score increased from 66 to 70 between 2014 and 2017, 3 points of the increase occurred last year.

Trends in Total Service Scores



Why?

Withdrawals and transfers-out: You are now able to measure turnaround times for withdrawals and transfers-out, which improved from an estimated 60 days each to 27 days and 22 days, respectively.

Call center improvements.

Your call center has improved substantially over the past year.

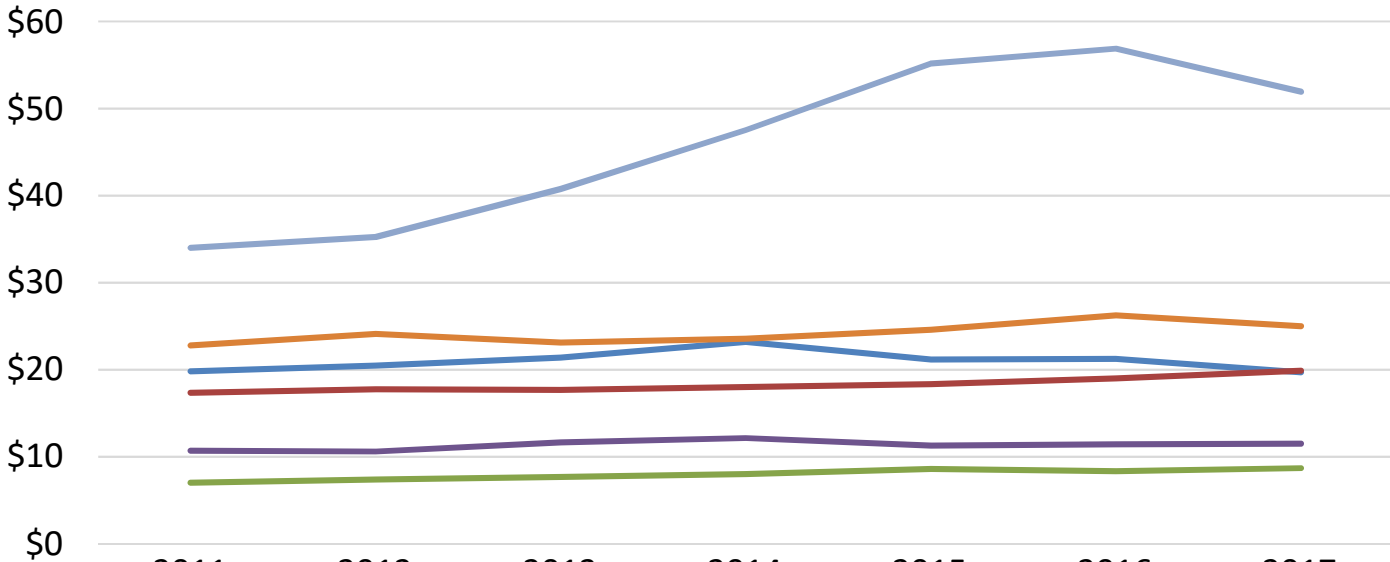
Select Call Center Metrics	You		Peer Avg
	2017	2016	2017
<u>Outcomes</u>			
• % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	13%	19%	15%
<u>Wait time</u>			
• Average total wait time including time negotiating auto attendants, etc.	193 secs	287 secs	214 secs
<u>Menu layers</u>			
• Average number of menu layers that must be navigated before a caller can speak to a live person	2	3	2
<u>After reaching a service representative</u>			
• Average talk time	319 secs	352 secs	319 secs
• Average after call work time when service representative is unavailable to take another call	105 secs	129 secs	95 secs

What are your global peers doing?

- Enhanced focus on Cybersecurity concerns - CEM's Insight paper for this year.
- Improving cost effectiveness
 - Improving processes: e.g. Lean, Six-Sigma, One and Done
 - Straight through processing
 - Maximizing online transactions, eliminating paper
 -
- Enhanced focus on member communication and engagement
 - Customer experience focused vs. transaction focused
 - More targeted messaging, personas
 - More segmentation
 - Data mining, focus groups
 - Social media presence: Facebook, Twitter, Youtube, and LinkedIn.
- Targeting more online delivery because of the belief it is the highest service channel if done correctly
 - Reduced emphasis on counseling and presentations (less true for systems with healthcare)
- System upgrades
 - Processes and data need to be optimized first
 - One driver is the need for better online real-time capability

IT and major project costs have grown 7% per annum!

Cost Per Member by Admin Activity - Universe Average



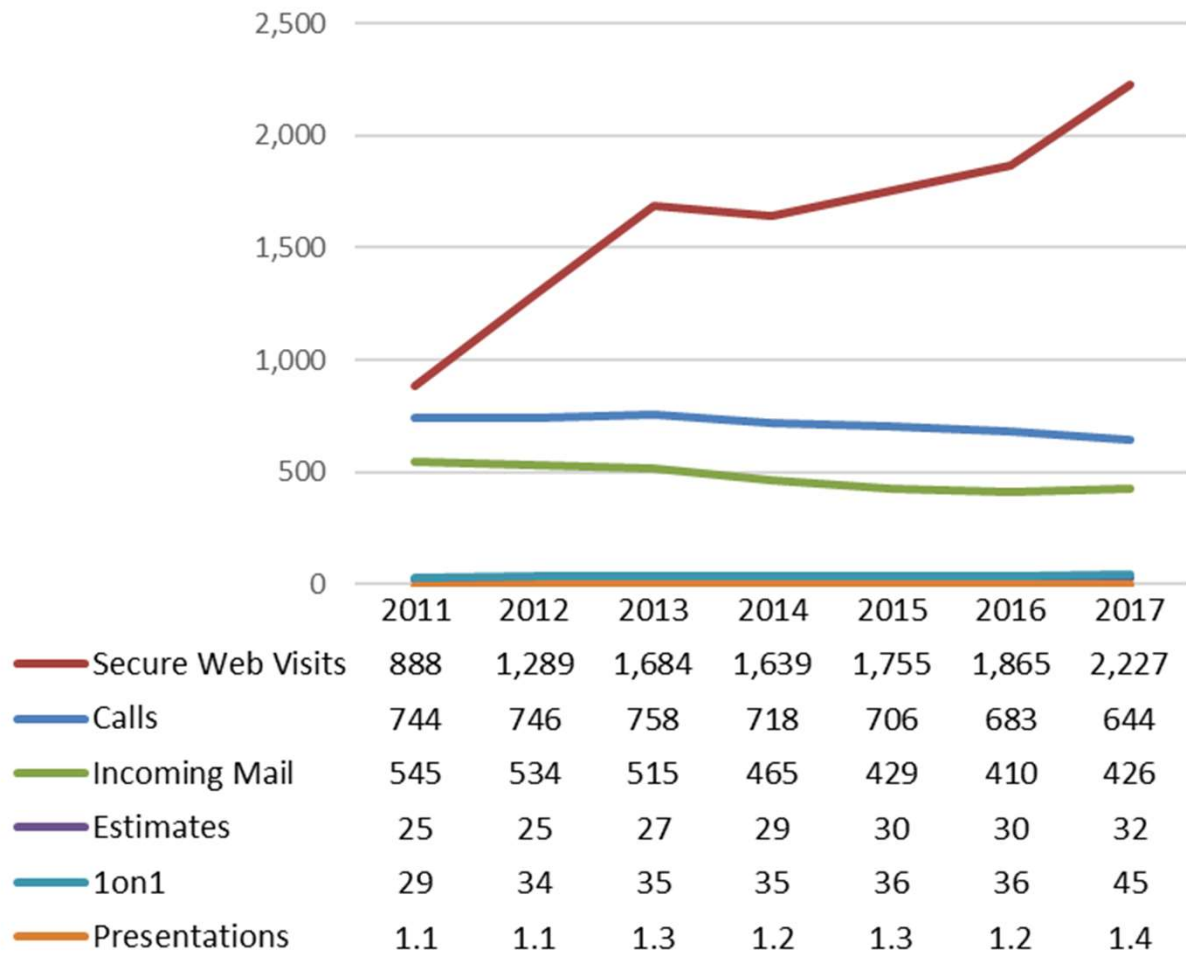
	2011	2012	2013	2014	2015	2016	2017
Member Transactions	\$20	\$20	\$21	\$23	\$21	\$21	\$20
Member Communication	\$17	\$18	\$18	\$18	\$18	\$19	\$20
Collections and Data	\$7	\$7	\$8	\$8	\$9	\$8	\$9
Governance	\$11	\$11	\$12	\$12	\$11	\$11	\$11
Support	\$23	\$24	\$23	\$24	\$25	\$26	\$25
Major Projects and IT	\$34	\$35	\$41	\$48	\$55	\$57	\$52

IT & Major Projects cost was the most frequent ‘biggest reason’ why funds were high or low cost relative to their peer average.

Reasons	Average impact (absolute value) \$s per member	# of times it was biggest reason
Major Projects and IT costs	\$29	17
# of Front-office FTE per member	\$21	14
Salaries per FTE	\$15	9
Economies of scale	\$7	2
Third-party costs in front-office	\$6	0
Governance & Financial Control costs	\$5	0
Actuarial, legal, other costs	\$8	<u>0</u>
		42

The good news is that members are benefiting from the IT investment. Secure web visits grew at 17% per annum.

Transaction Volumes Per 1000 Members -
Universe Average



“Change
is the only
constant.”

- Heraclitus

CEM’s Pension Administration Benchmarking Model is being updated for fiscal year 2018.

1. Service Model updated – for 2018 only we will calculate Total service score based on old measure and new measure.
2. Economies of Scale measure updated.
3. Complexity Score changed to absolute from relative
4. Online reporting

New Service Weights – Impact: reduce your Total service score.

Old

New

Service Scores by Activity	
Activity	Weight
1. Member Transactions	
a. Pension Payments	19.7%
b. Pension Inceptions	7.4%
c. Refunds, Withdrawals and Transfers-out	1.3%
d. Purchases and Transfers-in	3.1%
e. Disability	3.8%
2. Member Communication	
a. Call Center	21.2%
c. 1-on-1 Counseling	7.4%
d. Presentations and Group Counseling	6.5%
e. Written Pension Estimates	4.7%
f. Mass Communication	
• Website	11.3%
• News and targeted communication	2.8%
• Member statements	4.7%
3. Other	
Satisfaction Surveying	5.0%
Disaster Recovery	1.0%
Weighted Total Service Score	100.0%

Service Scores by Activity	
Activity	Weight
1. Member Transactions	
a. Pension Payments	9.7%
b. Pension Inceptions	7.4%
c. Refunds, Withdrawals and Transfers-out	1.3%
d. Purchases and Transfers-in	3.1%
e. Disability	3.8%
2. Member Communication	
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e. Written Pension Estimates	4.7%
f. Mass Communication	
• Website	21.3%
• News and targeted communication	2.8%
• Member statements	4.7%
3. Other	
Satisfaction Surveying	5.0%
Disaster Recovery	1.0%
Weighted Total Service Score	100.0%

Change in call center service metrics – reduce threshold for a perfect score for phone wait time from 20 secs to 60 secs.



Old

+ 90 if members reach a knowledgeable person in 20 seconds or less, otherwise $100 - 1/2$ per second to reach a knowledgeable person [Subject to a minimum score of 0]

New

+ 90 if members reach a knowledgeable person in 60 seconds or less, otherwise $120 - 1/2$ per second to reach a knowledgeable person [Subject to a minimum score of 0]

If a member is notified of expected wait times:

+ 20 if wait time is greater than 240 seconds, +2 if wait time is 60 seconds or less, otherwise $2 + 0.1$ per second of wait time over 20 seconds

Change in Member Communication – remove group size and field presentation metrics from service score and redistribute the weights.



1. Scoring method	Old	New
<u>Availability</u>		
if attendees as a percent of active members is 2.5%* or more, otherwise 2,800 X attendees as percent of active members	+ 38	+ 70
if 95% or more of your presentations are held in the field or via live webcast,	+ 23	
if you offer presentations outside of normal working hours	+ 5	+ 5
<u>Group size</u>		
if average of 20 attendees or fewer per presentation, otherwise 20 – 0.5 for each attendee over 20	+ 20	
<u>Types</u>		
if you have 3 or more different targeted types of presentations (excluding healthcare and benefit changes), otherwise 4 X the number of types of presentations	+ 12	+ 18
<u>Coaching</u>		
if you regularly review presenters for coaching purposes	+ 2	+ 7

Complexity measures will be absolute measures instead of relative measures.

Benefits

- Trends
- Insights
- Transparency

	# of COLA (inflation) rule sets			Relative complexity (Highest = 100, Lowest =0)			Absolute complexity		
	2017	2018	Change	2017	2018	Change	2017	2018	Change
Plan A	6	10	4	100	100	0	100	117	17
Plan B	5	5	0	81	62	-19	95	95	0
Plan C	3	3	0	33	39	6	81	81	0
Plan D	3	3	0	33	39	6	81	81	0
Plan E	2	1	-1	0	0	0	72	58	-14

A simplistic example of online reporting: the tables and graphs shown below depend on the selections in yellow.

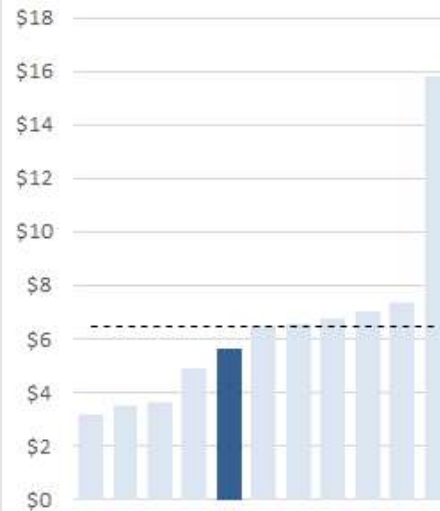
Paying pensions
 Pension inceptions
 Counseling
Call center
 Counseling

Peers
 U.S.
 Global

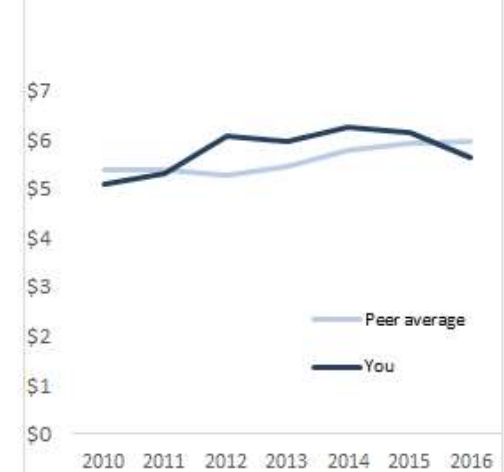
Reasons why your Call Center cost per member was \$0.32 below median			Impact ¹
	You	Peer Median	\$s per member
# of Call center FTE per 10,000 members	0.63	0.74	-\$1.02
Higher salaries and benefits per direct FTE	\$92,813	\$72,900	\$0.92
Higher third party costs	\$0.50	\$0.25	\$0.25
Other (interactions of above, non-uniform peer)			-\$0.48
Cost per member	\$5.65	\$5.97	-\$0.32

Factors that impact the number FTE per member, or salaries			
Workloads: Fewer calls and emails per member	627	683	-\$0.49
Productivity: More calls and emails per direct FTE	10,000	9,190	-\$0.53
Economies of scale: # of calls and emails	10,000	9,190	
Mix: % Self-serve/Email/CRM	1/4/95	5/4/91	
Talk time per call (seconds)	192	274	
Work time off the phone (seconds)	90	71	
Call occupancy rate	65%	76%	
Cost environment	110%	101%	

Call Center Cost Per Member - 2018



Call Center Cost Per Member - Trend



Questions / Comments ?



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