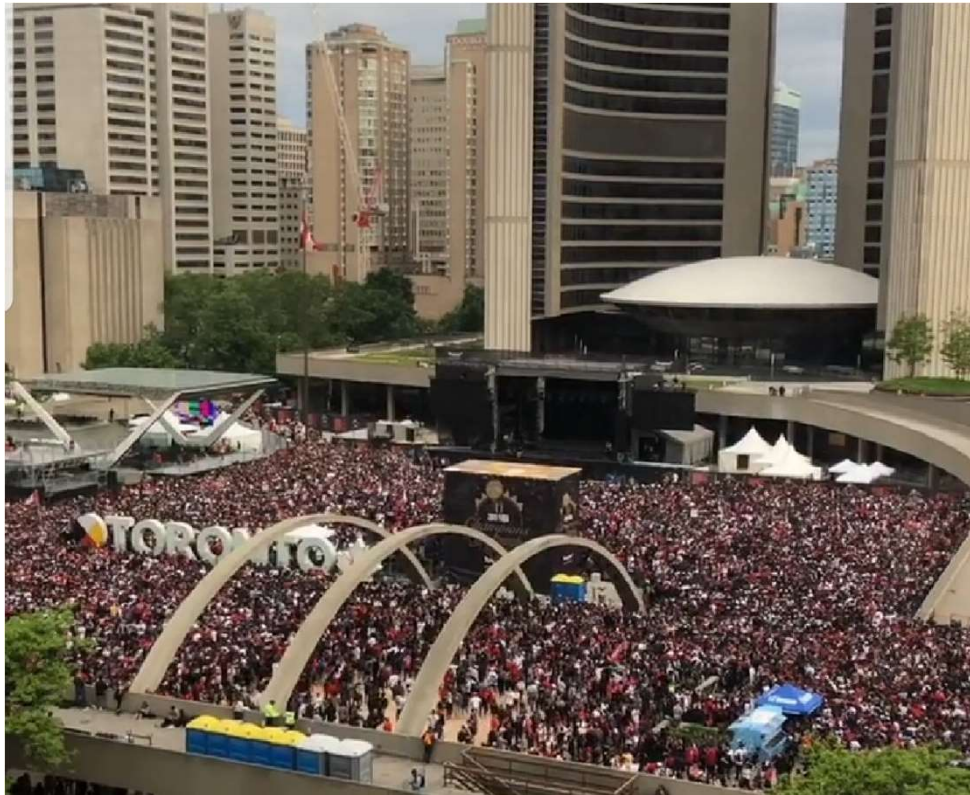


**Wisconsin DETF FYE 2018
Pension Administration Benchmarking Report
& Global Trends**

Sandy Halim
sandy@cembenchmarking.com



CEM Benchmarking is a global advisory company based in Toronto Canada, home of the Raptors!



Scene in front of CEM 6 hours before victory parade was to start!



In business > 25 years

Unique global database with 300+ funds

Benchmarking is all we do, deeply committed to high quality input and output.

CEM stands for ‘cost effectiveness measurement’. We’ve been measuring the cost-effectiveness of asset pool owners for >25 years and administrators for >20 years.

25

COUNTRIES

15

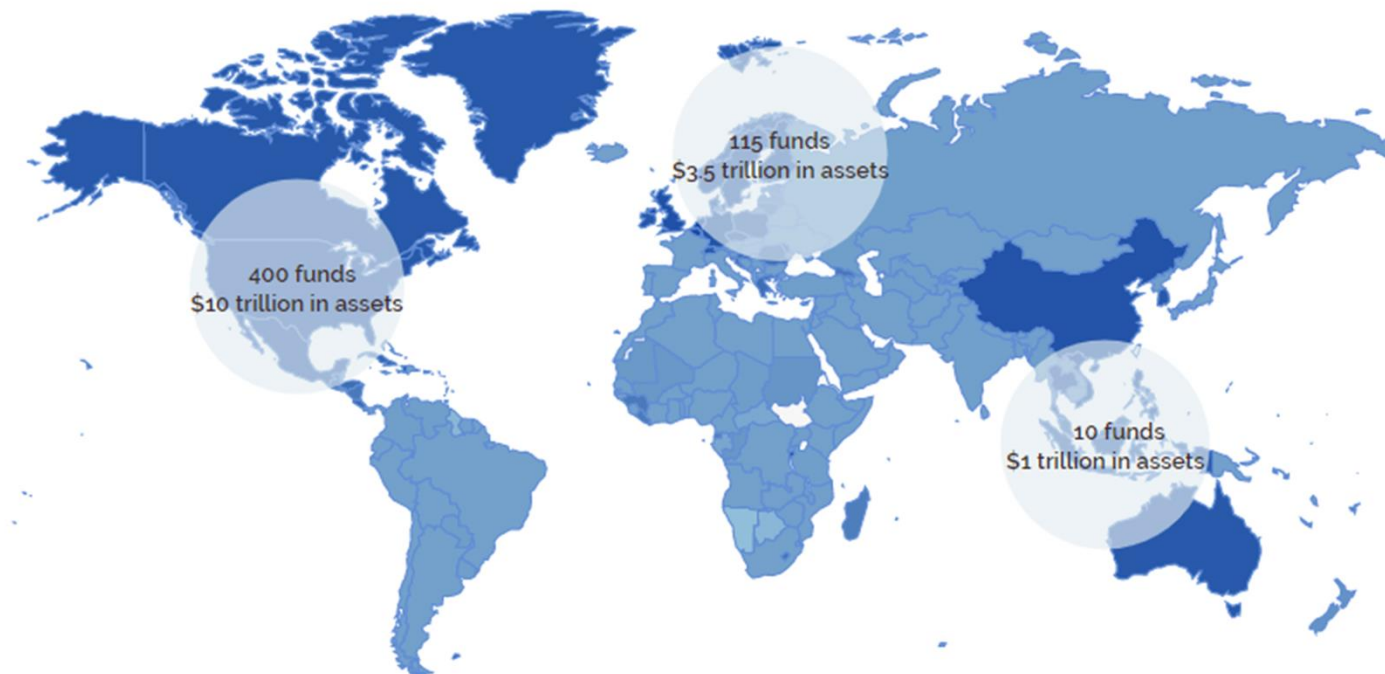
TRILLION PARTICIPATING
ASSETS

80

MILLION MEMBERS

27

YEARS OF HISTORY



CEM has 4 main service offerings:

INVESTMENT BENCHMARKING

- Defined Benefit Funds
- Sovereign Wealth Funds
- Other long-term asset owners

[Learn More](#)

PENSION ADMINISTRATION BENCHMARKING

Administrators of
Defined Benefit
and Defined
Contribution
Funds

[Learn More](#)

DEFINED CONTRIBUTION BENCHMARKING

U.S Corporate and
Public Defined
Contribution
Plans, 401(k),
403(b), 457, and
other

[Learn More](#)

GLOBAL LEADERS INVESTMENT BENCHMARKING

Large funds with
complex
investment
programs

[Learn More](#)

Wisconsin DETF 2018 story: low cost, lower service primarily because of your website capabilities.

PABS report focuses on:	WISCONSIN DETF FY 2018 results
Total cost per member compared to peers?	
Are your costs high or low?	Low – 4 th lowest out of 15 peers.
Why?	Lower in all cost driver areas
4-year trend in cost?	Stable.
Service provided to members vs. peers and all systems?	
How does your service compare?	Lower – 5 th lowest out of all systems.
Why?	Primarily lower website capabilities. Secondarily lower call center service.
4-year trend in service?	Improved generally but slight dip in 2018 because of call center.



64 leading global pension systems participate in the benchmarking service. 'All' are 47 US & Canadian systems.

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
Nevada PERS
North Carolina RS
NYC ERS
NYC TRS
NYSLRS
Ohio PERS
Oregon PERS
Pennsylvania PSERS

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

United Kingdom*

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

Canada

APS
Alberta Teachers' RF
BC Pension Corporation
Canadian Forces Pension Plans
FPSPP
LAPP
OMERS
Ontario Pension Board
Ontario Teachers
OPTrust
RCMP
Retraite Quebec
SHEPP

The Netherlands*

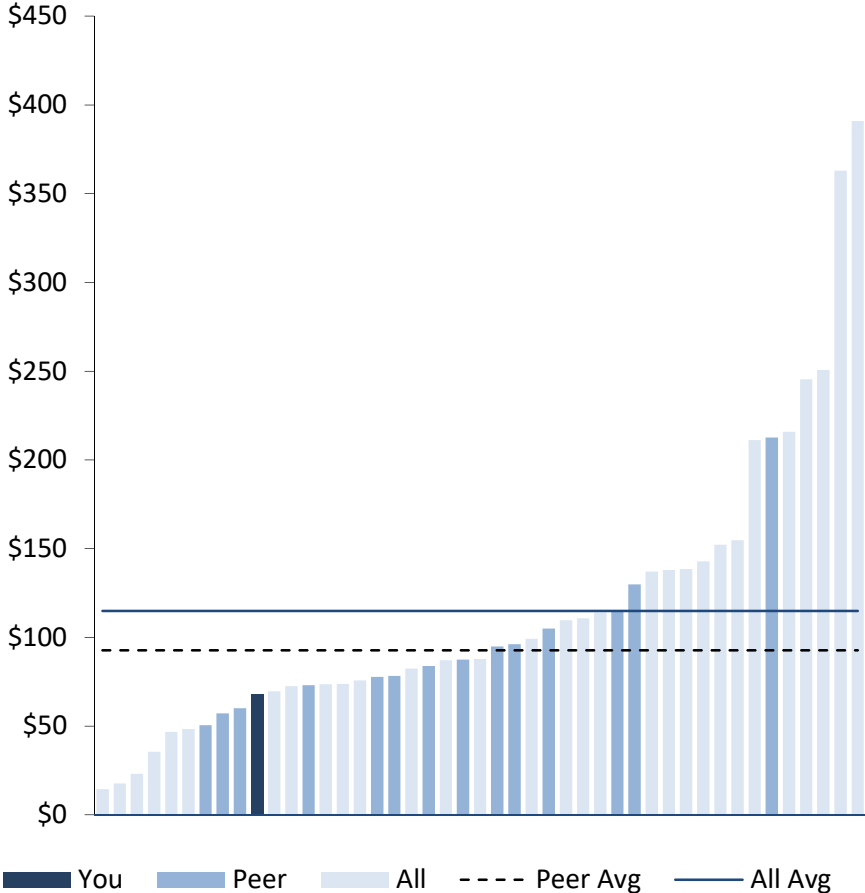
ABN Amro Pensioenfond
ABP
bpfBOUW
Pensioenfond Metaal en Techniek
Pensioenfond Vervoer
Philips Pensioenfond
PFZW
Rabobank Pensioenfond
Shell Pensioenfond
St. Pensioenfond Openbaar Vervoer
Spoorwegpensioenfond

The custom peer group for Wisconsin DETF consisted of the following US systems:

Custom Peer Group for Wisconsin DETF			
Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
NYSLRS	533	471	1,004
CalSTRS	458	298	756
Ohio PERS	348	211	559
Virginia RS	343	206	549
Washington State DRS	321	186	507
Pennsylvania PSERS	256	233	490
Michigan ORS	206	273	479
Wisconsin DETF	257	203	461
Indiana PRS	255	157	411
STRS Ohio	211	160	371
Colorado PERA	242	118	359
Arizona SRS	207	150	357
Oregon PERS	173	148	321
Illinois MRF	176	127	302
Iowa PERS	170	121	291
Peer Median	255	186	461
Peer Average	277	204	481

Your total pension administration of \$68 per member was \$25 below the peer average of \$93 per member.

Pension Administration Cost Per Active Member and Annuitant



You spent \$31.3M to service your members, which excludes \$5.4M in fully attributed healthcare administration costs.

Category	\$000s	\$ per Active Member and Annuitant	
		You	Peer Avg
<u>Front-office</u>			
Member Transactions	2,698	6	12
Member Communication	7,299	16	17
Collections and Data Maintenance	2,682	6	7
<u>Back-office</u>			
Governance and Financial Control	2,115	5	6
Major Projects	658	1	8
Information Technology	9,836	21	25
Building	1,842	4	5
Legal	931	2	3
HR, Actuarial, Audit, Other	3,202	7	9
Total Pension Administration	31,263	68	93

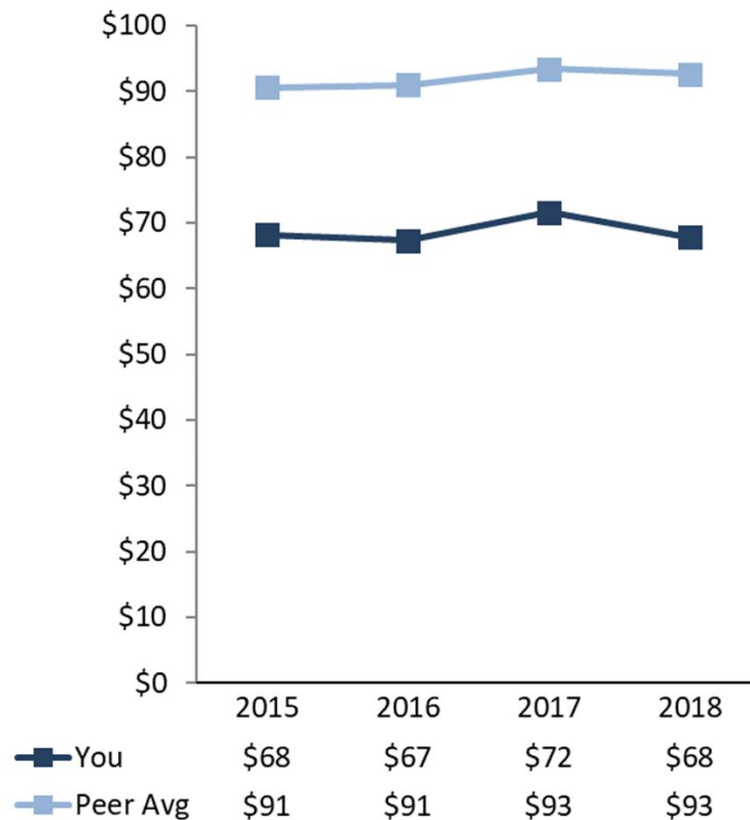
You were consistently lower than your peers in all cost areas. The biggest contributing reasons (★) were: lower FTE costs and less spending on major projects.

Reason	You	Peer Avg	Impact \$ per active member and annuitant
1 Fewer front-office FTE per 10,000 members	3.3 FTE	3.6 FTE	-\$2
2 Lowest third party costs per member in the front office	\$2	\$6	-\$5
★ 3 Lower costs per FTE			
Salaries and Benefits	\$90,425	\$98,591	
Building and Utilities	\$7,924	\$10,252	
HR	\$3,535	\$3,739	
IT Desktop, Networks, Telecom	<u>\$10,230</u>	<u>\$14,784</u>	
Total	\$112,114	\$127,365	-\$8
★ 4 Lower back-office costs per member			
Governance and Financial Control	\$5	\$6	
Major Projects	\$1	\$9	
IT Strategy, Database, Applications	\$18	\$18	
Actuarial, Legal, Audit, Other	<u>\$8</u>	<u>\$10</u>	
Total	\$33	\$43	-\$10
Total			-\$25



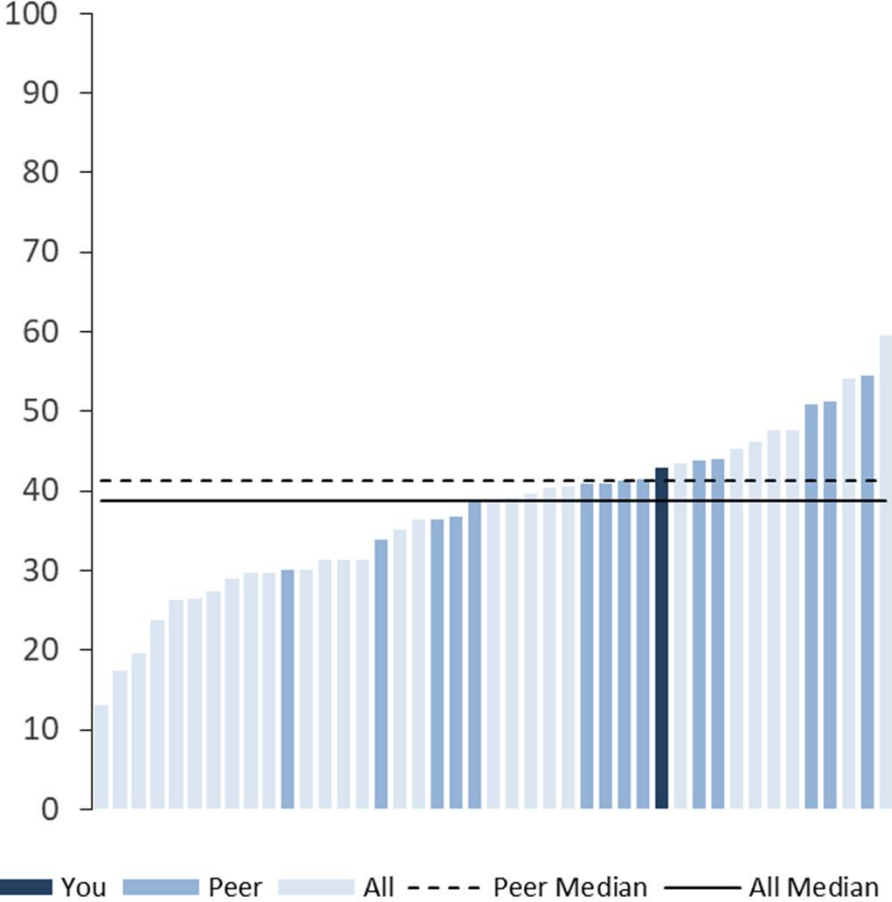
Your costs has been relatively stable for the last 4 years and consistently lower than your peers.

Trend in Total Pension Administration Costs



Your costs can be impacted by system complexity. Your total complexity score of 43 was above the peer median of 41.

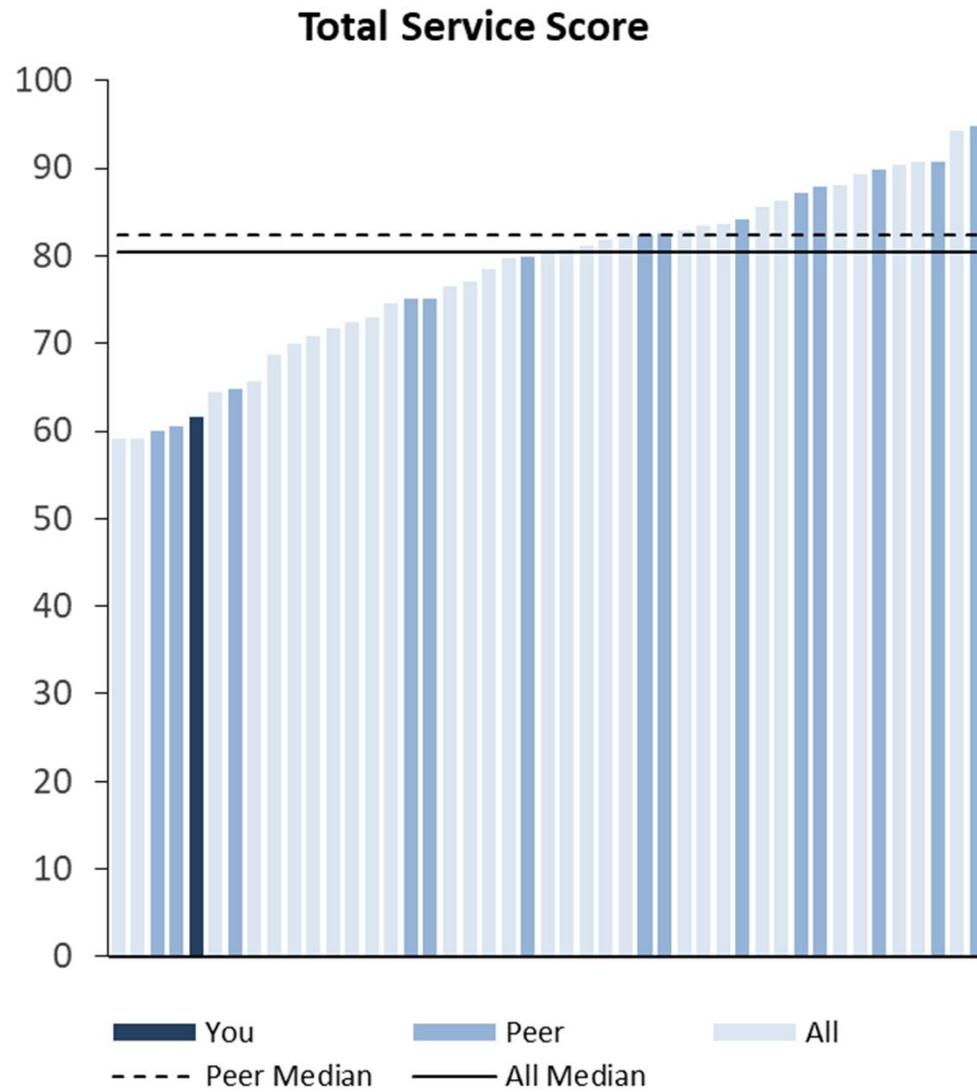
Total Complexity



CEM changed this score from a relative measure out of 100 to an absolute score.



Your total service score was 62. This was below the peer median of 82.



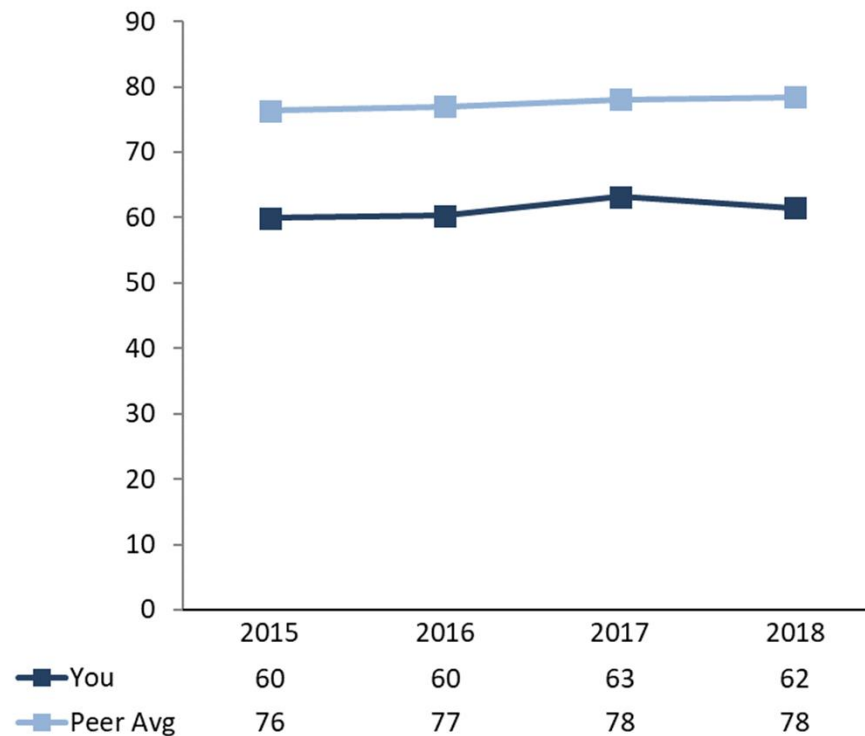
CEM changed service score methodology this year. The increased weighting to website by 10% had the largest impact on your score.

Service Scores by Activity				
Activity	Weight	You 2018	Peer Median	You recalculated 2017
1. Member Transactions				
a. Pension Payments	↓ 10.0%	99	100	99
b. Pension Inceptions	7.4%	92	88	91
c. Refunds, Withdrawals, and Transfers-out	1.3%	100	95	100
d. Purchases and Transfers-in	3.1%	82	90	84
e. Disability	3.8%	82	82	82
2. Member Communication				
a. Call Center	21.0%	44	68	54
c. 1-on-1 Counseling	7.4%	73	90	71
d. Member Presentations	6.5%	93	100	93
e. Written Pension Estimates	4.7%	70	87	67
f. Mass Communication				
• Website	↑ 21.3%	22	83	22
• News and targeted communication	2.8%	75	81	75
• Member statements	4.7%	91	88	91
3. Other				
Satisfaction Surveying	5.0%	38	49	38
Disaster Recovery	1.0%	88	90	88
Weighted Total Service Score	100.0%	62	82	63



Over the last 4 years, your total service score has improved, with a slight dip in 2018 primarily in your call center area*

Trends in Total Service Scores



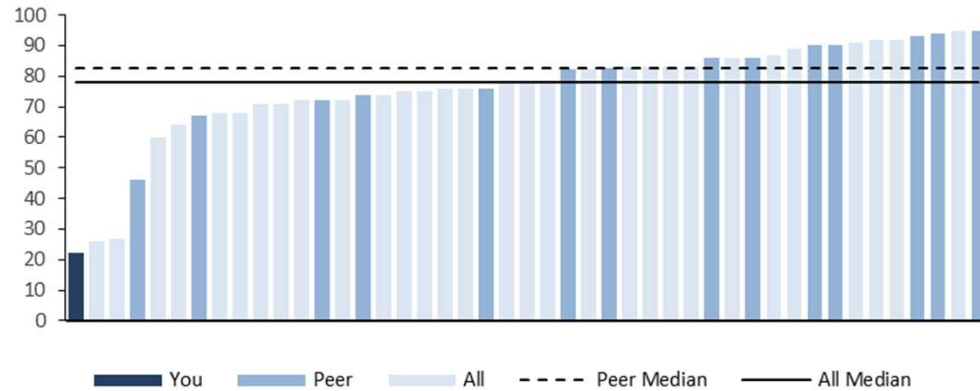
* Member Contacts

- % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)
- Average total wait time including time negotiating auto attendants, etc. (in

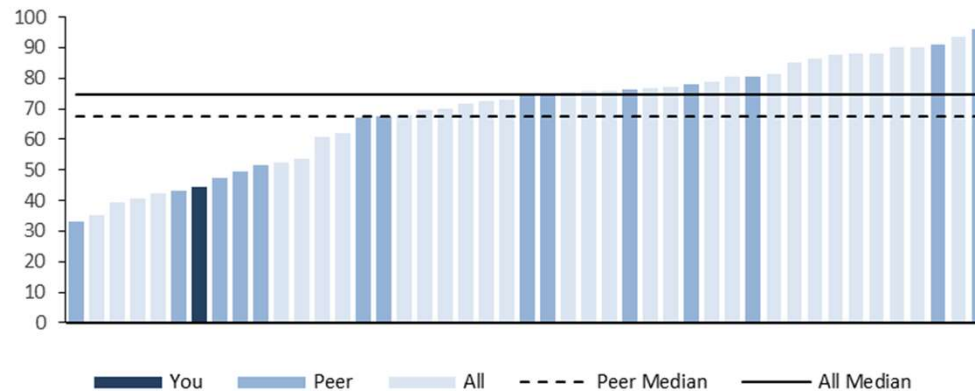
	2017	2018
% of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	13%	19%
Average total wait time including time negotiating auto attendants, etc. (in	193	247

IF you wanted to improve your total service score, the 2 areas that you should focus on are your 2 lowest areas:

Web Capabilities



Call Center Service score



Your total service score would improve by 16.6 with the following website changes:



Potential improvements to your total service score	
Factor	Potential Improvement
Your interactive calculator is not linked to member data. To achieve a perfect service score you must link member data to your interactive calculator.	+ 4.3
<u>Other website service potential improvements</u>	+12.3
Data: up to date salary & service, annual history	
Allow changes: beneficiaries, email, password, annuity deposit banking info, withholding tax,	
Download capabilities: tax receipts, pension payment stubs, member statement, upload documents, all forms online.	
Initiate application: for retirement, for transfer out or refund	
Miscellaneous: password on registering, register for 1 on 1 counseling, live chat, check status of application, etc. secure area for inactives.	

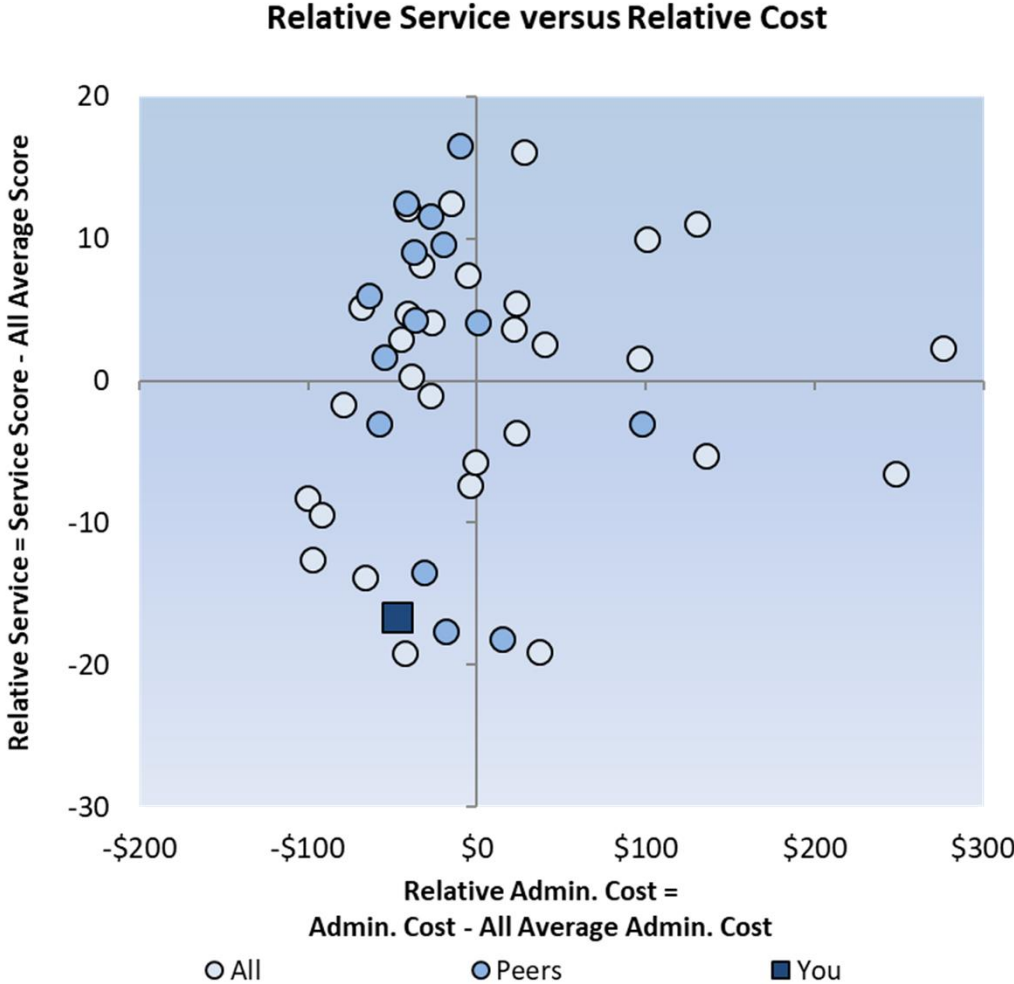
Your total service score would improve by 11.7 with the following changes to your call center.



Potential improvements to your total service score

Factor	Potential Improvement
On average, members calling your call center reach a knowledgeable person in 247 seconds. To achieve a perfect service score, members must reach a knowledgeable person on the phone in 60 seconds or less.	+ 3.8
18.6% of your incoming calls resulted in undesired outcomes. To achieve a perfect service score, members must experience no undesired call outcomes.	+ 3.1
<u>Other improvements</u> 1 menu layer only, 100% of calls satisfied on first contact, review staff's responses 3X per month, etc. CRM/IT capability: estimate pension, model alternate annuity, service credit history, cost to purchase, etc.	+4.8

Your cost effectiveness story: One of the lowest cost lower service administrators.



Global Trends, Insights and CEM initiatives

1. Improving cost effectiveness continues to be a goal of peers.
2. IT/Major Projects continues to be big: in \$, time and volumes.
3. Customer journey or experience – only change to service model next year and Insights paper for 2019.
4. Managing pension envy - COPERA & HOOPP have a new communication strategy to help members deal with 'pension envy' type.
5. Managing poor funded status – STRS of Ohio, COPERA have reduced COLA.

1. Improving cost effectiveness continues to be important to most systems.

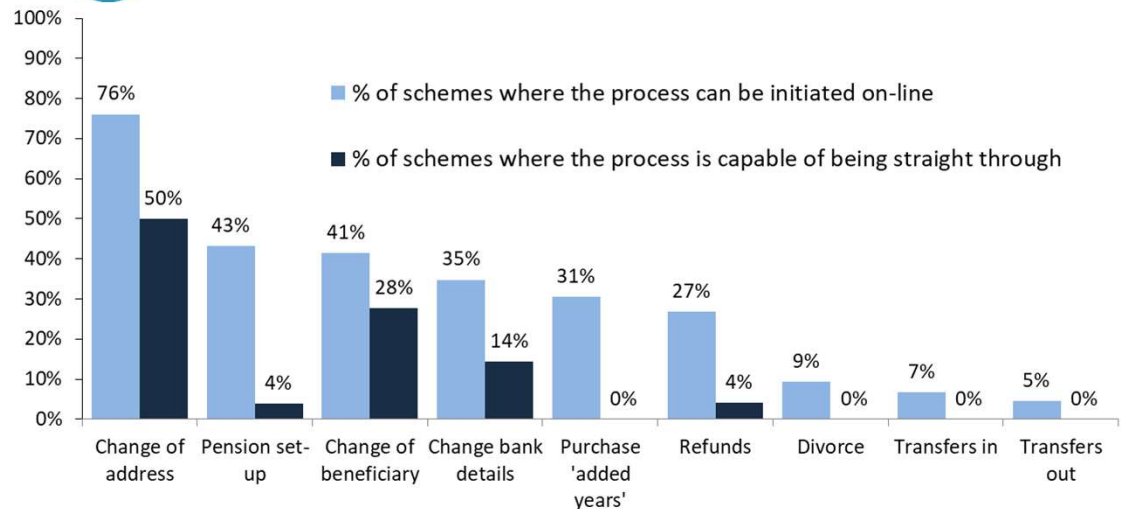
① Continuous Improvement

- Dozens of plans are using and pleased with the results of Lean, Six Sigma, Agile and other methods to optimize service while managing costs.

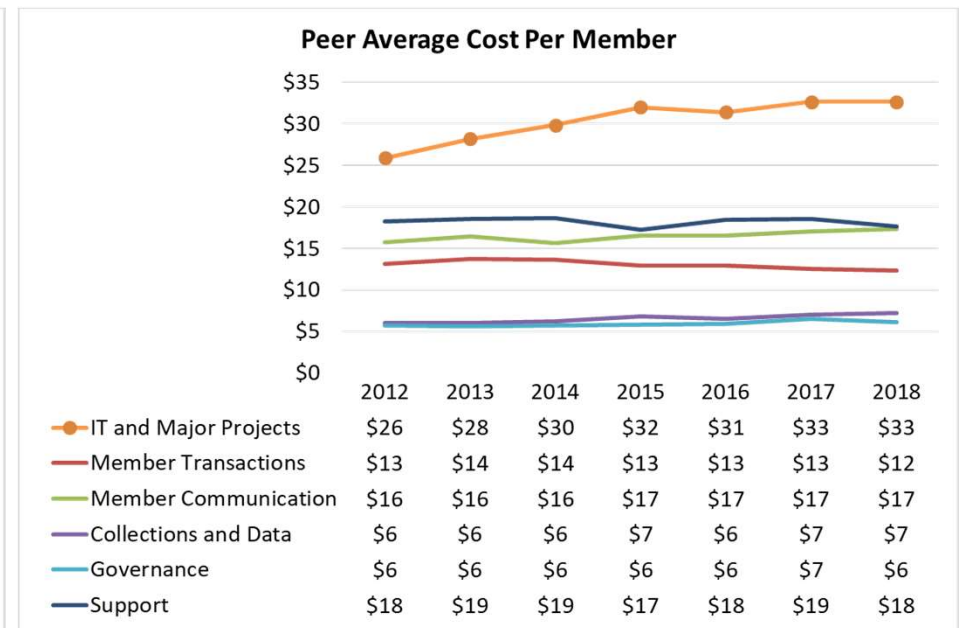
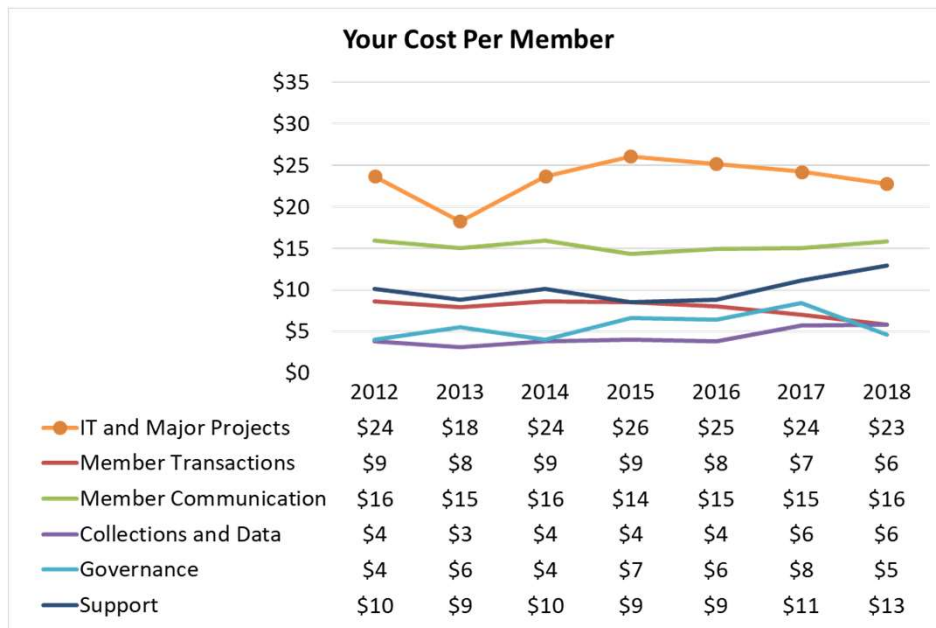
② Maximizing online transactions

- Belief that online is the highest service channel if done correctly.
- Less emphasis on counseling (for plans without healthcare)

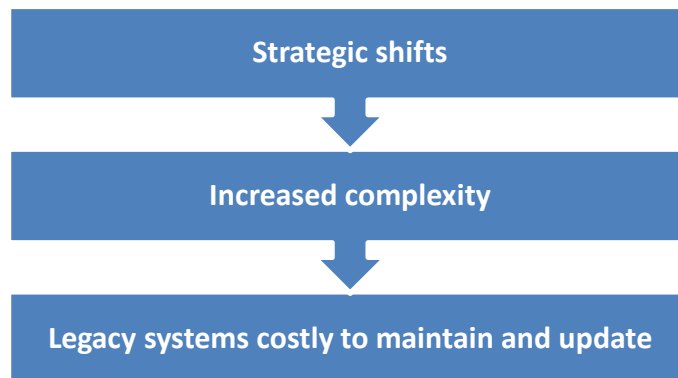
③ Straight through processing



2. For you and your peers, IT (major projects as well as desktop, network, database management) was a big component of total costs. For your peers this cost continues to grow.



What are the key drivers as to why pension administrators need to modernize their IT systems?



“To ensure we have a pension system with enough flexibility to quickly respond to business changes”

“At the highest level, we are looking to modernize our corporation in a way that will enable us to be a more flexible, responsive pension services provider going into the future”

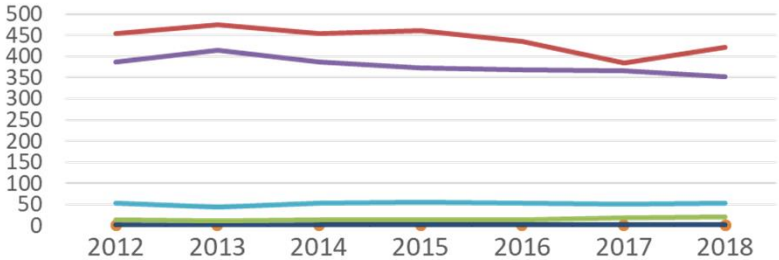
“The overall goal of our modernization program is to implement a cost effective, efficient, and sustainable program of business and technological processes that enables us to serve the expanding and ever changing needs of our members, employers, and annuitants”

“We identified four main elements that would have an impact on the system: 1) The Baby Boomer Generation 2) Rising Customer Expectations 3) Efficiency Demand 4) Technology Obsolescence”

Source: CEM Benchmarking *Community of Practice (CoP)* “IT System Modernization”, Sacramento session January 2018

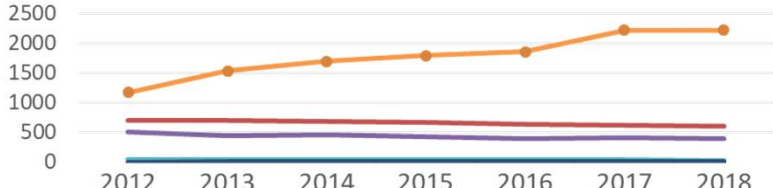
Secured web visits have been embraced by your peers' members. Volumes have more than doubled over the past 7 years. You do not have a secured web portal.

Your Transaction Volume Per 1000 Members



	2012	2013	2014	2015	2016	2017	2018
Secure web visits	0	0	0	0	0	0	0
Calls	454	476	454	462	436	385	422
1on1	13	12	13	15	15	18	21
Incoming mail	388	415	388	374	368	367	353
Estimates	52	44	52	55	54	51	54
Presentations	1.3	0.7	1.3	1.3	1.3	1.2	1.2

Peer Average Transaction Volume Per 1000 Members



	2012	2013	2014	2015	2016	2017	2018
Secure web visits	1164	1535	1694	1787	1852	2216	2220
Calls	700	695	671	657	635	612	591
1on1	30	28	25	25	22	22	22
Incoming mail	497	436	447	427	387	401	382
Estimates	29	27	31	30	30	27	25
Presentations	1.3	1.4	1.6	1.4	1.4	1.4	1.6

In June 2019, CEM facilitated a meeting with 10 pension plans to discuss their system modernization projects.

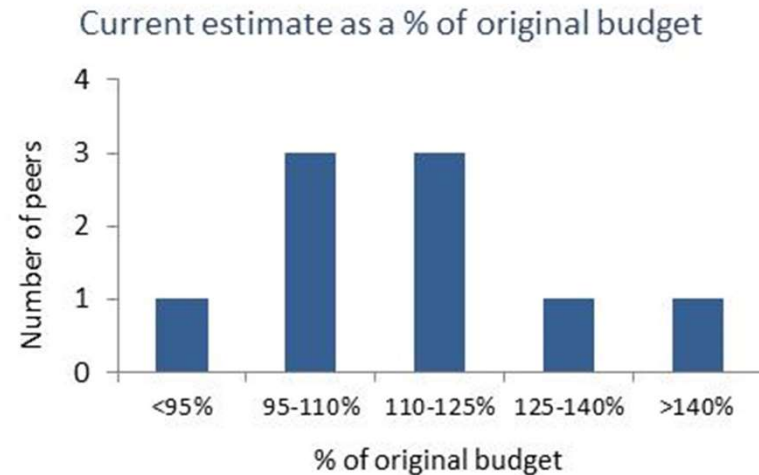
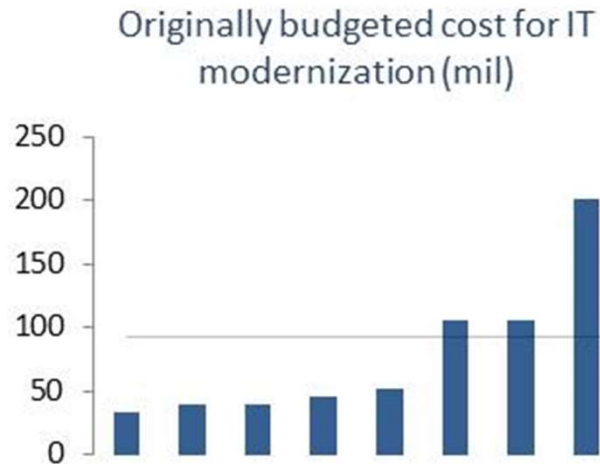
Plan	Active members and annuitants
<u>Canada</u>	
Alberta Pension Services	323,793
BC Pension Corporation	512,713
Government of Canada	579,767
OMERS	451,000
Ontario Teachers	326,928
<u>U.S.</u>	
Illinois MRF	308,039
Ohio PERS	516,873
Texas TRS	1,293,457
New York City TRS	217,150
<u>Netherlands</u>	
ABP/APG	1,979,560



Government of Canada



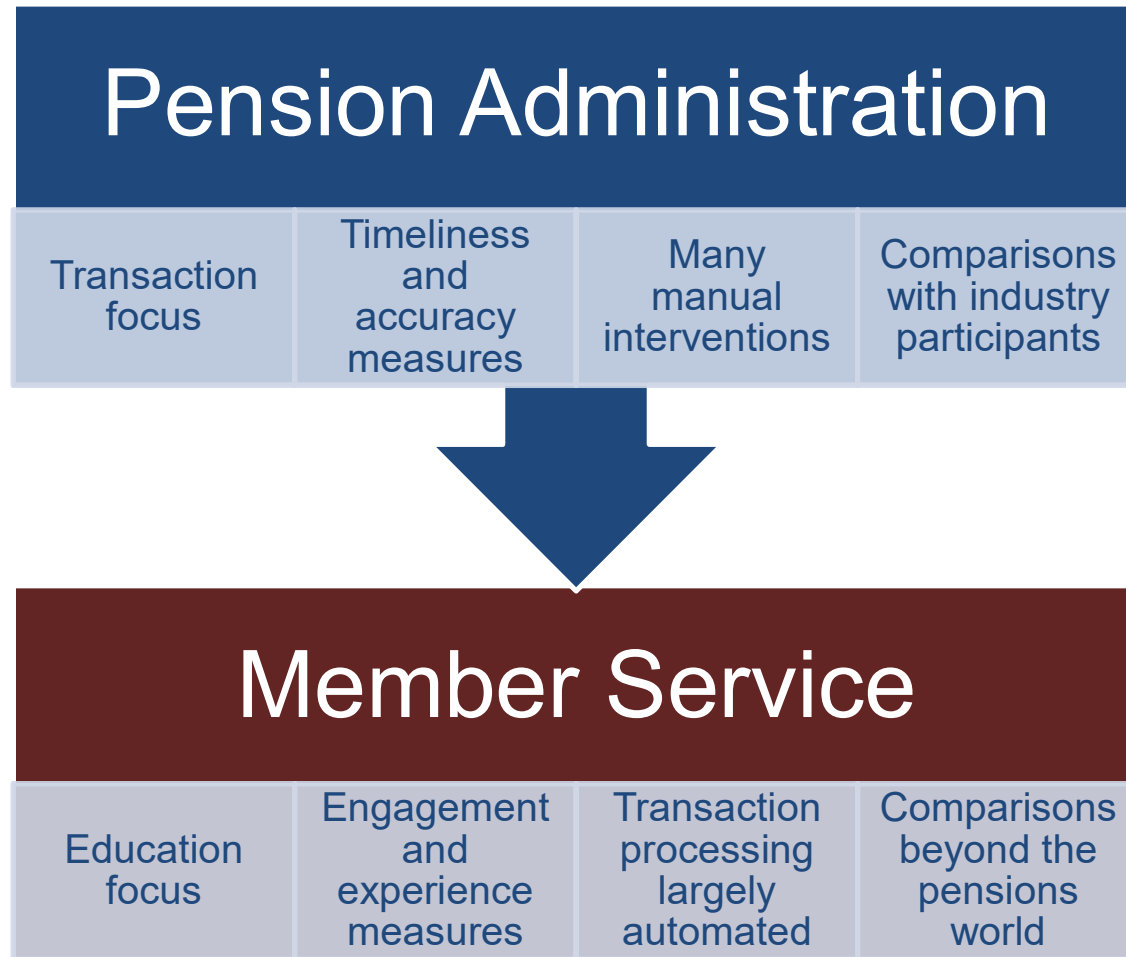
The average budgeted cost for IT modernization was USD \$93.2 million. Most plans estimate completion at between 95-125% of budget.



Average IT modernization projects is expected to take 5.6 years to complete. On average, peers expect to exceed the time budget by about 20%.



2. The role of Pension Services has changed and will continue to change. Shift from transaction to service/engagement focus and measuring customer experience (CX).

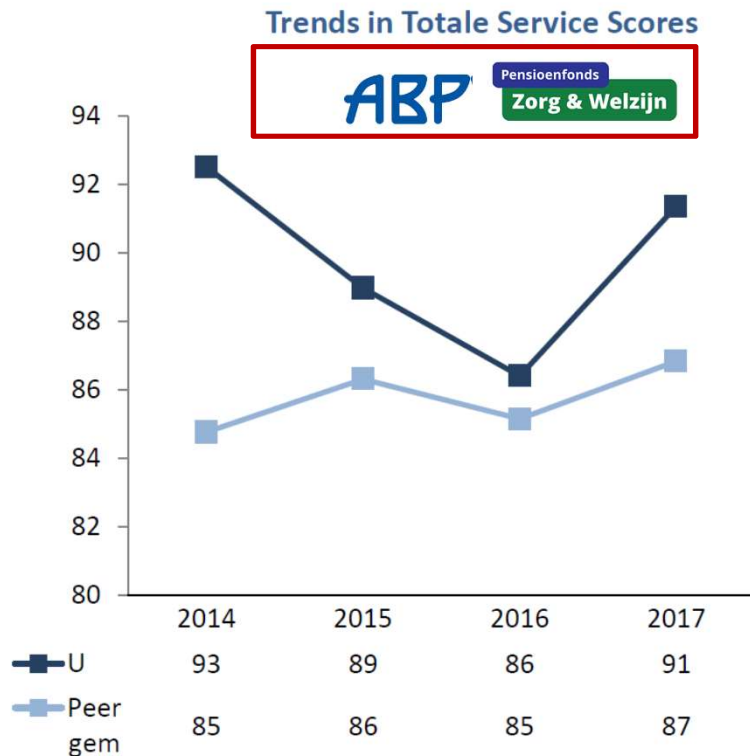


ABP/PFZW shared their experience about CEM's service score at the May conference.

4

What do we measure and how does CEM fit in?

CEM transactional service results:



- WoW, ABP en PFZW are best of class!
- Your members must be very happy, right?



No wrong!










Despite their high service score, their NPS score was -20, most loved brands are >+51.

4

What do we measure and how does CEM fit in?

This is what our member really think of us:

Quick guide to Net Promoter Score®

	71 - 100 The best companies in the world.	NETFLIX NPS = 77
	51 - 70 The most loved brands.	 Apple  NPS = 63 NPS = 62
	31 - 50 Satisfied customers.	
	1 - 30 Customers aren't very satisfied.	
	-100 - 0 Customers are having bad experiences.	 



Researched and designed by *fyi*

usefyi.com

Net Promoter Score is often calculated based on one question.

Typical question: How likely are you to recommend xxxx as a great organization?



DETRACTORS

'Detractors' gave a score lower or equal to 6.



PASSIVES

'Passives' gave a score of 7 or 8.



PROMOTERS

'Promoters' answered 9 or 10. They love the company's products and services.

Vision

CEM plans to compare customer experience metrics, costs and volumes by customer journey for plans that can provide the data.

Journey	▼
New member	
Disability	
Marriage/children	
Divorce	
Retiring	
Retirement	
Death (survivorship)	



Cost per member
\$3.2 → \$3.9



Satisfaction
(or NPS)
7.1 → 8.0



Customer effort
2.1 → 1.3



Self-service volumes
48% → 51%



Incoming calls, emails,
and letters
34% → 31%



In 2019 CEM will provide insight on what plans do to manage the customer experience.

Annual CEM survey

- We are beginning to ask starting in December 2018 which performance metrics you survey:
 - Satisfaction? NPS? Customer effort? Engagement?
 - Which touchpoints, journeys and customer groups?

If you don't do these, there will be small (less than 1) impact on your total service score. Only change contemplated to our model.

2019's CEM best practices research

- Comparisons of customer experience management capabilities (optional survey).
- Case studies on lessons learned by plans that are customer experience leaders.



Copyright © 2019 by CEM Benchmarking Inc. ('CEM').

Although the information in this document has been based upon and obtained from sources we believe to be reliable, CEM does not guarantee its accuracy or completeness. The information contained herein is proprietary and confidential and may not be disclosed to third parties without the express written mutual consent of CEM.



Address

372 Bay Street, Suite 1000
Toronto, Ontario, Canada
M5H 2W9



Contact Info

Email: sandy@cembenchmarking.com



Telephone

Office Phone: +1 (416) 640 1761



www.cembenchmarking.com



[CEM on LinkedIn](#)