

CEM Benchmarking
Pension Administration Benchmarking results for
Wisconsin ETF
FYE June 30, 2019



Your total FYE 2019 pension administration costs, incurred to service your members, was \$40.6 million.

	\$000s
Category	You
<u>Front office</u>	
Member Transactions	3,101
Member Communication	7,491
Collections & Data Maintenance	2,949
<u>Governance and support</u>	
Governance and Financial Control	2,337
Major Projects*	2,864
Information Technology	15,397
Building	1,842
Legal	1,348
HR, Actuarial, Audit, Other	3,238
Total Pension Administration	40,568

\$40.6 million excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$6.9 million.

* Amortization of IT costs.

Benchmarking provides contestability – Demonstrates performance in the absence of competition.

1. Did Wisconsin Department of ETF do a good job servicing their members?
2. How can you use this report to maintain your performance or improve it?



“Wisconsin ETF has done a good job servicing its members with the tools and resources at its disposal.”

Cost - LOW COST ADMINISTRATOR

- Your total pension administration cost of \$87 per active member and annuitant was \$11 below the peer average of \$98.
- Your costs were lower primarily because you had fewer front-office FTE per 10,000 members, and because you had lower salary and other costs per FTE.
- Your costs increased by \$19 per member between 2018 to 2019 because of increased major project and information technology costs. This is due to changes in the capitalization of IT spending that resulted from shifting IT efforts from system development to operational maintenance and enhancements. In addition ETF accelerated the amortization of previously capitalized IT assets.

Service - LOWER SERVICE THAN PEERS

- Your total service score was 62. This was below the peer median of 80.
- The biggest reason why your service score was below the peer median was that your website does not have a secure member area.
- Your service score increased from 60 to 62 between 2012 and 2019.

73 leading pension administrators participate in the benchmarking service. Those in the US, Canada and 3 European administrators are part of your All universe comparisons.

Participants

United States

Arizona SRS
CalPERS
CalSTRS
Colorado PERA
Delaware PERS
Florida RS
Idaho PERS
Illinois MRF
Indiana PRS
Iowa PERS
KPERS
LACERA
Maryland SRPS
Michigan ORS
NYC ERS
NYC TRS
NYSLRS
Ohio PERS
Oregon PERS
Pennsylvania PSERS
PERS Nevada
PSRS PEERS of Missouri
South Dakota RS

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

Canada

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

The Netherlands¹

ABN Amro PF
ABP
bpfBOUW
BPF Levensmiddelen
BPL Pensioen
Metaal en Techniek
PF PWRI
PF Vervoer
PFZW
Rabobank PF
Shell PF

Scandinavia

ATP

United Kingdom¹

Armed Forces PS
BSA NHS Pensions
BT Pension Scheme
Lothian Pension
Greater Manchester PF
Local Pensions Partnership
Merseyside PF
Pension Protection Fund
Principal Civil Service
Railways Pension Scheme
Royal Mail Pensions
South Yorkshire PF
Teachers' Pensions
Tyne & Wear PF
USS
West Midlands Metro
West Yorkshire PF

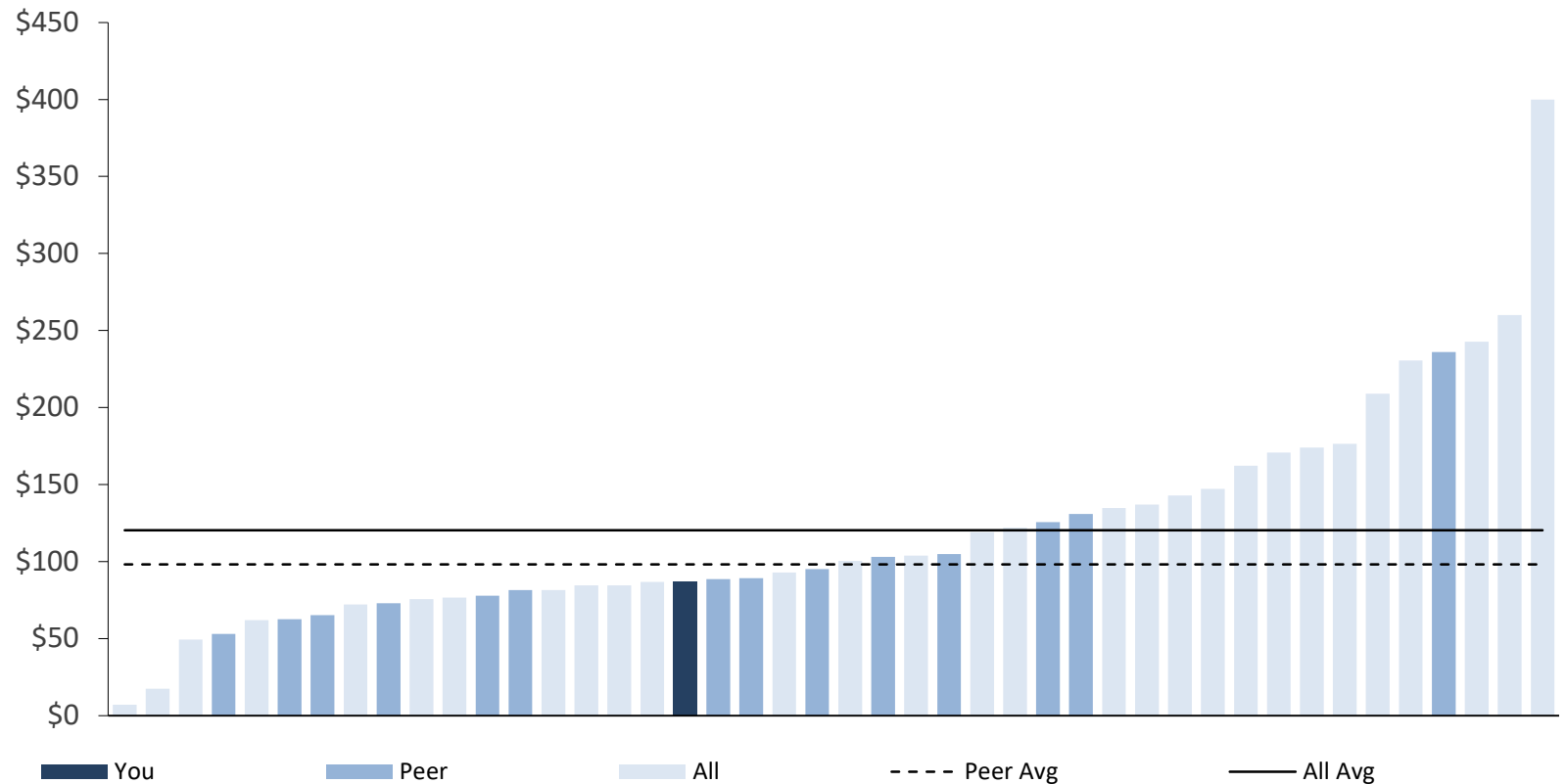
Your custom peer group consist of 14 other systems most similar to you in membership size. Membership impacts costs.

Custom Peer Group for Wisconsin DETF			
Peers (sorted by size)	Membership (in 000s)		
	Active Members	Annuitants	Total
NYSLRS	534	482	1,015
CalSTRS	461	305	766
Virginia RS	346	215	561
Washington State DRS	330	194	524
Ohio PERS	304	213	517
Pennsylvania PSERS	256	237	493
Michigan ORS	199	277	476
Wisconsin DETF	258	209	467
Indiana PRS	252	160	412
STRS Ohio	210	160	370
Colorado PERA	242	121	362
Arizona SRS	207	150	357
Oregon PERS	177	152	329
Illinois MRF	177	132	308
Iowa PERS	172	124	296
Peer Median	252	194	467
Peer Average	275	209	484

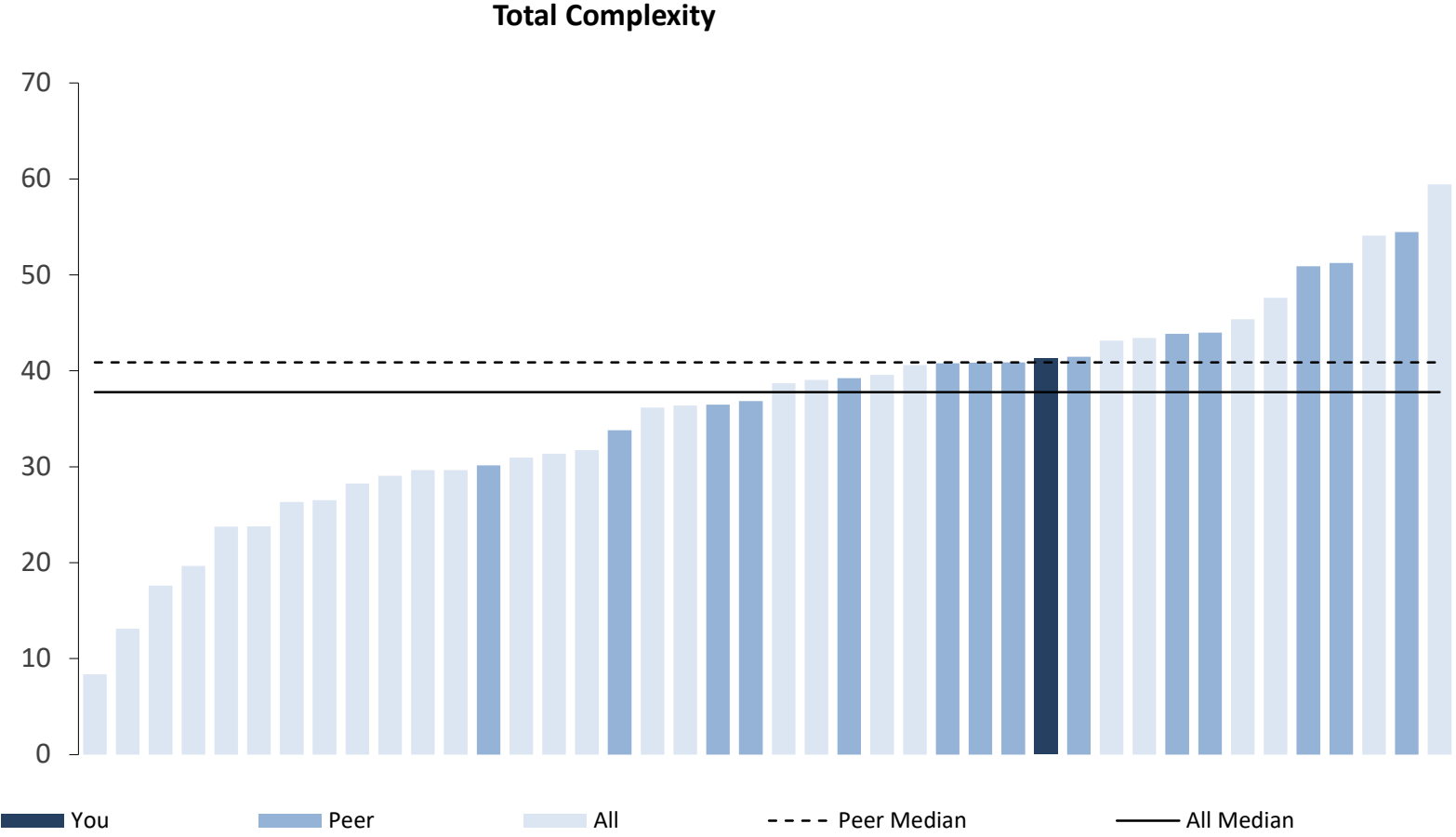
Inactive members are not considered when selecting peers because they are excluded when determining cost per member. They are excluded because they are less costly to administer than either active members or annuitants.

Your total pension administration cost of \$87 per active member and annuitant was \$11 below the peer average of \$98.

Pension Administration Cost Per Active Member and Annuitant



Your complexity score of 41 is equal to peer median and therefore, not likely a big factor for your system.



Complexity is CEM's standardized measure for the rules, regulations, options and choices that go into ensuring your members are receiving the benefits they are entitled to.

Complexity Score by Cause		
Cause	You	Peer Median
Pension Payment Options	49	43
Customization Choices	8	8
Multiple Plan Types and Overlays	50	31
Multiple Benefit Formula	46	57
External Reciprocity	35	35
COLA Rules	28	18
Contribution Rates	24	43
Variable Compensation	85	100
Service Credit Rules	53	49
Divorce Rules	100	55
Purchase Rules	49	67
Refund Rules	8	55
Disability Rules	72	69
Total Complexity	41	41

We capture costs by activities for both client facing (front office) or governance and support (back office).

Category	In 000's You	Cost per annuitant & active member	
		You	Peer Avg
<u>Front office</u>			
Member Transactions	3,101	7	13
Member Communication	7,491	16	18
Collections & Data Maintenance	2,949	6	8
Total Front office		\$29	\$38
<u>Governance and support</u>			
Governance and Financial Control	2,337	5	7
Major Projects *	2,864	6	8
Information Technology	15,397	33	28
Building	1,842	4	5
Legal	1,348	3	3
HR, Actuarial, Audit, Other	3,238	7	9
Total governance and support		\$65	\$70
Total Pension Administration	40,568	\$87	\$98

* IT amortization

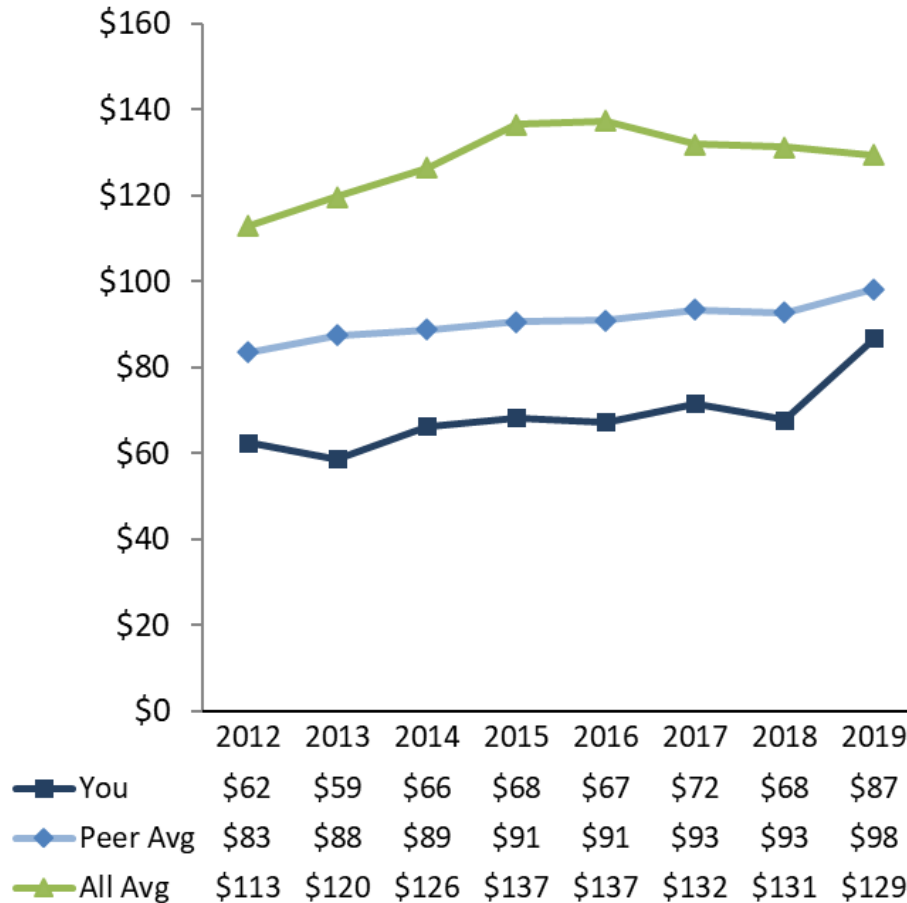
Your costs are \$11 lower than peer average because:

Reason	You	Peer Avg	Impact \$ per active member and annuitant	
1 Fewer front-office FTE per 10,000 members	3.3 FTE	3.5 FTE	-\$3	} Less FTE servicing your members.
2 Lower third party costs per member in the front-office	\$3	\$6	-\$4	
3 Lower costs per FTE				
Salaries and Benefits	\$96,717	\$106,366		
Building and Utilities	\$7,338	\$10,284		
HR	\$4,258	\$3,947		
IT Desktop, Networks, Telecom	<u>\$11,715</u>	<u>\$15,959</u>		
Total	\$120,027	\$136,556	-\$9	Main reason: lower in your fully loaded FTE costs.
4 Higher support costs per member ¹				
Governance and Financial Control	\$6	\$7		
Major Projects	\$6	\$8		
IT Strategy, Database, Applications	\$30	\$21		
Actuarial, Legal, Audit, Other	<u>\$9</u>	<u>\$11</u>		
Total	\$50	\$46	\$4	
Total			-\$11	

1. To avoid double counting, Governance and support costs are adjusted for differences in cost per FTE.

Your 2019 cost of \$87 per member is an increase of \$19 from 2018 costs of \$68 per member.

Trend in Total Pension Administration Costs



The year over year increase in costs was primarily driven by higher major projects (accelerated IT amortization) and IT costs.

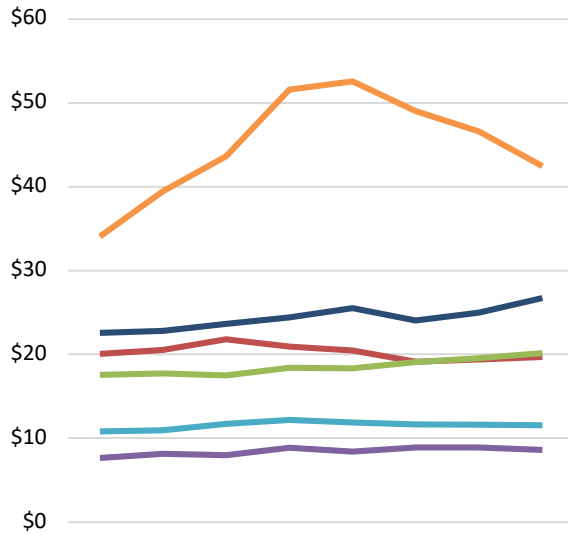
Category	Your \$ per Active Member and Annuitant		
	2019	2018	Diff.
Front office			
Member Transactions	\$ 6.6	\$ 5.9	\$ 0.8
Member Communication	\$ 16.0	\$ 15.8	\$ 0.2
Collections & Data Maintenance	\$ 6.3	\$ 5.8	\$ 0.5
Governance and support			
Governance and Financial Control	\$ 5.0	\$ 4.6	\$ 0.4
Major Projects	\$ 6.1	\$ 1.4	\$ 4.7
Information Technology	\$ 33.0	\$ 21.3	\$ 12.0
Building	\$ 3.9	\$ 4.0	\$ (0.1)
Legal	\$ 2.9	\$ 2.0	\$ 0.9
HR, Actuarial, Audit, Other	\$ 6.9	\$ 7.0	\$ (0.0)
Total Pension Administration	\$ 86.9	\$ 67.9	\$ 19.0

You shifted your IT efforts from system development to operational enhancement and maintenance and accelerated your amortization of previously capitalized IT assets (in major projects).

\$16.7 of increase of \$19.

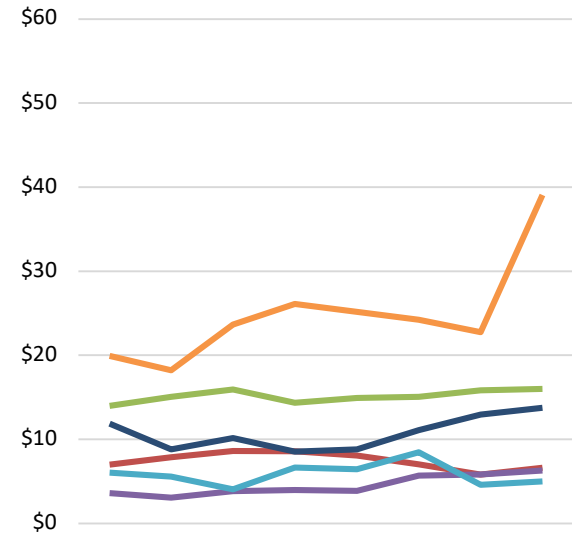
Your IT & major projects costs are still lower than average. Your \$39 per member compares to an All average of \$42.

Cost per Member - All Avg



	2012	2013	2014	2015	2016	2017	2018	2019
IT and Major Projects	\$34	\$39	\$44	\$52	\$53	\$49	\$47	\$42
Member Transactions	\$20	\$21	\$22	\$21	\$20	\$19	\$19	\$20
Member Communication	\$18	\$18	\$18	\$18	\$18	\$19	\$20	\$20
Collections and Data	\$8	\$8	\$8	\$9	\$8	\$9	\$9	\$9
Governance	\$11	\$11	\$12	\$12	\$12	\$12	\$12	\$12
Support	\$23	\$23	\$24	\$24	\$26	\$24	\$25	\$27

Cost per Member - You



	2012	2013	2014	2015	2016	2017	2018	2019
IT and Major Projects	\$20	\$18	\$24	\$26	\$25	\$24	\$23	\$39
Member Transactions	\$7	\$8	\$9	\$9	\$8	\$7	\$6	\$7
Member Communication	\$14	\$15	\$16	\$14	\$15	\$15	\$16	\$16
Collections and Data	\$4	\$3	\$4	\$4	\$4	\$6	\$6	\$6
Governance	\$6	\$6	\$4	\$7	\$6	\$8	\$5	\$5
Support	\$12	\$9	\$10	\$9	\$9	\$11	\$13	\$14

Trend analysis is based on 33 systems that provided 8 consecutive years of data.

What makes a service experience great or bad?



	Easy	<ul style="list-style-type: none"> - Low effort: fast, and one and done - Information is easy to find and understand 	<ul style="list-style-type: none"> - Poorly designed manual processes - A maze of complex information
	Omni-channel	<ul style="list-style-type: none"> - You can use your preferred channel - Your data is shared between channels - Integrates data from third parties 	<ul style="list-style-type: none"> - You are forced to use an undesired channel - Correspondence or the status of open items is not shared between channels
	Emotionally intelligent	<ul style="list-style-type: none"> - Empathetic - Competent - Anticipates and resolves future questions 	<ul style="list-style-type: none"> - Rude or indifferent - Lacks knowledge or tools to serve you - Only resolves the current issue
	Member-focused	<ul style="list-style-type: none"> - Personalized information focused on what matters to you when it matters to you - Proactively life event driven 	<ul style="list-style-type: none"> - General information with pension jargon - Untargeted communication that is not relevant to your current situation
	Trusted provider	<ul style="list-style-type: none"> - Track record of successful interactions - Good press and/or funded status - No critical failures 	<ul style="list-style-type: none"> - No prior engagement - Bad press and/or funded status - Critical data, payment, cybersecurity issues

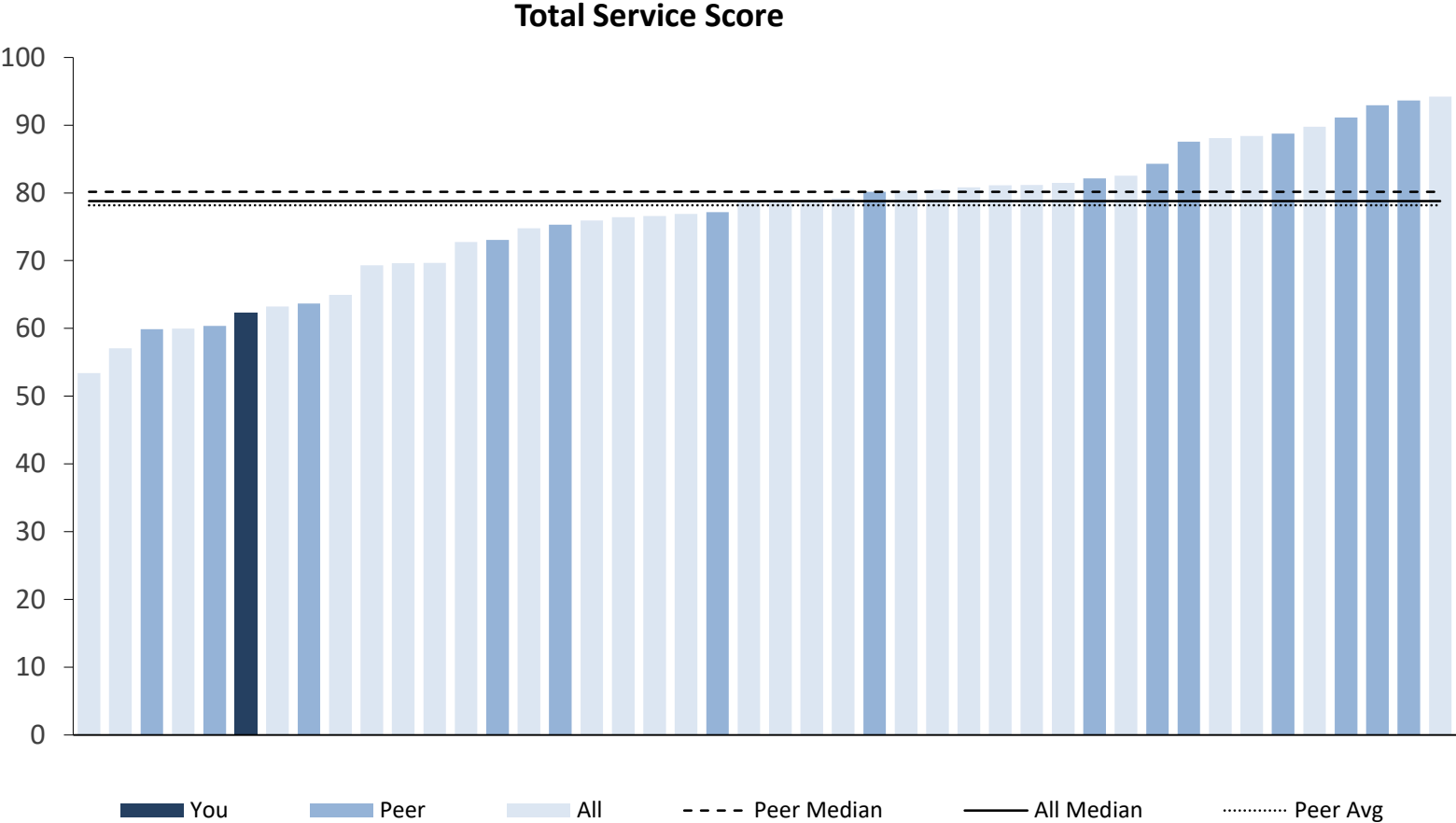


Expectations

Met or exceeded

Below

Your total service score was 62. This was below the peer median of 80 and All median of 79.



The two biggest contributors to your lower service score were your : 1. website followed by 2. call center.

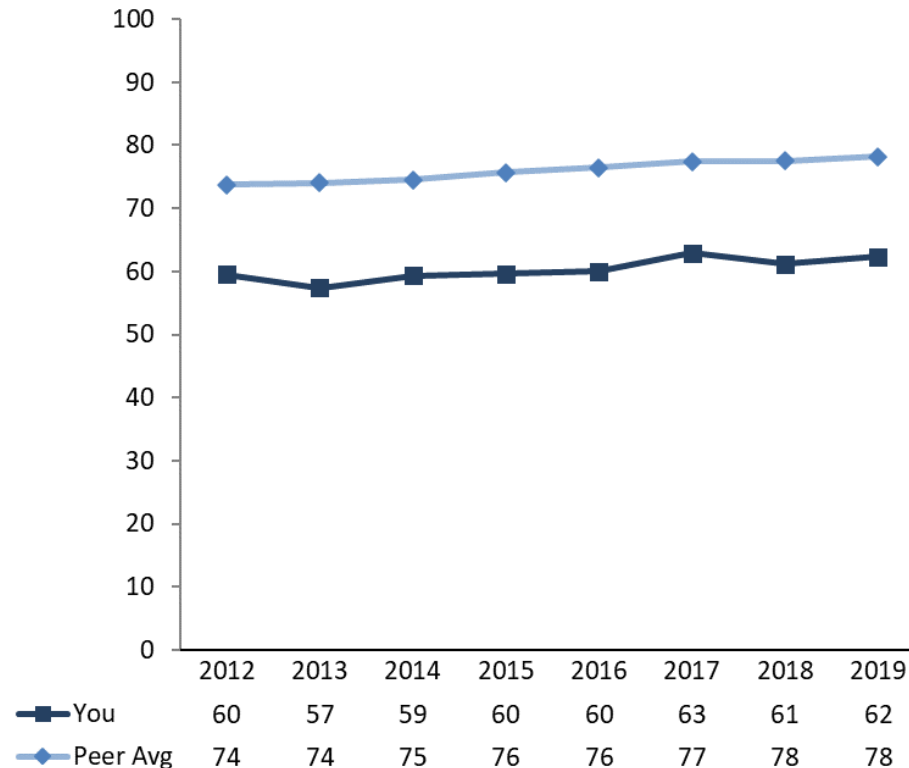
Service Scores by Activity				
Activity	Weight	You	Peer Med	
1. Member Transactions				
a. Pension Payments	10.0%	99	100	
b. Pension Inceptions	7.4%	92	88	
c. Refunds & Transfers-out	1.3%	100	95	
d. Purchases & Transfers-in	3.1%	88	88	
e. Disability	3.8%	82	82	
2. Member Communication				
a. Call Center	21.0%	46	72	#2
c. 1-on-1 Counseling	7.4%	74	91	
d. Member Presentations	6.5%	100	100	
e. Written Pension Estimates	4.7%	70	87	
f. Mass Communication				
• Website	21.3%	22	83	#1
• News & targeted communic	2.8%	75	83	
• Member statements	4.7%	91	88	
3. Other				
Customer Experience Surveying	5.0%	32	30	
Disaster Recovery	1.0%	100	93	
Weighted Total Service Score	100%	62	80	

Where can you improve your total service score in these areas?

Potential improvements to your total service score		Potential Improvement
Factor		
Website – secure member area	Add 29 secure member tools and design features such as: address change, apply for retirement, print tax receipts, change tax withholding amount, change email address, change beneficiary, etc.	+ 12.3
	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
Call centre	On average, members calling your call center reach a knowledgeable person in 228 seconds. To achieve a perfect service score, members must reach a knowledgeable person on the phone in 60 seconds or less.	+ 3.5
	18.4% of your incoming calls resulted in undesired outcomes. To achieve a perfect service score, members must experience no undesired call outcomes.	<u>+ 3.1</u>
		23.1 increase to total service
<ul style="list-style-type: none"> • CEM is not recommending these changes. We recognize that these service improvements cannot be done inexpensively. • Service improvement should be cost effective and important to your members. 		

Over the years, you increased your service score from 60 to 62 , peer average has increased from 74 to 78.

Trends in Total Service Scores



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

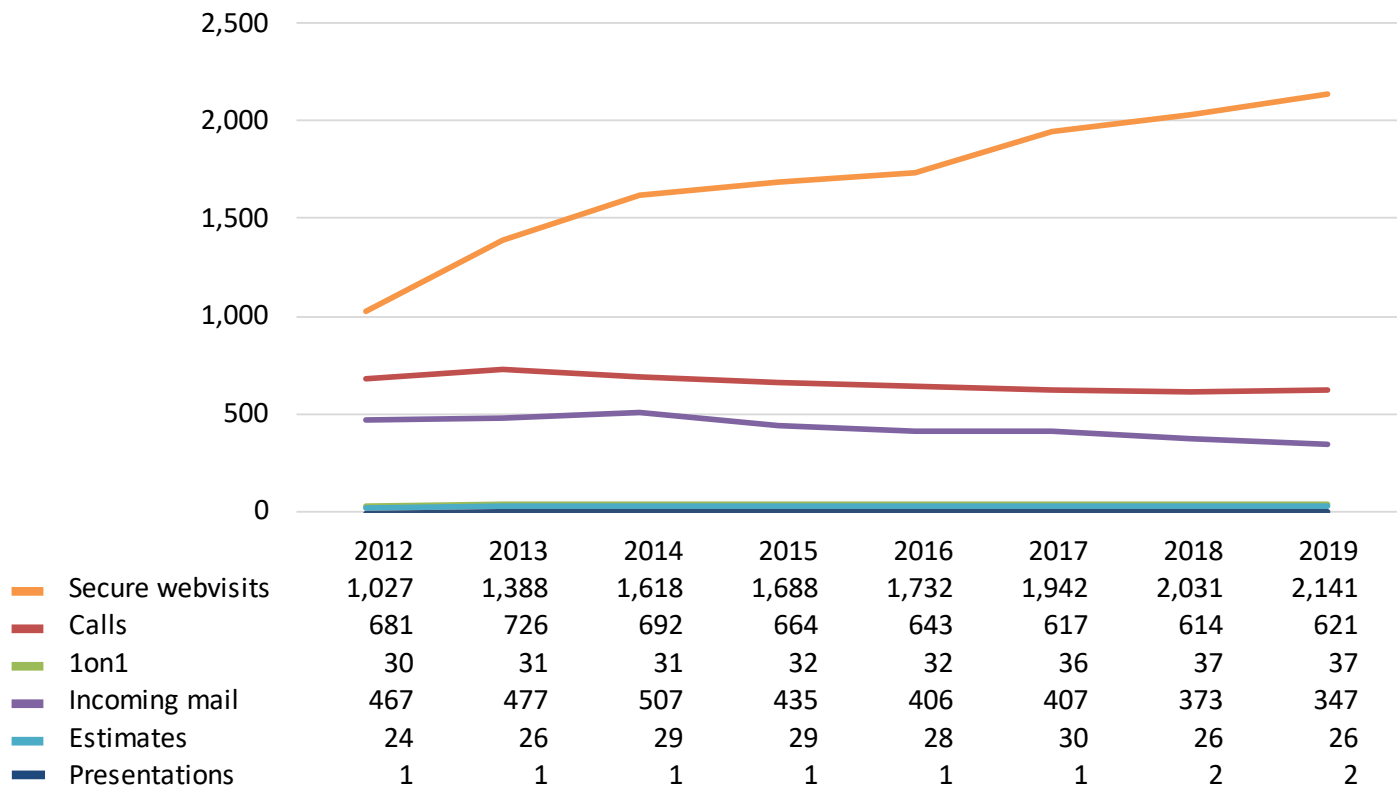
You have made service improvements and your service in other areas is in line or exceeds your peers, as shown by trends in some key service metric measures:

Select Key Service Metrics	You				Peer Avg
	2016	2017	2018	2019	
<u>Member Contacts</u>					
• % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	19%	13%	19%	18%	14%
• Average total wait time including time negotiating auto attendants (in secs).	287	193	247	228	254
<u>Website</u>					
• Can members access their own data in a secure environment?	No	No	No	No	93% Yes
• Do you have an online calculator linked to member data?	No	No	No	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	3	3	3	14
<u>1-on-1 Counseling and Member Presentations</u>					
• % of your active membership that attended a 1-on-1 counseling session	2.6%	3.1%	3.7%	3.1%	3.5%
• % of your active membership that attended a presentation	7.3%	5.9%	5.5%	6.5%	6.2%
<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%	99.0%	99.9%	100.0%	86.7%
<u>Member Statements</u>					
• How current is an active member's data in the statements that the member receives?	3.0 mos	3.0 mos	3.0 mos	3.0 mos	2.3 mos
• Do statements provide an estimate of the future pension entitlement?	Yes	Yes	Yes	Yes	73% Yes



Secured web visits is becoming the preferred delivery channel for more and more members

Transactions per 1,000 members - All Avg



Trend analysis is based on 33 systems that provided 8 consecutive years of data. So volumes on this page will differ from the previous page.

Did you do a good job?

Yes, with the resources and tools available to you.



Low Cost administrator.

Costs are lower than peers. Making do with less staff, all in cost for staff lower than peers.



Lower service administrator.

Your lower service is mainly because you did not have a secured website.

How do you deliver great customer service (if you wanted to)?

Most effective if it is a priority for the Board and senior management, and they are seen to care.

1. Prioritize and define excellent customer experience.



2. Set targets and budgets

Many service improvements can be done at low cost. System modernization and online tools are an exception.



3. Doing

Improvement can be accelerated with

- Techniques such as, LEAN, that focus on eliminating steps that do not provide value to the customer
- Learning from peers

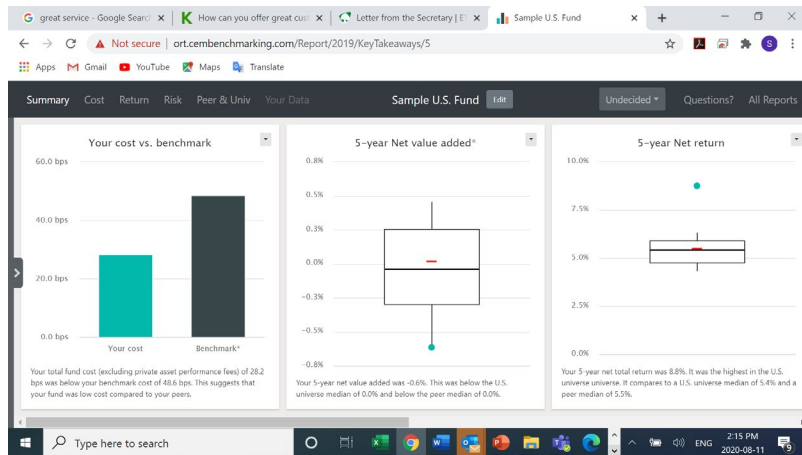


4. Measure



- a. Member surveys and feedback
 - Satisfaction or net promoter scores, and customer effort, by life event and channel.
 - Engagement of members who have not transacted with the pension plan.
 - Focus groups
 - A B testing
- b. Internal measures: Speed, channel availability, simplicity, quality, irritating events.
- c. Benchmarking

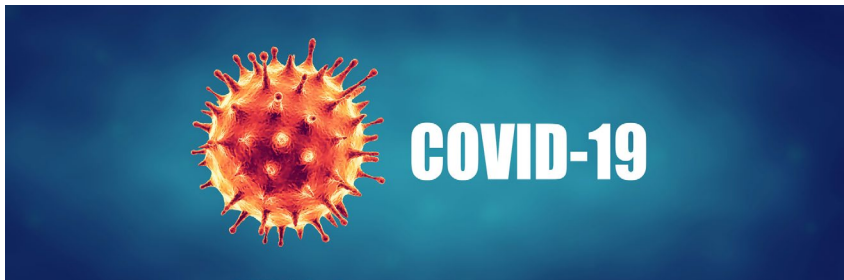
New and in-development at CEM



- CEM Online Dashboard created for investment benchmarking.
- CEM Online Dashboard for administration in development currently.

- Workforce Benchmarking – measuring gender, senior, turnover, etc. for investments this year.
- Next year: open participation to all clients including administrators and possibly add ethnicities.

CEM best practices research/insights



Round table discussions is being summarized into a best practices/insights paper.



Updating our website research.

Questions, Comments, Concerns



Sandy Halim

sandy@cembenchmarking.com

Cell 1 647 274 8870