

# PUBLIC PENSION ADMINISTRATION BENCHMARKING ANALYSIS

SUMMARY OF FISCAL YEAR 2010 TO THE  
SELECT COMMITTEE ON PENSION POLICY  
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# INTRODUCTION

## ◎ CEM Benchmarking

- ◎ Founded in 1991 in Toronto, Ontario
- ◎ Started with investment management in Canada and US
- ◎ Currently serve over 350 blue chip corporate and government clients worldwide
- ◎ There are four components to the pension administration service:
  - A comprehensive survey and benchmarking report
  - A targeted best practice analysis
  - Access to a peer network
  - An annual peer conference



# WHY BENCHMARK?

- ⊙ “What gets measured gets managed”
  - ⊙ Performance compared to public pension peers
  - ⊙ An independent source of performance data
  - ⊙ Ideas for improvement (some international)
- ⊙ A comprehensive approach
  - ⊙ 40 page survey requiring 1,000 responses
  - ⊙ Apples-to-apples data and cost comparisons
  - ⊙ 300 page analytical report on results
    - ⊙ DRS versus peer group and all participants
    - ⊙ Incremental and rolled-up comparisons

# PARTICIPANTS

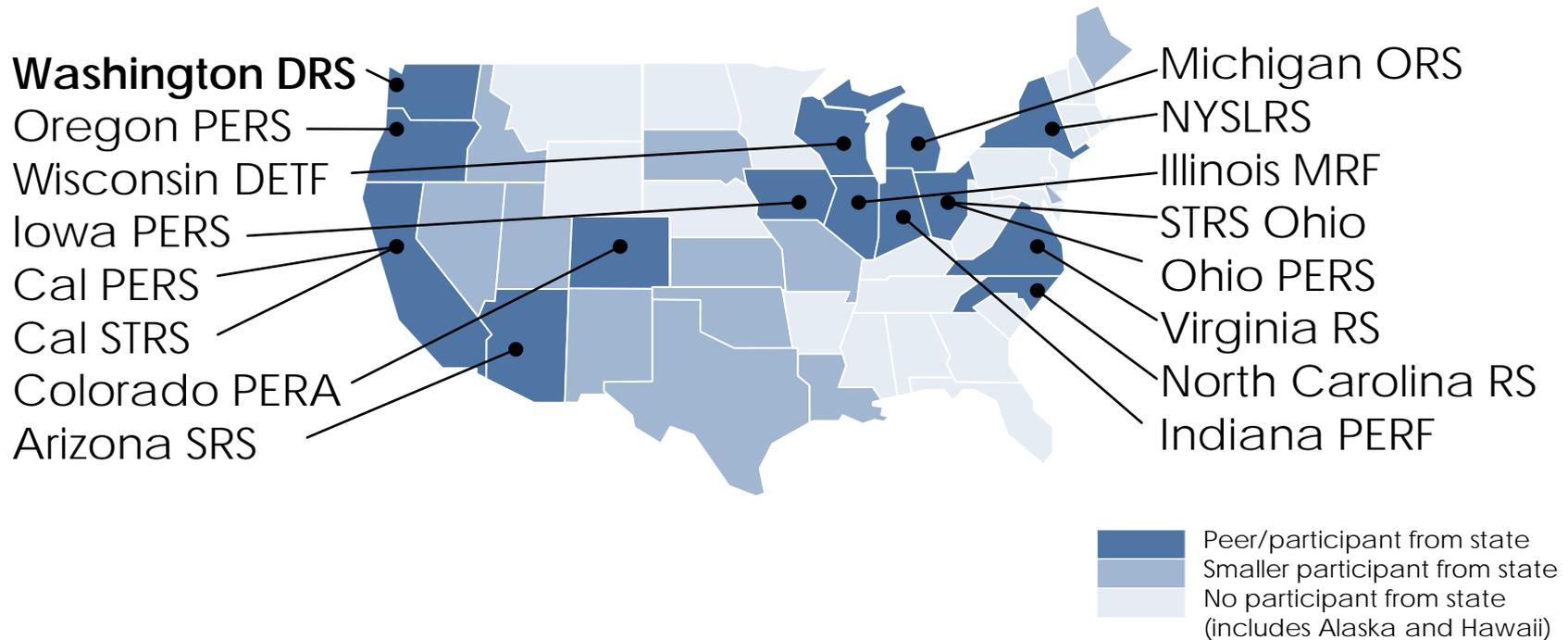
- ◎ 88 pension systems participated in FY 10
  - ◎ 35 from the United States
  - ◎ 13 from Canada
  - ◎ 13 from the Netherlands
  - ◎ 1 from Denmark
  - ◎ 10 from Australia\*
  - ◎ 16 from the United Kingdom\*
  - ◎ Next year may include Sweden and the United Arab Emirates



\*Systems from Australia and the UK complete a separate benchmarking survey so they are not reflected in the report but they are accessible via the peer network and in best practice analyses

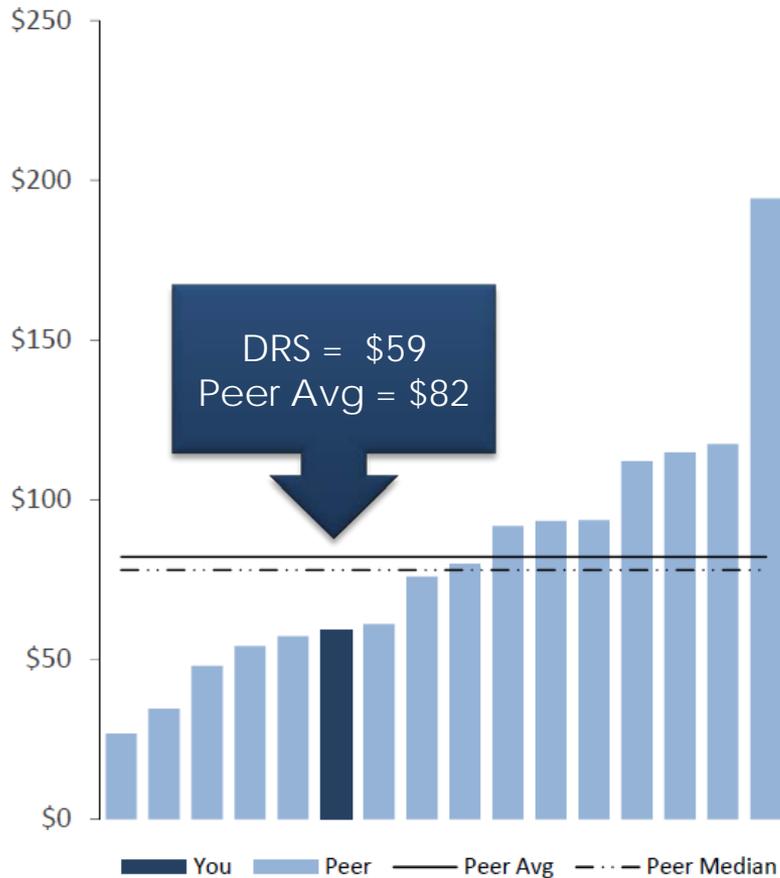
# DRS' PEER GROUP

- ⊙ DRS' peers are the larger US systems
- ⊙ A few larger US systems don't participate
- ⊙ DRS is close to the median in size

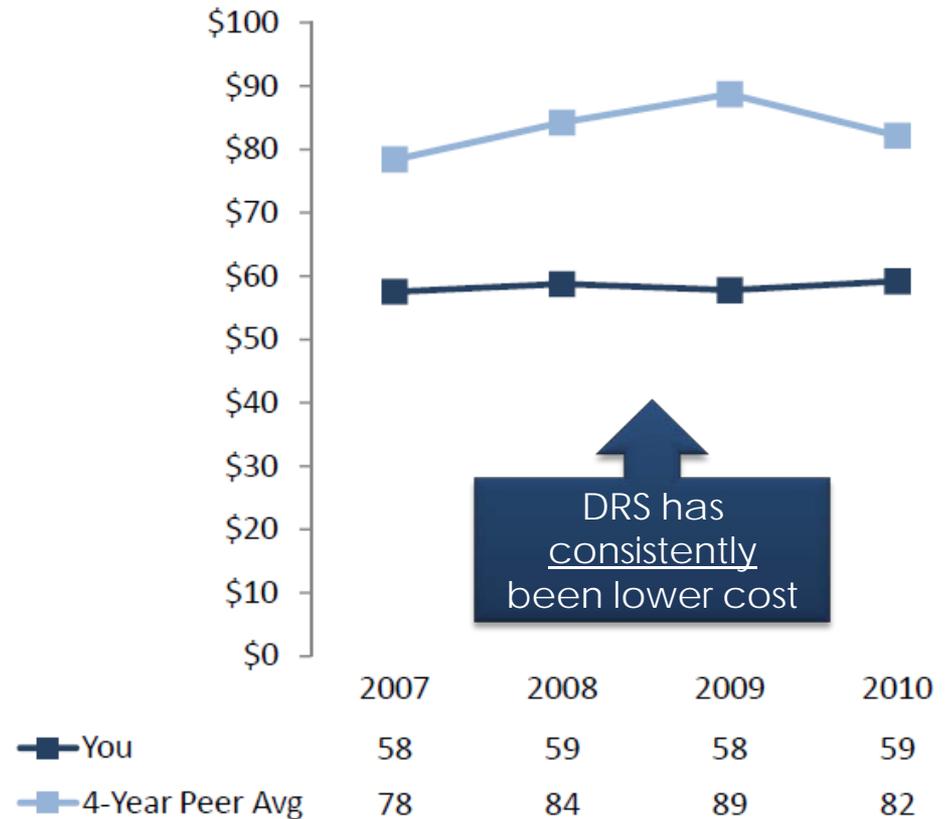


# TOTAL COST

**Pension Administration Cost Per Active Member and Annuitant**

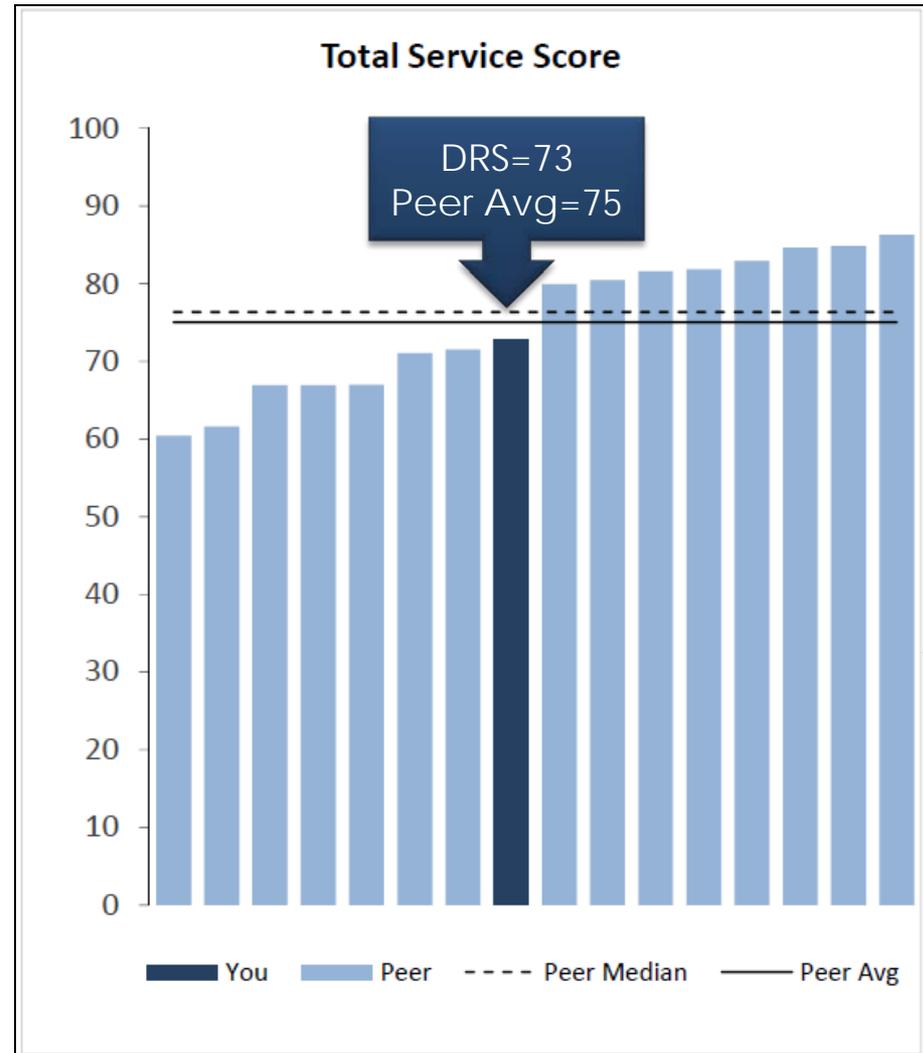


**Trend in Total Pension Administration Costs**



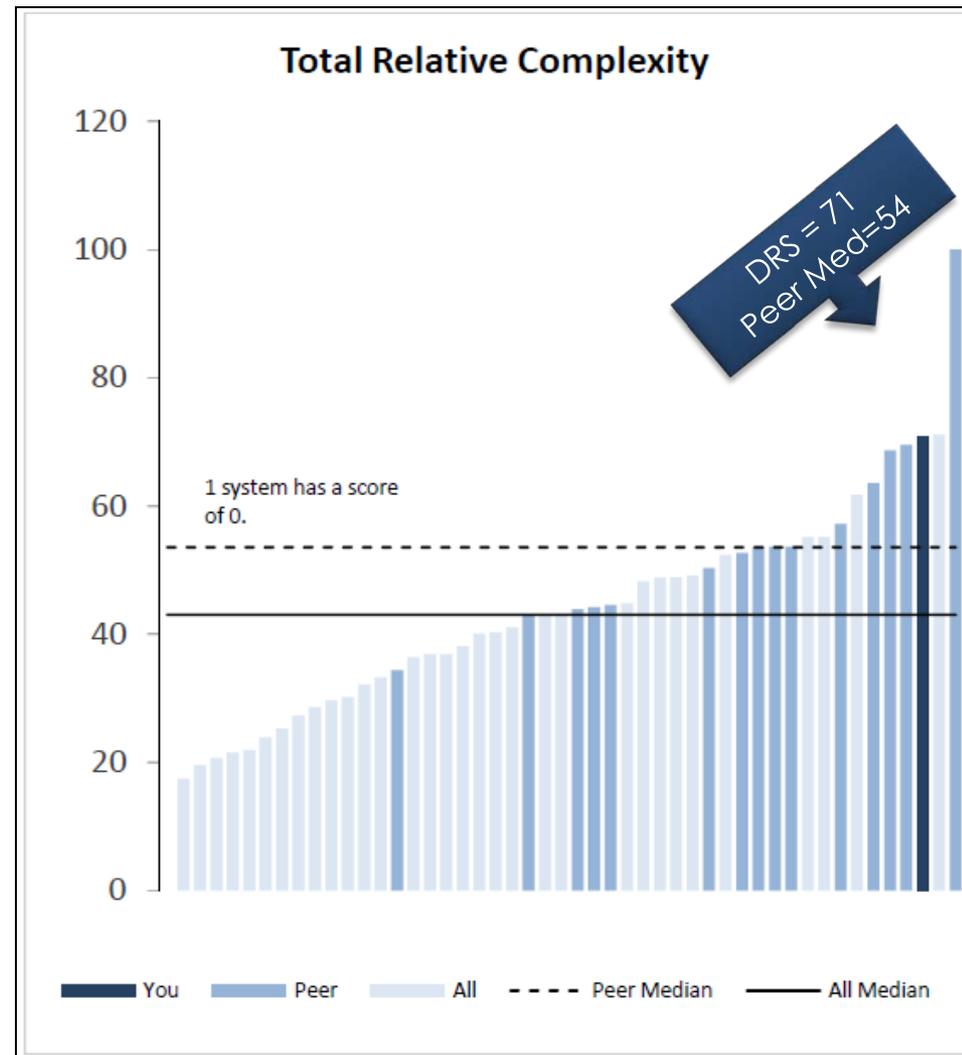
# SERVICE

- ⊙ DRS' total service score is just below the peer average
  - ⊙ 4 yrs ago: DRS = 74, PA = 71
- ⊙ DRS scores higher than the Peer Avg in 8 of the 12 activity level measures
  - ⊙ Many of these include direct member transactions (aka, "responsiveness")
  - ⊙ The others include high touch, high cost elements (e.g., direct mailings, field counseling, comprehensive statements)



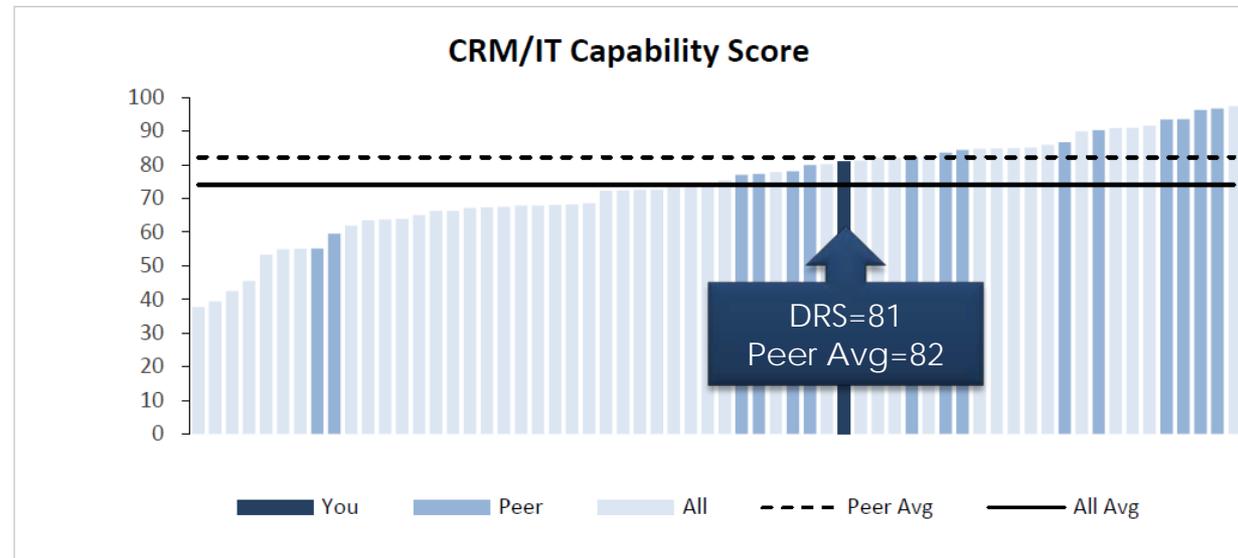
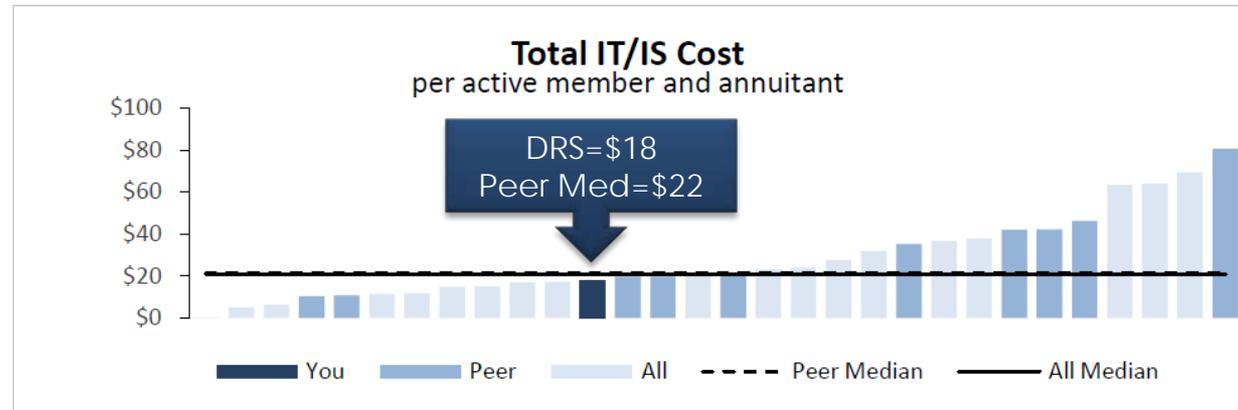
# COMPLEXITY

- ⊙ We continue to administer one of the most complex systems (even compared to all) ... but we don't want to be #1 here
- ⊙ We're higher than the Peer Average in 13 of 15 causes
- ⊙ Much is due to being an "umbrella" with a "hybrid"
  - ⊙ More rules to administer
  - ⊙ Increases the complexity of automated systems, however, ...



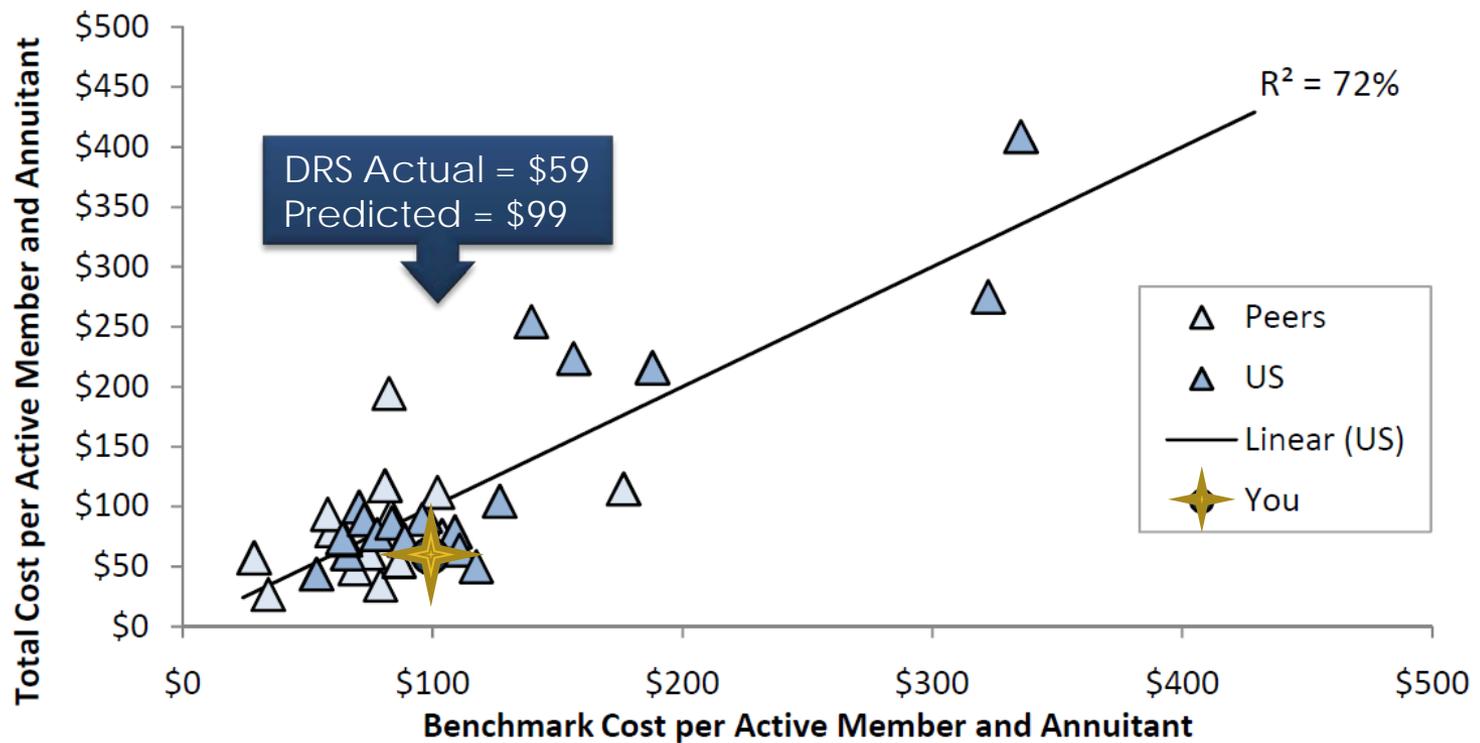
# INFORMATION TECHNOLOGY

- ⊙ We spend 16% less on IT than the peer median
- ⊙ Yet our systems only score as 1% less “capable” than the peer average
- ⊙ The 2010-2011 best practice analysis is on IT (it tends to be a large cost and is a complex topic)



# PREDICTED COST

## Total Cost per Active Member and Annuitant versus Benchmark Cost



# SUMMARY

- ◎ Comprehensive benchmarking with your peers is a valuable source of data and ideas
- ◎ It shows that DRS is a larger US administrator who:
  - ◎ Is low cost\* (in total and in most components of cost)
  - ◎ Provides solid service (and is very responsive to customers)
  - ◎ Has a relatively complex group of public pension systems
  - ◎ Has cost-effective automated systems
  - ◎ Is lower cost than its benchmark (“predicted”) cost

**Any questions?**

\*DRS' current admin fee has been at 0.16% since 2007. The last time it was this low was 1981-1987.