

PUBLIC PENSION ADMINISTRATION BENCHMARKING ANALYSIS

SUMMARY OF FISCAL YEAR 2011 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?

- ⊙ Per CEM's website:



- ⊙ An independent source of peer comparisons
 - ⊙ A comprehensive, data-driven approach
- ⊙ Data/ideas for continuous improvement
 - ⊙ Service and cost information

PARTICIPANTS

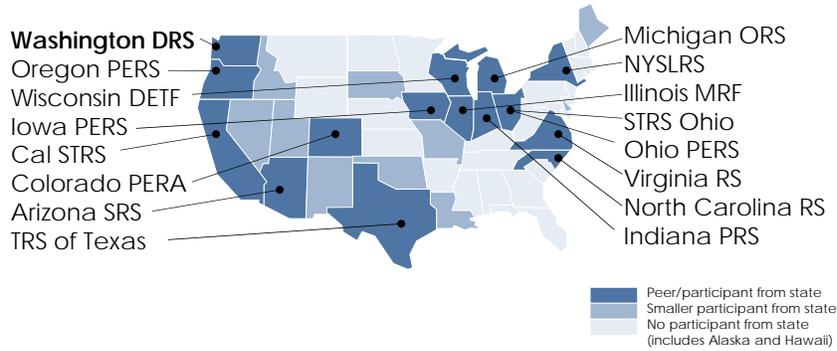
- ⊙ 69 pension systems participated in FY 11
 - ⊙ **32 from the United States**
 - ⊙ 11 from Canada
 - ⊙ 9 from the Netherlands
 - ⊙ 1 from Denmark
 - ⊙ 1 from Sweden
 - ⊙ 8 from Australia*
 - ⊙ 7 from the United Kingdom*



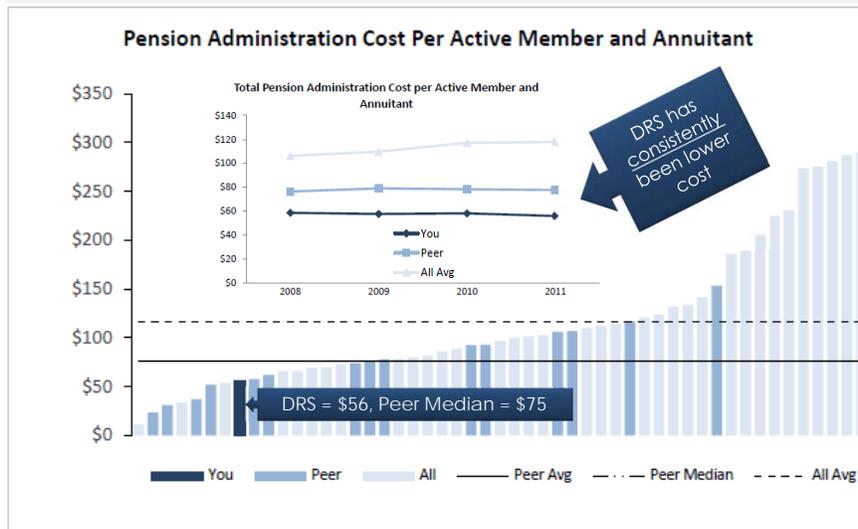
*Systems from Australia and the UK complete a separate benchmarking survey so they are not reflected in the report but they are accessible via the peer network and in best practice analyses

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

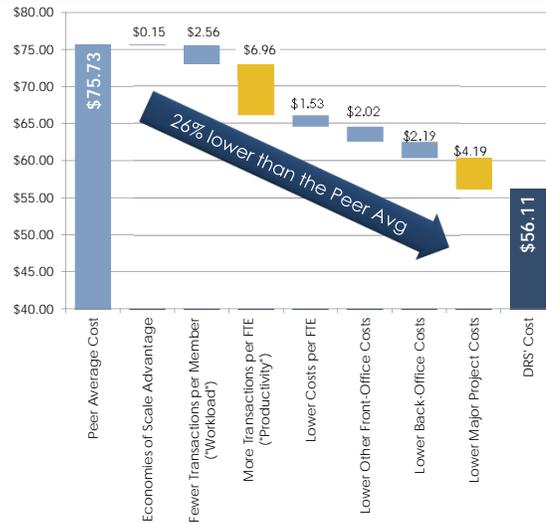


TOTAL COST



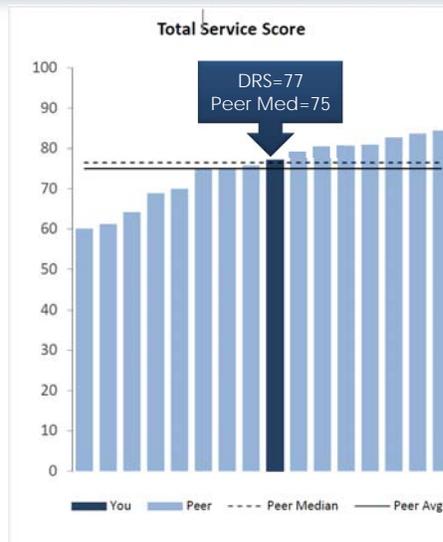
EXPLAINING DRS' LOW COST

- ⊙ CEM analyzes six reasons for the differences in total cost
 - ⊙ High Productivity was the largest for DRS
 - ⊙ Low Major Project Costs was second



SERVICE

- ⊙ DRS' total service score is just above the peer median (and it doesn't include DRS' high score for service to employers)
- ⊙ 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)

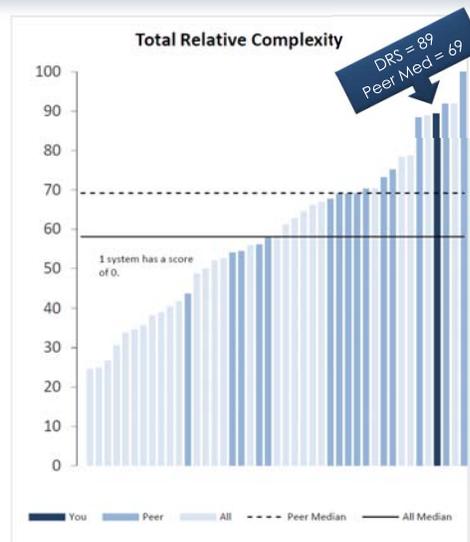


INCREASING OUR SERVICE SCORE

- ⊙ The top 5 items that would impact DRS' score are:
 - ⊙ 1. Eliminate daytime voice mail
 - ⊙ 2. Review phone calls for coaching purposes
 - ⊙ 3. Reduce incoming call wait time to 20 seconds
 - ⊙ 4. Increase web services (add transaction types)
 - ⊙ 5. Estimate the future pension on annual statements
- ⊙ Implementing all 5 would push DRS' score above the peer maximum
- ⊙ **However**, CEM cautions participants that:
 - ⊙ Higher service may produce higher cost and
 - ⊙ CEM's weighting method may not align with our customers' values

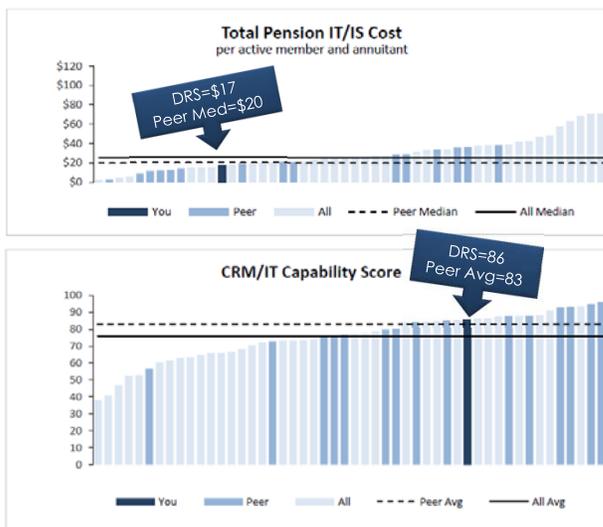
COMPLEXITY

- ⊙ We continue to administer one of the most complex systems (although some are gaining ground as they implement plan changes)
- ⊙ We're higher than the Peer Average in 12 of 15 causes. In the other 3, some:
 - ⊙ Allow employers to change the benefit structure
 - ⊙ Provide more disbursement options
 - ⊙ Publish materials in multiple languages

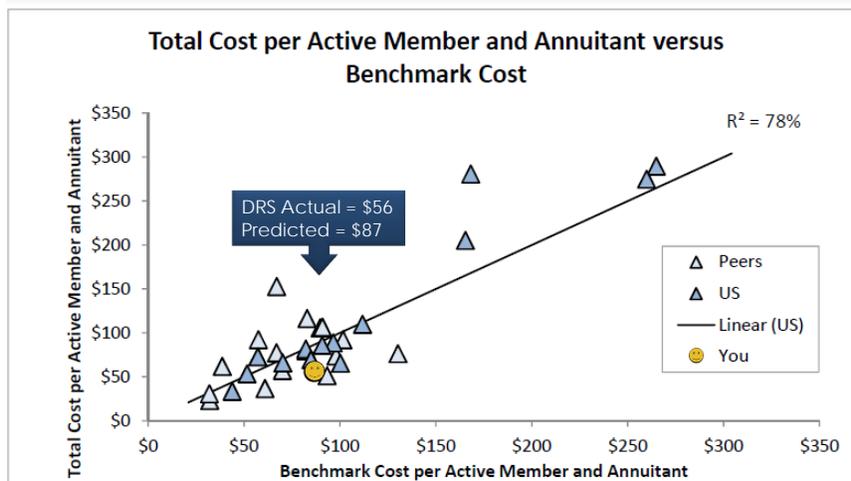


INFORMATION TECHNOLOGY

- ⊙ We spend 15% less on IT than the peer median
- ⊙ Consider where we're at in the IT investment cycle
- ⊙ It's more expensive to develop and maintain IT systems for plans with complex rule sets
- ⊙ Yet our systems score as more "capable" than the peer avg/median



PREDICTED COST



Equation factors in: economies of scale, transaction volumes, complexity and cost environment.

SUMMARY

- ◎ Comprehensive benchmarking 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
- ◎ DRS uses this data with customer feedback to identify lean and continuous improvement efforts

Any questions?