

Annual Customer Service and Cost Effectiveness Measurement (CEM) Update

Finance and Administration Committee

Financial Office
Customer Services and Support

October 20, 2015

74 Global Pensions Systems participate in CEM's Administrative Benchmarking Services

Participants

United States

Arizona SRS

CalPERS

CalSTRS

Colorado PERA

Delaware PERS

Florida RS

Idaho PERS

Illinois MRF

Indiana PRS

Iowa PERS

KPERS

LACERA

Maine PERS

Michigan ORS

MOSERS

Nevada PERS

North Carolina RS

NYC TRS

NYSLRS

Ohio PERS

Ohio SERS

Oregon PERS

Pennsylvania PSERS

South Carolina RS

South Dakota RS

STRS Ohio

TRS Illinois

TRS Louisiana

TRS of Texas

Utah RS

Virginia RS

Washington State DRS

Wisconsin DETF

The Netherlands

ABP

bpfBOUW

Pensioenfond Metaal en Techniek

Pensioenfond van de Metalektro

PFZW

Rabobank Pensioenfond

Pensioenfond voor de
Woningbouwcorporaties

Canada

APS

BC Pension Corporation

Canada Post

Defence Canada

Desjardins

FPSP

HOOPP

LAPP

OMERS

Ontario Pension Board

Ontario Teachers

OPTrust

RCMP

Saskatchewan HEPP

Denmark

ATP

United Arab Emirates

Abu Dhabi RPB

Australia*

AustralianSuper

BUSS(Q)

CBUS

First State Super

HESTA

Qsuper

REST

StatewideSuper

SunSuper

VicSuper

United Kingdom*

Armed Forces Pension Schemes

Principal Civil Services Pension Scheme

Railway Pensions

Rolls Royce

Shell UK

Scottish Public Pension Agency

The Pension Protection Fund

Universities Superannuation Scheme

CalPERS peer group is comprised of 8 of the larger, more complex participants.

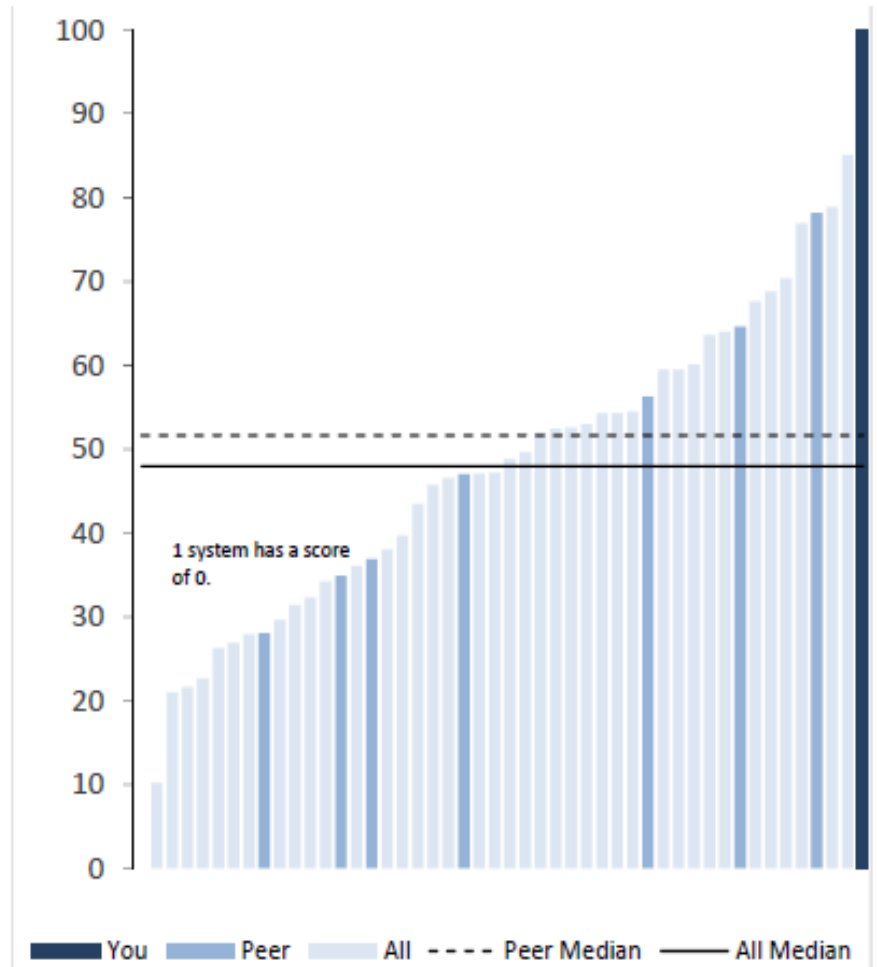
	Active Members	Annuitants	Total
CalPERS	778,000	589,000	1,367,000
TRS of Texas	873,000	363,000	1,237,000
NYSLRS	524,000	422,000	947,000
CALSTRS	421,000	274,000	695,000
Michigan ORS	236,000	255,000	492,000
BC Pension Corporation	300,000	158,000	458,000
OMERS	270,000	129,000	400,000
Ontario Teachers	180,000	127,000	306,000
Peer Median	360,000	265,000	593,000
Peer Average	448,000	290,000	738,000

CalPERS CEM Complexity Score = 100

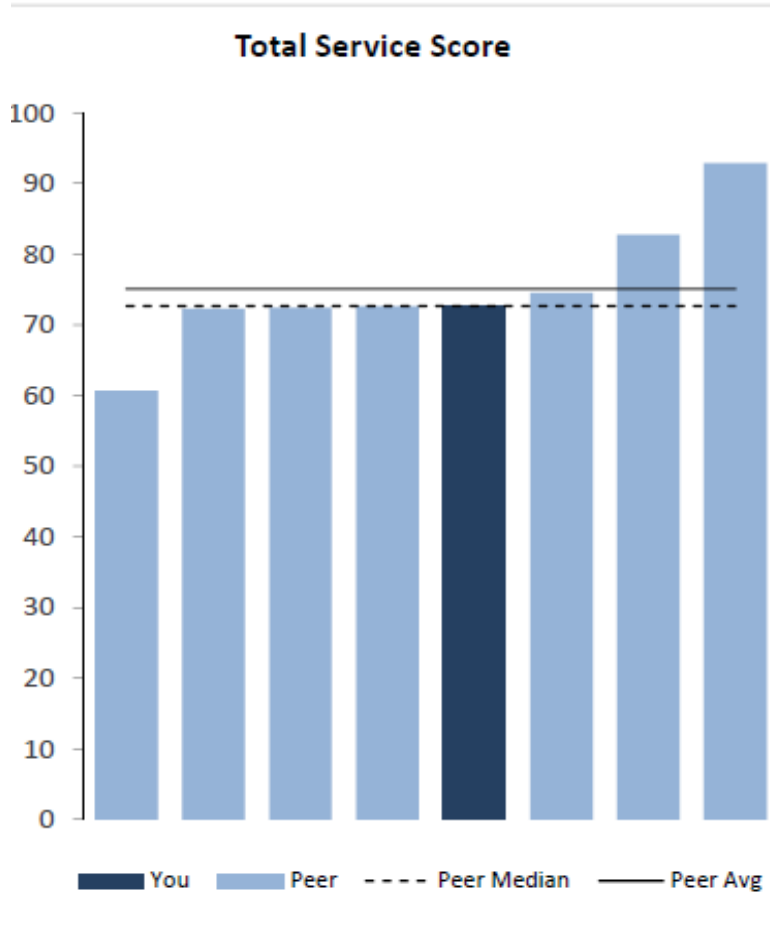
High complexity:

- Impacts service and Front Office Productivity
- Affects implementation of Major Projects and IT

Relative Complexity Score by Cause (0 least - 100 most)		
Ranked by impact	You	Peer Avg
Customization Choices	100	14
Multiple Benefit Formula	54	41
Pension Payment Options	86	48
Multiple Plan Types and Overlays	6	27
Disability Rules	89	60
Purchase Rules	69	63
Refund Rules	89	51
COLA Rules	79	45
Variable Compensation	100	96
External Reciprocity	35	21
Contribution Rates	100	61
Service Credit Rules	62	60
Divorce Rules	100	83
Defined Contribution Plan Rules	0	25
Translation	20	35
Total Relative Complexity	100	56



CalPERS CEM Total Service Score = 73



Service Scores by Activity				
Score out of 100				
Activity	2012 - 2013	2013 - 2014	Change	Peer Median
1. Member Transactions				
a. Pension Payments	100	100	0	100
b. Pension Inceptions	67	80	+13	84
c. Withdrawals and Transfers-out	90	90	0	73
d. Purchases and Transfers-in	0	0	0	64
e. Disability	45	36	-9	72
2. Member Communication				
a. Call Center	38	54	+16	53
c. 1-on-1 Counseling	82	88	+6	80
d. Member Presentations	91	96	+5	84
e. Written Pension Estimates	44	51	+7	74
f. Mass Communication				
• Website	83	87	+4	73
• News and targeted communication	44	44	0	74
• Member statements	53	54	+1	85
3. Other				
Satisfaction Surveying	44	70	+26	48
Disaster Recovery	66	79	+13	82
Weighted Total Service Score	66	73	+7	73

CEM Service Score Key Measures

Select Key Service Metrics	You		Peer Avg
	2014	2013	
<p><u>Member Contacts</u></p> <ul style="list-style-type: none"> • % of calls resulting in undersired outcomes (busy signals, messages, hang-ups) • Average total wait time including time negotiating auto attendants, etc. 	10% 168 secs	27% 577 secs	12% 223 secs
<p><u>Website</u></p> <ul style="list-style-type: none"> • Can members access their own data in a secure environment? • Do you have an online calculator linked to member data? • # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc. 	Yes Yes	Yes Yes	100% Yes 75% Yes
<p><u>1-on-1 Counseling and Member Presentations</u></p> <ul style="list-style-type: none"> • % of your active membership that attended a 1-on-1 counseling session • % of your active membership that attended a presentation 	8.7% 5.9%	10.3% 6.0%	3.6% 3.7%
<p><u>Pension Inceptions</u></p> <ul style="list-style-type: none"> • 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? 	94.0%	84.0%	93.5%
<p><u>Satisfaction Surveying</u></p> <ul style="list-style-type: none"> • If you surveyed satisfaction regarding the secure member area on your website, was the survey electronic? [i.e., email or web based] 	Yes	n/a	67% Yes

Return on Investment: Major Projects and IT

What we received

System enhancements

Improved security and data

Timelier processing

Benefit

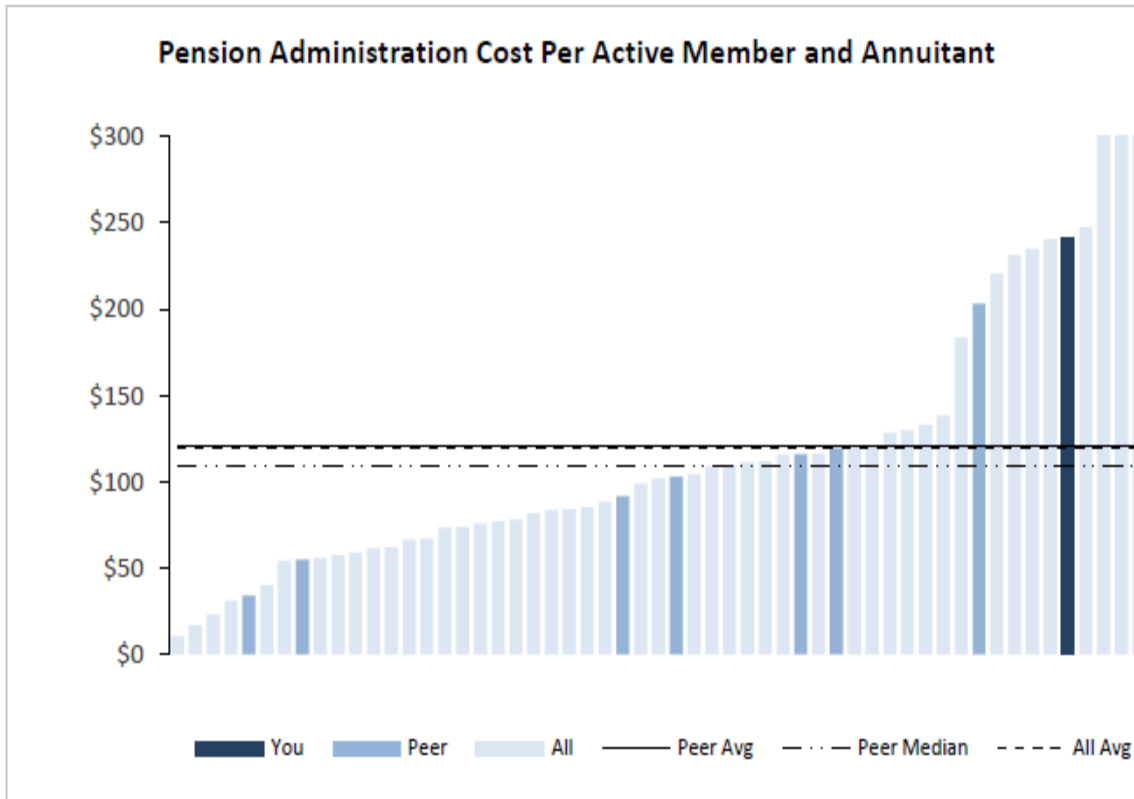
Enhanced customer experience

Reduced risk profile

Operational efficiencies

Costs

CalPERS total pension administration cost of \$241 per active member and annuitant was above the peer average of \$121



- CalPERS cost of \$241 per active member and annuitant includes project costs of \$32 per active member and annuitant for an annual cumulative total costs of \$329.6 million.
- Pension administration costs include Administrative Operating Costs, Headquarter Building Costs and Enterprise Project Costs.

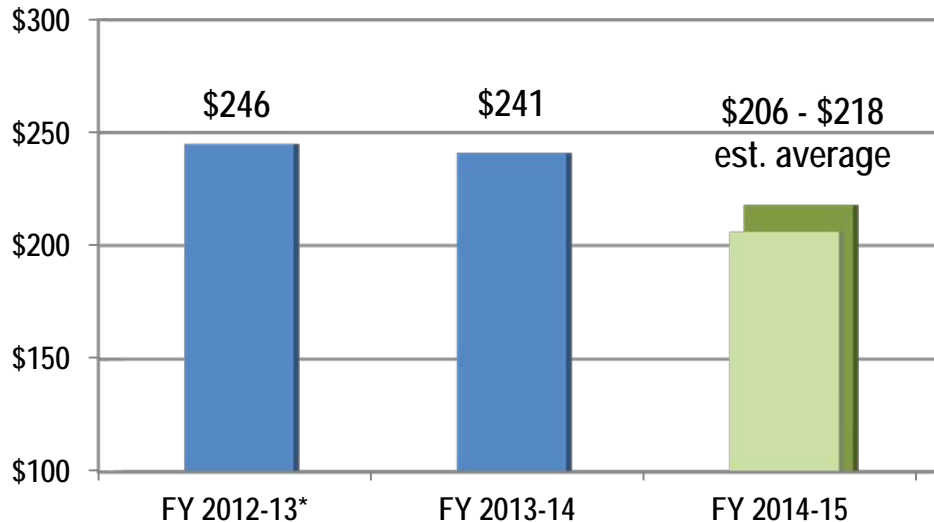
* Not included are Investment Operating Costs, External Management Fees, and costs of administering non-pension programs such as the Health Program and Long-term Care Program.

Comparison of costs by activity category

Activity Category	CalPERS	Peer Average	Difference
Front Office			
• Member Transactions	27	16	
• Member Communication	19	16	
• Collections and Data	16	9	
<i>Front Office Total</i>	<i>\$62</i>	<i>\$41</i>	<i>\$21</i>
Back Office			
• Governance, Financial Control	17	13	
• Information Technology	59	31	
• Building	27	10	
• Legal	12	5	
• Support Services*	32	11	
<i>Back Office Total</i>	<i>\$147</i>	<i>\$70</i>	<i>\$77</i>
Total before Major Projects	\$209	\$111	\$98
• Major Projects	32	10	22
Total Pension Administration Costs**	\$241	\$121	\$120

CalPERS per member costs are expected to decrease over time

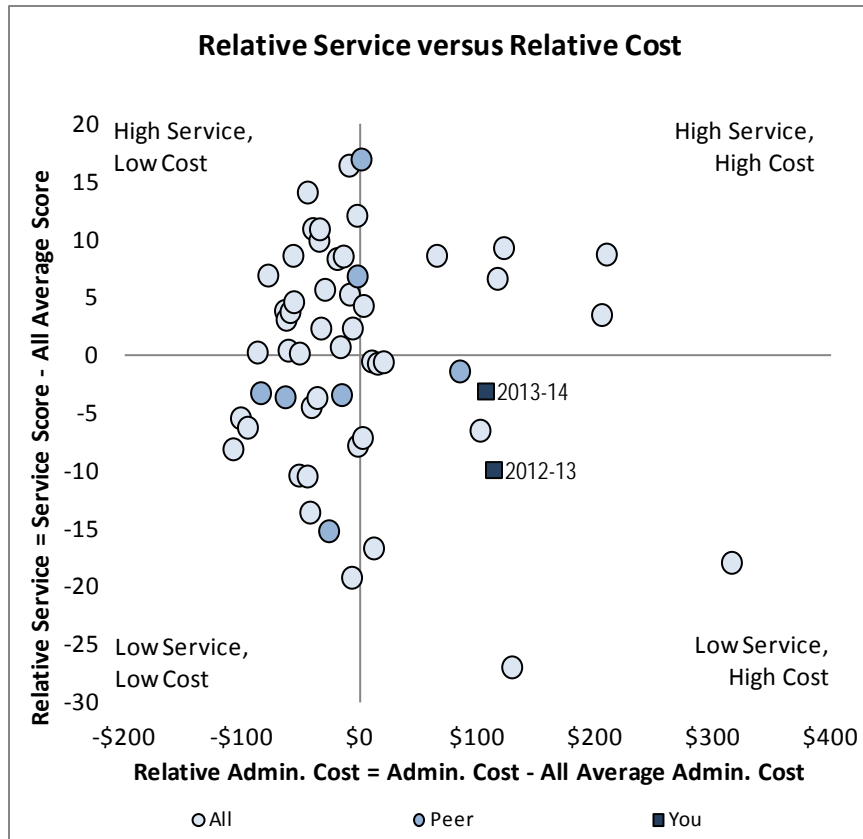
CalPERS Cost Per Member (Active and Annuitant)



- Per Member costs decreased slightly between FY 2012-13 and FY 2013-14 primarily due to an increase in membership.
- Cost per Member is estimated to decrease in FY 2014-15 to between \$206 and \$218.

* FY 2012-13 costs were recalculated to align with an improved cost identification methodology introduced in FY 2013-14 and to provide a fair comparison across years. FY 2012-13 per member costs were previously reported as being \$215.

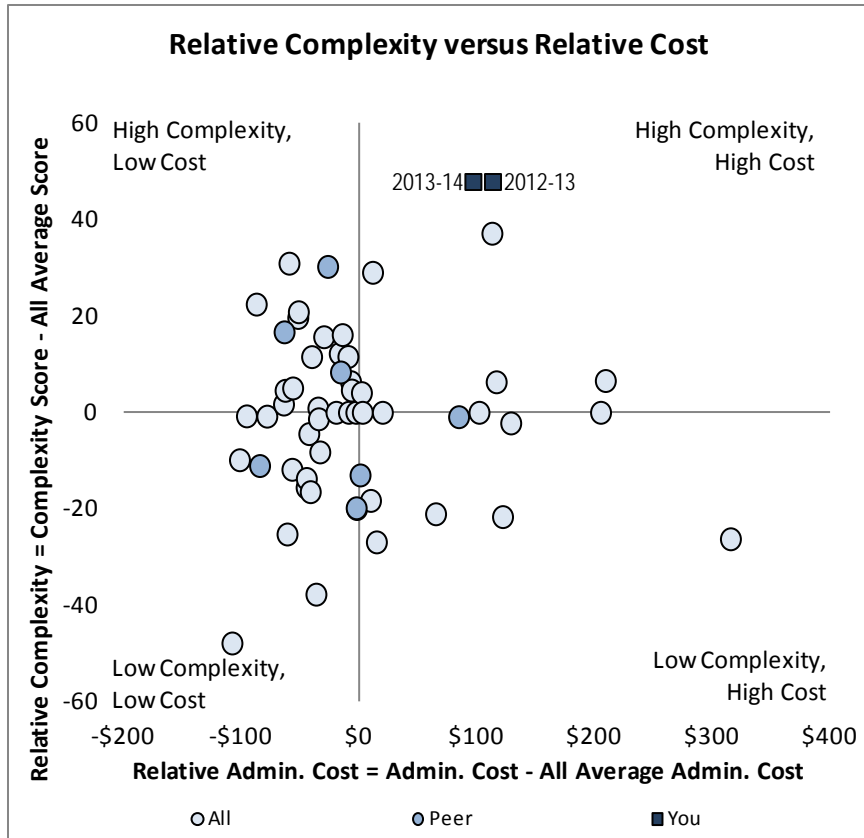
Comparison of Relative Services Score and Relative Costs



- This scatter diagram compares relative service scores and relative costs* between CalPERS and other participating systems.
- Target is to continue to move towards the peer group.

* Relative costs per member (active and annuitant).

Comparison of Relative Complexity and Costs



- This scatter diagram compares relative complexity and relative cost between CalPERS and other participating systems.
- Slight improvement in cost.

* Relative costs per member (active and annuitant).

What's Next

- Service scores are expected to improve
 - Quality indicators: More satisfaction surveys
 - Increased system functionality and options
 - Transactions: Improved timeliness
- Costs per member are expected to improve
 - FY 2014-15 costs are estimated to be \$206 - \$218 per member
 - Continue to migrate towards our peer group