



Finance and Administration Committee Agenda Item 6a

August 16, 2016

Item Name: Annual Customer Service Cost Effectiveness Measurement (CEM) Update

Program: Financial Office and Customer Services and Support

Item Type: Information

Executive Summary

Cost Effectiveness Measurement (CEM) Benchmarking, Inc. provides the California Public Employees' Retirement System (CalPERS) with benchmarking analysis by conducting a Defined Benefit Administration Survey. The Fiscal Year 2014-2015 CalPERS CEM survey results reflect a positive increase in our service score which went from 73 in 2013-2014 to 77. The 2014-2015 results also reflect a reduction in cost per member and annuitant from \$241 in 2013-2014 to \$210.

Strategic Plan

This informational item supports the CalPERS Strategic Plan Goal B, "Cultivate a high-performing, risk-intelligent, and innovative organization." Measuring our performance continuously allows CalPERS to meet our customers' needs and anticipate any possible challenges that may impact the customer experience.

Background

CEM Benchmarking, Inc. is a respected international entity in the field of retirement system benchmarking. CEM provides performance reporting, cost analysis, quality measurement, management information and peer comparisons to other pension systems in various areas of pension benefit administration. This is the third consecutive year CalPERS is participating in the CEM survey.

CalPERS and other participating public pension systems were requested to complete an extensive questionnaire for pension activities and costs. CEM provides statistics and analysis designed to provide individual data, benchmarks and comparisons. This agenda item presents an overview and examples of key results in the CEM Benchmarking Report for Fiscal Year (FY) 2014-15.

The benchmarking process is another tool for decision makers. Pension systems continually balance providing high quality customer service and containing costs. Each system must determine its own threshold based on the best interests of its membership.

The CEM Report provides CalPERS management with an analysis of how CalPERS compares to its peers, and a view of CalPERS' performance, in key activities within the areas of service levels, costs, and volumes using standardized measures. CEM results can help management to identify areas for improvement, set priorities, allocate resources effectively, and meet strategic goals.

Analysis

The FY 2014-15 CEM results reflect a positive increase to last year's CalPERS customer service levels from 73 to 77. CalPERS exceeded its service scores beyond the peer median in the following activities: satisfaction surveying, one-on-one counseling, withdrawals and transfers out, contact center, member presentations, and website communications.

The FY 2014-2015 cost per member and annuitant of \$210 (\$195 before project and pro-rata costs) represented an \$88 per member (\$81 before project and pro-rata costs) decrease from FY 2013-2014. CalPERS' costs are higher than the peer group due to complexity of the pension system, fewer transactions per full-time equivalent (FTE) and higher operating costs. Over the last three years as our complexity has remained high we have been able to improve our service score and reduce costs.

Budget and Fiscal Impacts

This item is informational in nature and will not itself create any budget or fiscal impacts.

Benefits and Risks

There are no identified risks associated to this informational item.

Attachments

Attachment 1 – CEM Defined Benefit Administration Benchmarking Results FY 2014-15

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