

Annual Customer Service and Cost Effectiveness Measurement (CEM) Update

Finance and Administration Committee

Financial Office
Customer Services and Support

August 16, 2016

72 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

Kentucky RS

KPERS

LACERA

Maine PERS

Michigan ORS

MOSERS

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

ABN Amro Pensioenfonds

ABP

bpfBOUW

Pensioenfonds Metaal en Techniek

Pensioenfonds van de Metalektro

PFZW

Rabobank Pensioenfonds

ST. Algemeen Pensioenfonds KLM

Canada

APS

BC Pension Corporation

Defence Canada

FPSP

HOOPP

LAPP

OMERS

Ontario Pension Board

Ontario Teachers

OPTrust

RCMP

Saskatchewan HEPP

Scandinavia

Alecta

ATP

South Africa

South Africa GEPP

United Arab Emirates

Abu Dhabi RPB

Australia*

BUSS(Q)

CBUS

First State Super

HESTA

Osuper

REST

SunSuper

VicSuper

United Kingdom*

Armed Forces Pension Schemes

BAE Systems

National Grid

Principal Civil Services Pension Scheme

Pension Protections Fund

Railway Pensions

Scottish Public Pension Agency

Teachers' Pensions Scheme

Universities Superannuation Scheme

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

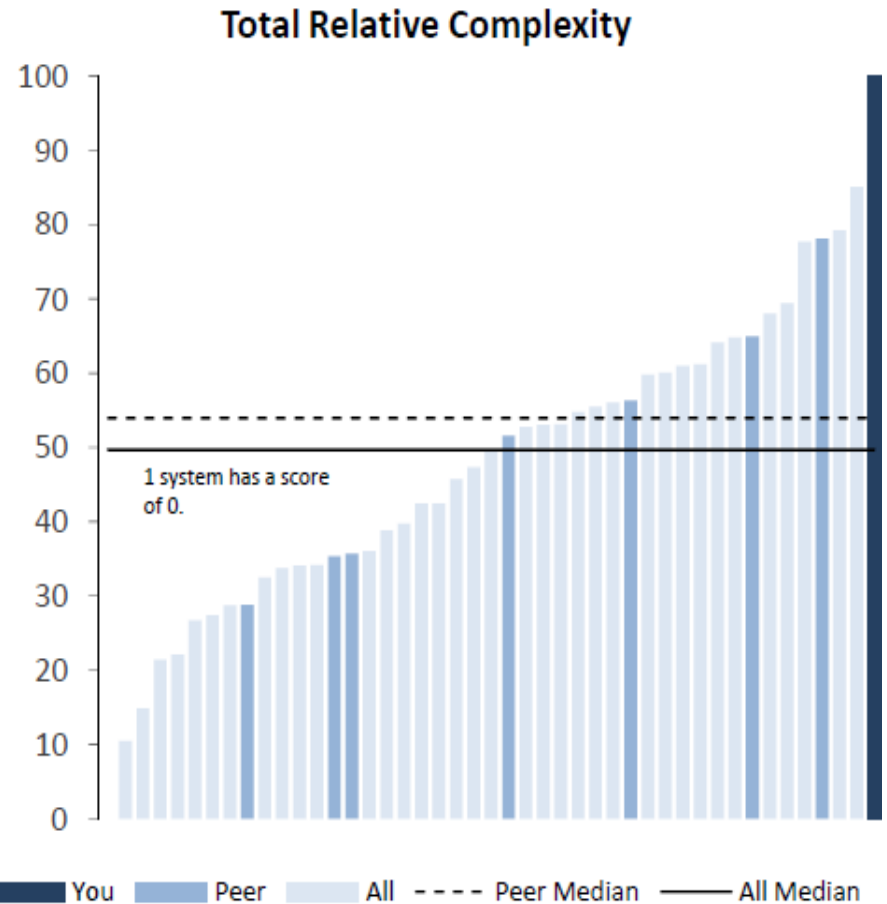
	Active Members	Annuitants	Total
CalPERS	832,000	613,000	1,445,000
TRS of Texas	829,000	378,000	1,207,000
NYSLRS	523,000	430,000	953,000
CALSTRS	429,000	281,000	711,000
Michigan ORS	233,000	255,000	488,000
BC Pension Corporation	303,000	166,000	468,000
OMERS	275,000	135,000	410,000
Ontario Teachers	182,000	129,000	311,000
Peer Median	366,000	268,000	599,000
Peer Average	451,000	298,000	749,000

CalPERS CEM Complexity Score = 100

High complexity:

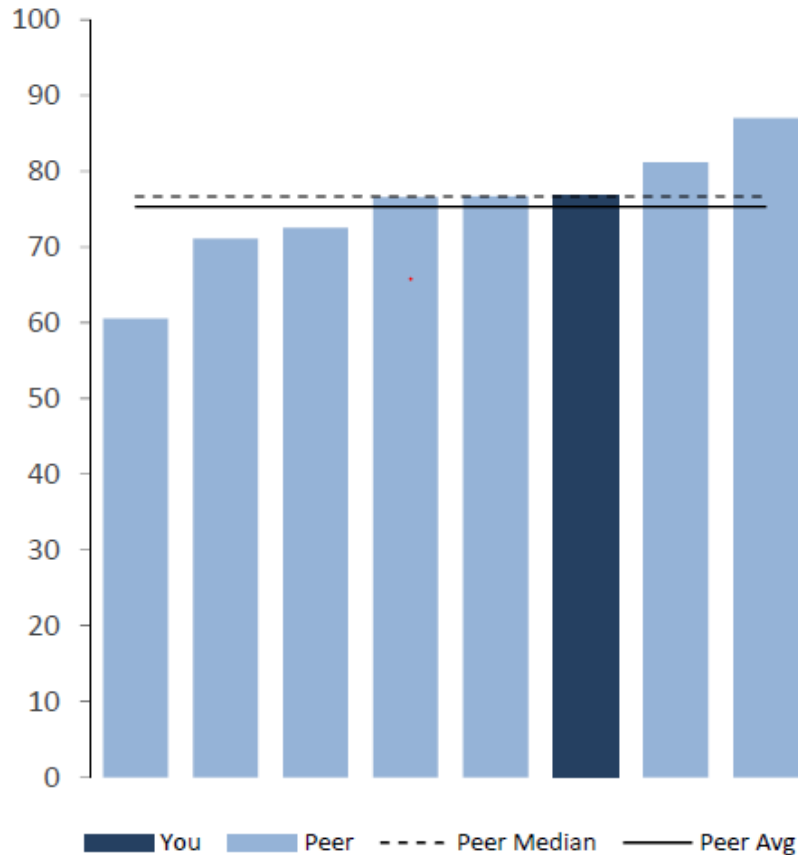
- Impacts service and Front Office Productivity
- Affects implementation of Major Projects and IT

Relative Complexity Score by Cause (0 least - 100 most of all participants)		
Cause	You	Peer Avg
Pension Payment Options	87	52
Customization Choices	100	14
Multiple Plan Types and Overlays	6	27
Multiple Benefit Formula	54	41
External Reciprocity	35	21
COLA Rules	79	45
Contribution Rates	100	68
Variable Compensation	100	96
Service Credit Rules	62	60
Divorce Rules	100	83
Purchase Rules	65	61
Refund Rules	89	51
Disability Rules	89	60
Translation	20	38
Defined Contribution Plan Rules	0	25
Total Relative Complexity	100	56



CalPERS CEM Total Service Score = 77

Total Service Score



Service Scores by Activity					
Activity	Score out of 100				
	2012 - 2013	2013 - 2014	2014 - 2015	Total Change	Peer Median
1. Member Transactions					
a. Pension Payments	100	100	100	0	100
b. Pension Inceptions	67	80	91	+14	88
c. Withdrawals and Transfers-out	90	90	95	+5	73
d. Purchases and Transfers-in	0	0	0	0	69
e. Disability	45	36	63	+18	82
2. Member Communication					
a. Call Center	38	54	61	+23	56
c. 1-on-1 Counseling	82	88	91	+9	70
d. Member Presentations	91	96	95	+4	80
e. Written Pension Estimates	44	51	64	+20	71
f. Mass Communication					
• Website	83	87	89	+6	73
• News and targeted communication	44	44	47	+3	69
• Member statements	53	54	54	+1	86
3. Other					
Satisfaction Surveying	44	70	60	+16	47
Disaster Recovery	66	79	89	+23	86
Weighted Total Service Score	66	73	77	+11	77

CEM Service Score Key Measures

Select Key Service Metrics	2015	You 2014	2013	Peer Avg
<u>Member Contacts</u>				
• % of calls resulting in undersired outcomes (busy signals, messages, hang-ups)	7%	10%	27%	13%
• Average total wait time including time negotiating auto attendants, etc.	158 secs	168 secs	577 secs	220 secs
<u>Website</u>				
• Can members access their own data in a secure environment?	Yes	Yes	Yes	100% Yes
• Do you have an online calculator linked to member data?	Yes	Yes	Yes	75% Yes
• # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc.	17	17	16	13
<u>1-on-1 Counseling and Member Presentations</u>				
• % of your active membership that attended a 1-on-1 counseling session	8.1%	8.7%	10.3%	3.3%
• % of your active membership that attended a presentation	5.3%	5.9%	6.0%	3.4%
<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?	95.0%	94.0%	84.0%	93.7%
<u>Satisfaction Surveying</u>				
• If you surveyed satisfaction regarding the secure member area on your website, was the survey electronic? [i.e., email or web based]	Yes	Yes	n/a	67% Yes

Service Drivers

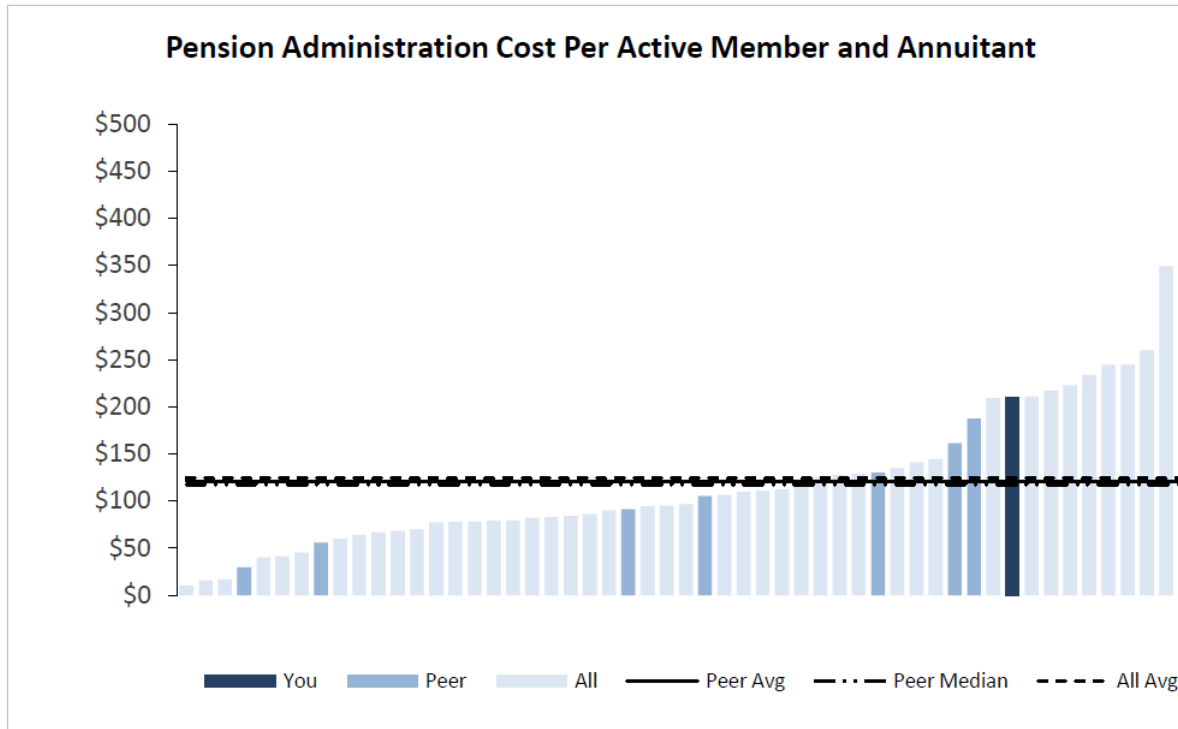
Managing Complexity

3000+ Contracting Employers

Customization and Benefit Design

Costs

CalPERS total pension administration cost of \$210 per active member and annuitant above the peer average of \$121.



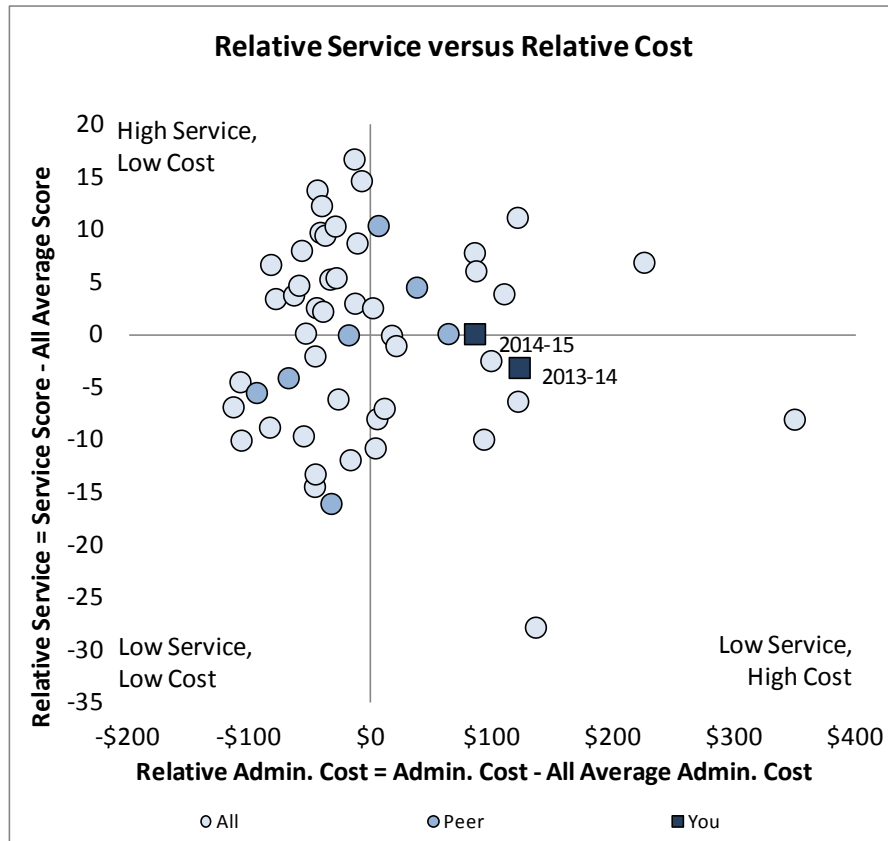
Pension administration costs include Administrative Operating Costs, Headquarter Building Costs and Enterprise Project Costs.

\$210 per active member (\$195 before project and Pro Rata costs) compared to peer average of \$121 (\$114 before project and Pro Rata costs)

\$88 per member (\$81 before project and Pro Rata costs) higher due to complexity, back office operations, and higher number of employees.

* 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.

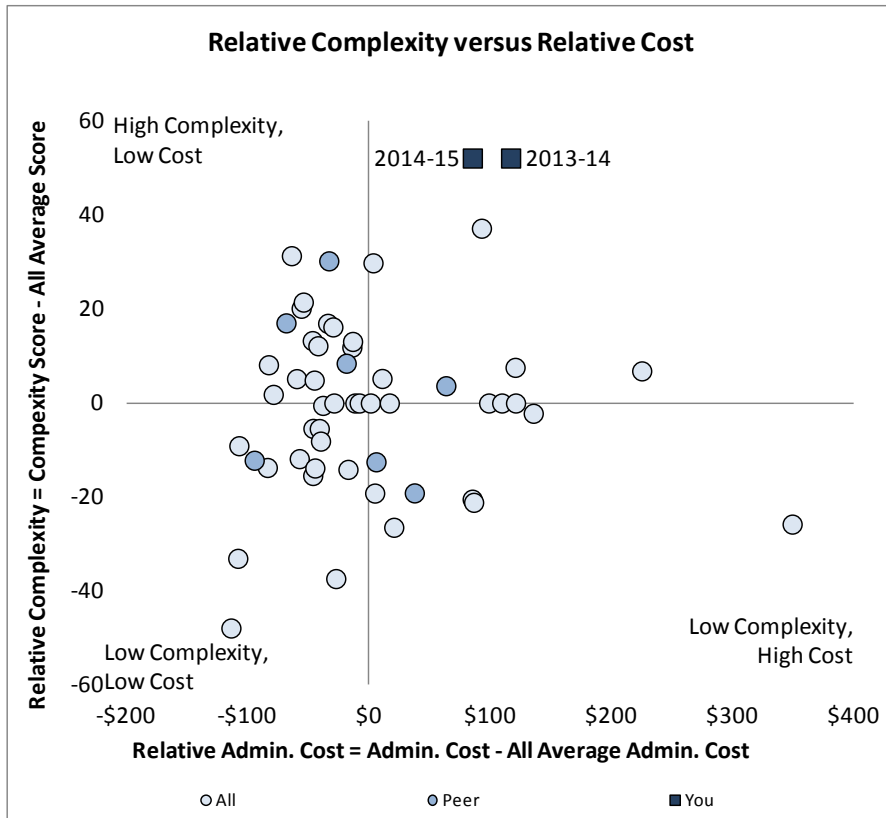
Improvements in Services and Costs Relative to Peers



* Relative costs per member (active and annuitant).

- Relative to peer groups, costs are lower while service increases
- Target is to continue to move towards the peer group.

Complexity Remains Unchanged While Costs Improved Compared to Peers



- Slight improvement in cost, while complexity remains high.
- Targeting towards low complexity, low cost.

* Relative costs per member (active and annuitant).

Comparison of FY 2014-15 Costs by Activity

Activity	CalPERS	Peer Average	Difference
Front Office			
• Member Transactions	26	16	10
• Member Communication	19	16	3
• Collections and Data	16	9	7
<i>Front Office Total</i>	<i>\$61</i>	<i>\$41</i>	<i>\$20</i>
Back Office			
• Information Technology	57	32	25
• Support Services*	36	12	24
• Building	24	9	15
• Governance, Financial Control	21	15	6
• Legal	9	5	4
<i>Back Office Total</i>	<i>\$147</i>	<i>\$73</i>	<i>\$74</i>
Total before Major Projects	\$208	\$114	\$94
• Major Projects	1	7	-6
Total Pension Administration Costs**	\$210	\$121	\$88
• Less State Pro Rata	-14	0	-14
Total Pension Administration Costs (Less Pro Rata)	\$196	\$121	\$74



* Includes Human Resources, Actuarial Office, Audit Services, and State Pro Rata.

** Costs are in \$ per Active Members and Annuitants.

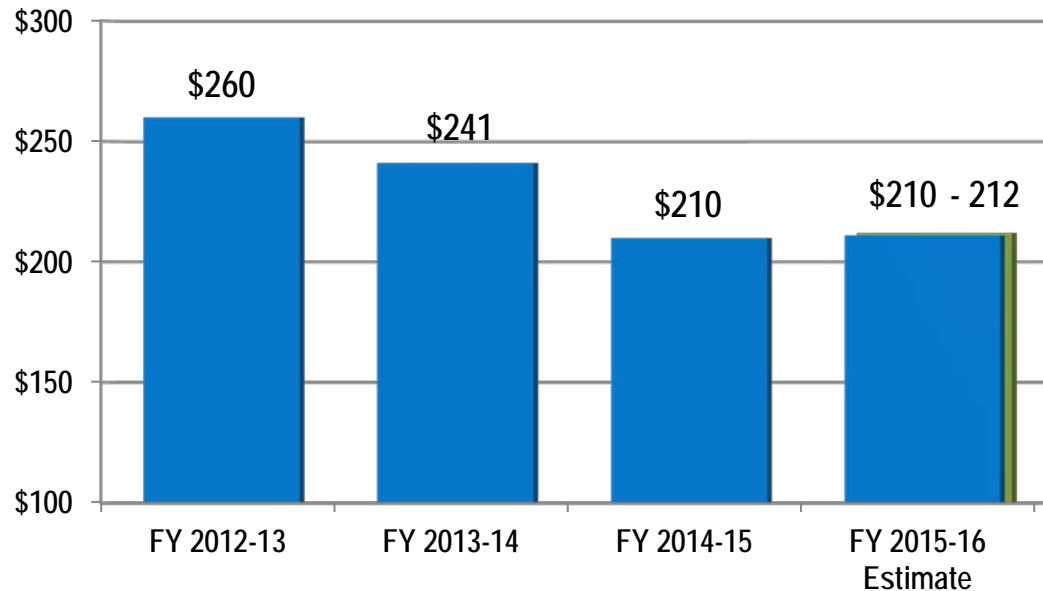
Note: All figures are rounded to nearest dollar.

Breakdown of Cost Drivers

	Dollar impact per member & annuitant
1. Economies of scale advantage	(\$4.41)
2. More transactions per member (workload)	\$5.31
3. Fewer transactions per FTE	\$21.73
4. Lower costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	(\$2.56)
5. Higher 'other miscellaneous' costs in front-office activities	\$2.03
6. Paying more/-less, after adjusting for economy of scale and salary difference, for:	
-Governance and Financial Control	\$12.81
-Major Projects	(\$5.38)
-IT Strategy, Database, Applications (excl. major projects)	\$29.41
-Actuarial, Legal, Audit, Other Support Services	\$29.30
Total	\$88.24

CalPERS per member costs are expected to rise slightly or flatten over time

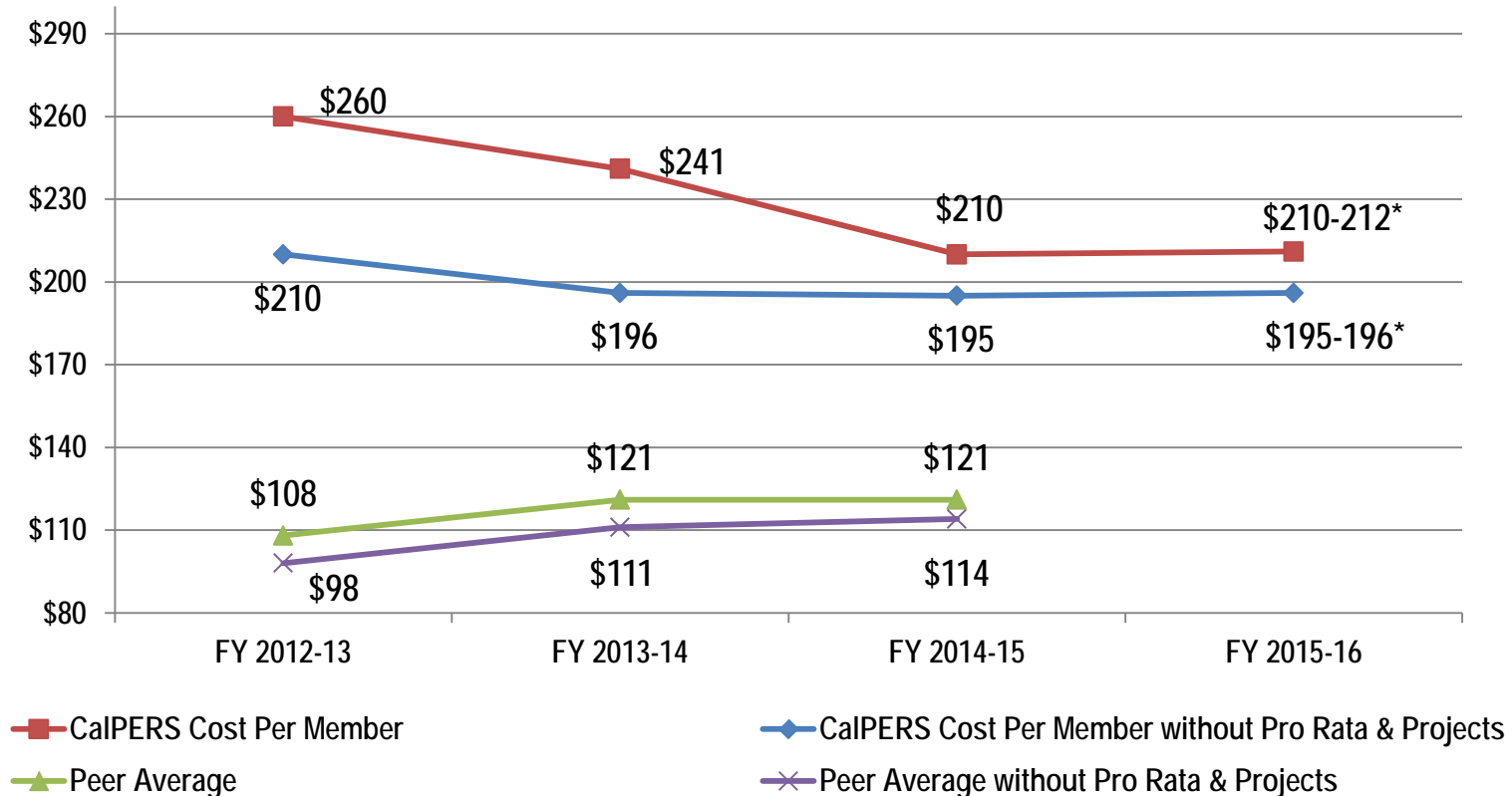
CalPERS Cost Per Member (Active and Annuitant)



- Per member costs decreased between FY 2013-14 and FY 2014-15 primarily due to capitalization of project costs and increased membership.
- Projected FY 2015-16 costs to remain level or slight increase.

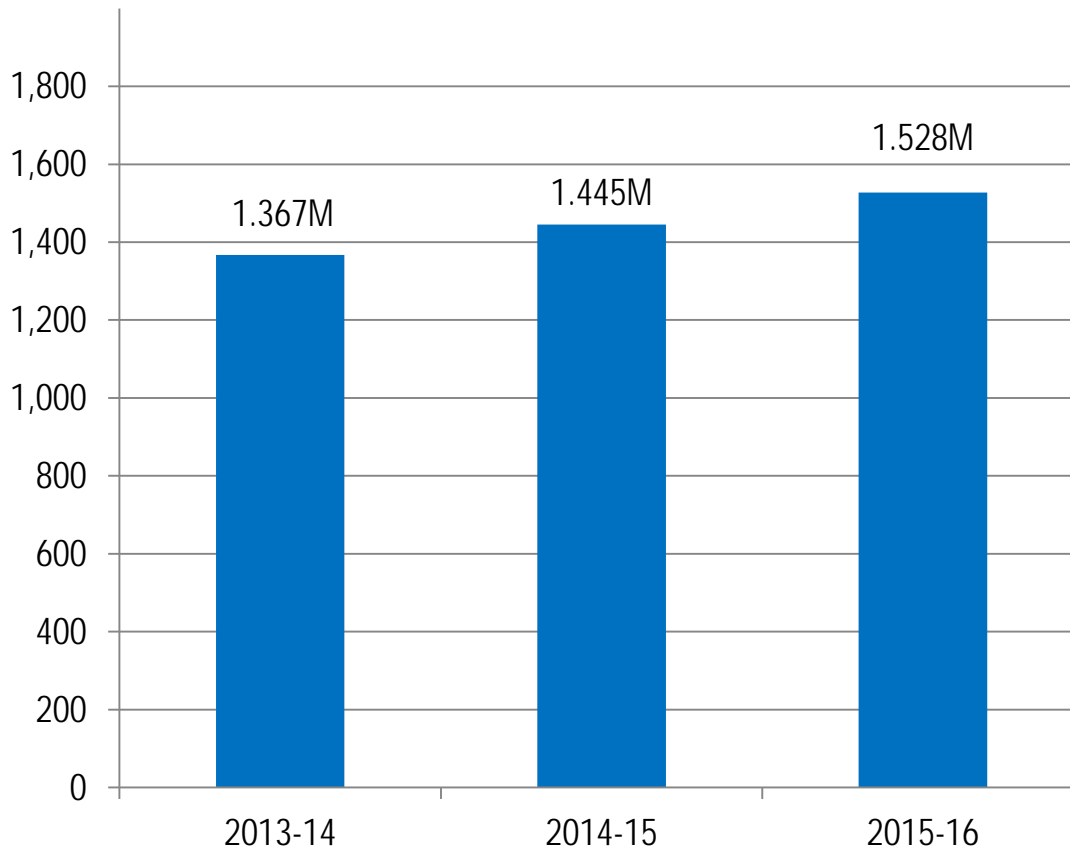
CalPERS per member costs are trending closer to peer average

CalPERS Cost Per Member (Active and Annuitant)



*CalPERS Cost per member for FY 2015-16 is estimated to remain flat.

CalPERS Membership Increasing



- Membership is trending upward
- Membership data excludes inactive members

Summary

- Service scores are expected to improve slightly
 - Quality indicators: More satisfaction surveys
 - Increased system functionality and options
 - Transactions: Improved timeliness
- Costs per member have declined in the last three years
- FY 2015-16 costs are estimated to remain level or slightly increase (\$210-\$212 per member)
- Improvements in services and costs relative to peer group