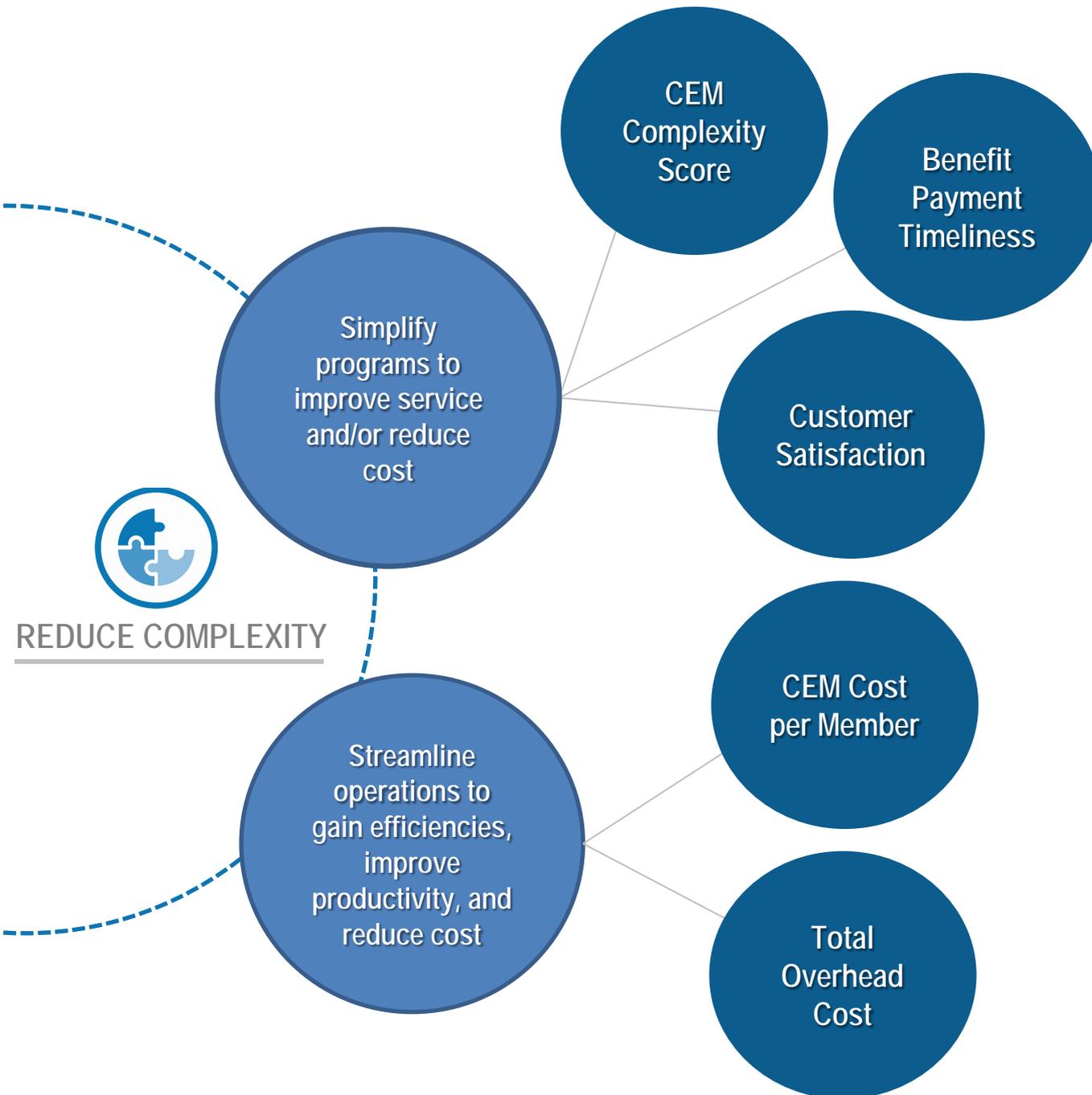


# Annual Customer Service and Cost Effectiveness Measurement (CEM) Update

Finance and Administration Committee

Financial Office  
Customer Services and Support

September 19, 2017



### Business Plan Initiatives:

- CEM complexity score reduction
- Customer satisfaction – actionable feedback
- Improve pension benefit payments timeliness
- Develop and implement continuous process improvement framework
- Reduce system costs and improve efficiencies

# 67 Global Pensions Systems participate in CEM's Administrative Benchmarking Services

## United States

Arizona SRS  
California Public Employees' Retirement System (CalPERS)  
California State Teachers' Retirement System (CalSTRS)  
Colorado PERA  
Delaware PERS  
Florida RS  
Idaho PERS  
Illinois MRF  
Indiana PRS  
Iowa PERS  
KPERs  
LACERA  
Maryland SRPS  
Michigan Office of Retirement Services (Michigan ORS)  
North Carolina RS  
NYC TRS  
New York State & Local Retirement System (NYSLRS)  
Ohio PERS  
Oregon PERS  
Pennsylvania PSERS  
PSRS Peers of Missouri  
South Carolina RS  
South Dakota RS  
STRS Ohio

TRS Illinois  
TRS Louisiana  
Teachers Retirement system of Texas (TRS of Texas)  
Utah RS  
Virginia RS  
Washington State DRS  
Wisconsin DETF

## The Netherlands

ABP  
BpfBOUW  
Pensioenfonds Metaal en Techniek  
Pensioenfonds van de Metalektro PFZW  
Rabobank Pensioenfonds  
St. Algemeen Pensioenfonds KLM

## Canada

APS  
British Columbia (BC) Pension Corporation  
Canada Post  
Defence Canada  
FPSP  
HOOPP  
LAPP  
Nova Scotia Pension Corp.  
Ontario Municipal Employees Retirement System (OMERS)  
Ontario Pension Board

## Ontario Teachers

OPTrust  
RCMP

## Denmark

ATP

## Middle East

CSEPF of Oman  
Saudi PPA

## Australia

BUSS(Q)  
CBUS  
First State Super  
HESTA  
QSuper  
REST  
SunSuper  
VicSuper

## United Kingdom

Armed Forces Pension Schemes  
Principal Civil Service Pension Scheme  
Scottish Public Pension Agency  
Teachers' Pension Scheme  
Universities Superannuation Scheme

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

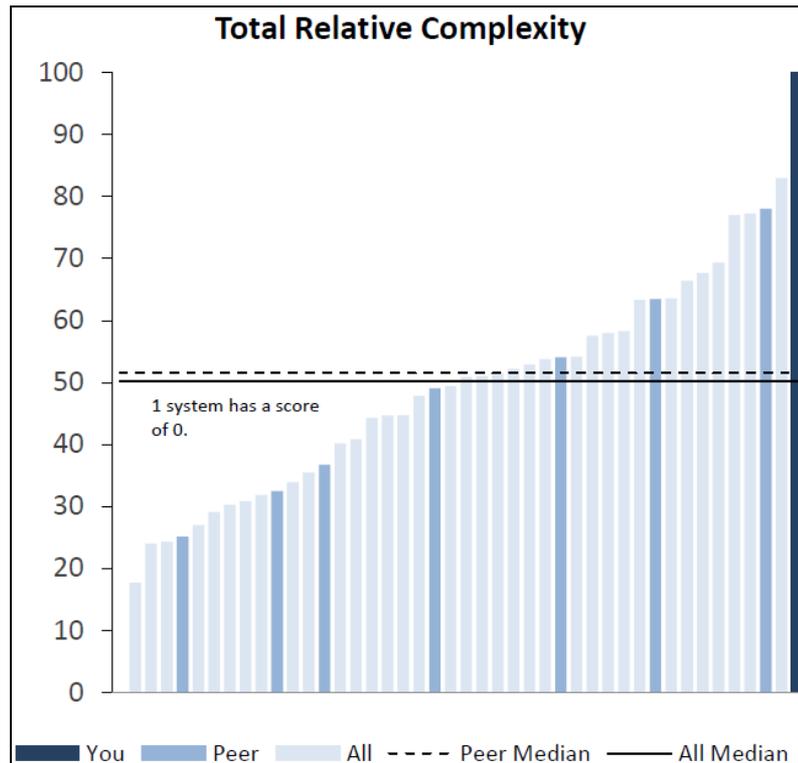
Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
<b>CalPERS</b>	<b>875</b>	<b>651</b>	<b>1,526</b>
TRS of Texas	848	394	1,242
NYSLRS	526	441	967
CalSTRS	429	281	711
Michigan ORS	217	265	482
BC Pension Corporation	308	173	482
OMERS	281	141	422
Ontario Teachers	183	133	315
Peer Median	369	273	596
Peer Average	458	310	768

\*Inactive members for CalPERS not included

# CalPERS CEM Complexity Score = 100

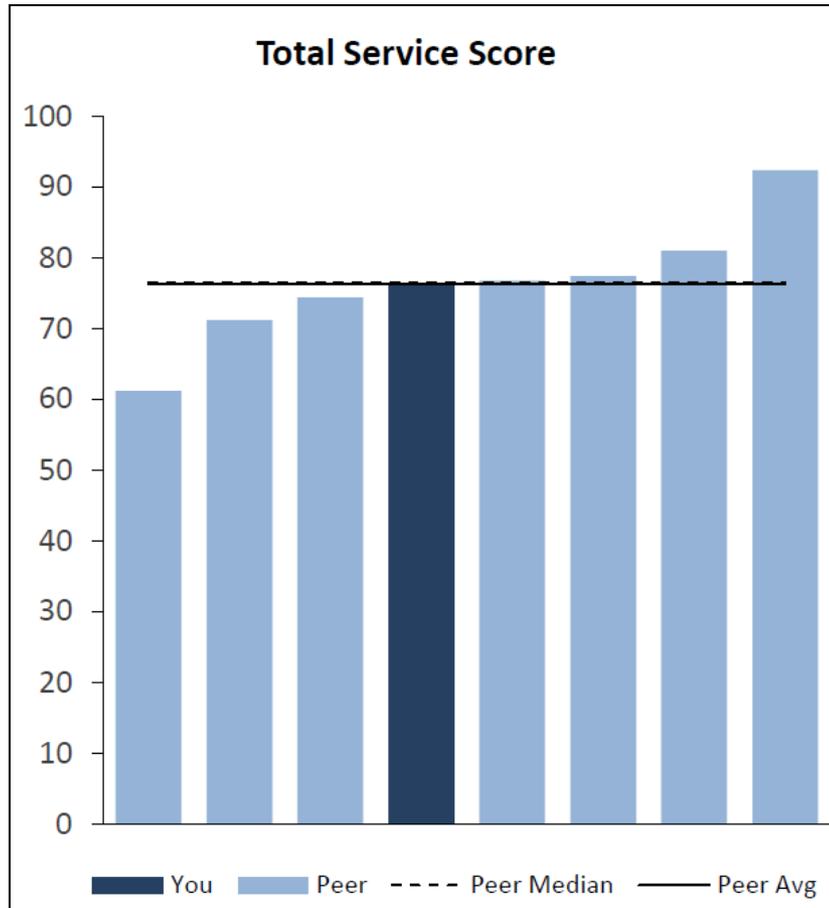
High complexity:

- Negatively impacts service
- Increase cost, particularly major projects and IT



Relative Complexity Score by Cause (0 least - 100 most of all participants)		
Cause	You	Peer Avg
Pension Payment Options	85	46
Customization Choices	100	14
Multiple Plan Types and Overlays	6	27
Multiple Benefit Formula	53	41
External Reciprocity	35	21
COLA Rules	79	45
Contribution Rates	100	64
Variable Compensation	100	96
Service Credit Rules	61	59
Divorce Rules	100	89
Purchase Rules	65	60
Refund Rules	89	51
Disability Rules	89	62
Translation	20	38
Defined Contribution Plan Rules	0	25
<b>Total Relative Complexity</b>	<b>100</b>	<b>55</b>

# CalPERS CEM Total Service Score = 76



Service Scores by Activity			
Activity	Weight	You	Peer Median
<b>1. Member Transactions</b>			
a. Pension Payments	19.7%	100	100
b. Pension Inceptions	7.4%	93	91
c. Refunds, Withdrawals and Transfers-out	1.3%	95	79
d. Purchases and Transfers-in	3.1%	0	69
e. Disability	3.8%	74	82
<b>2. Member Communication</b>			
a. Call Center	21.2%	54	51
c. 1-on-1 Counseling	7.4%	91	82
d. Presentations and Group Counseling	6.5%	93	80
e. Written Pension Estimates	4.7%	64	72
f. Mass Communication			
• Website	11.3%	91	76
• News and targeted communication	2.8%	54	76
• Member statements	4.7%	54	83
<b>3. Other</b>			
Satisfaction Surveying	5.0%	66	49
Disaster Recovery	1.0%	89	86
<b>Weighted Total Service Score</b>	<b>100.0%</b>	<b>76</b>	<b>77</b>

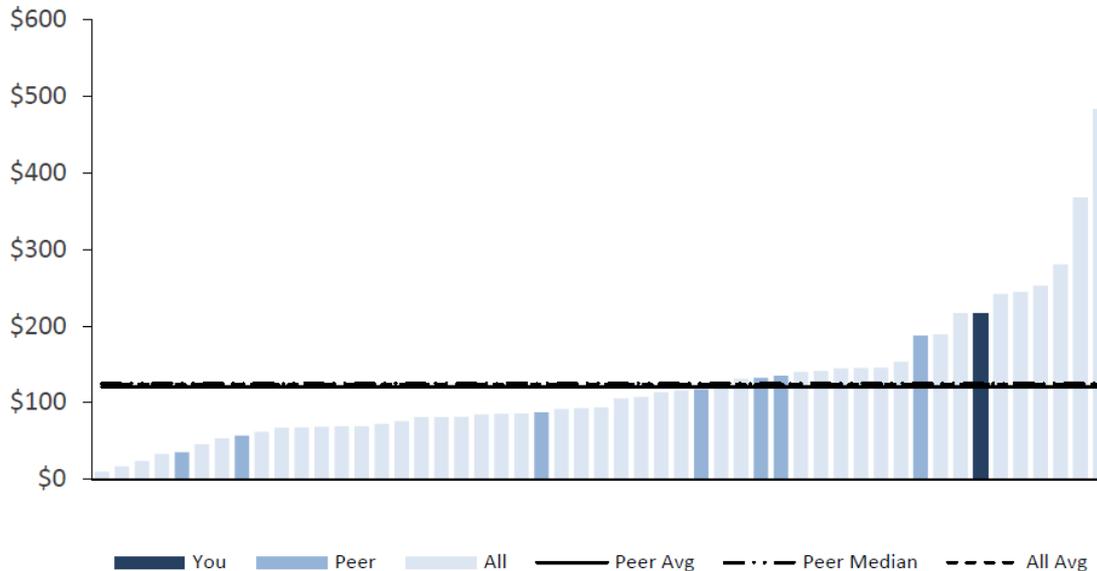
# CEM Service Score Key Measures

Select Key Service Metrics	You				Peer Avg 2016
	2013	2014	2015	2016	
<u>Member Contacts</u>					
• % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	27%	10%	7%	11%	15%
• Average total wait time including time negotiating auto attendants, etc.	577 secs	168 secs	158 secs	217 secs	265 secs
<u>Website</u>					
• Can members access their own data in a secure environment?	Yes	Yes	Yes	Yes	100% Yes
• Do you have an online calculator linked to member data?	Yes	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.	16	17	17	18	14
<u>1-on-1 Counseling and Member Presentations</u>					
• % of your active membership that attended a 1-on-1 counseling session	10.3%	8.7%	8.1%	8.5%	3.4%
• % of your active membership that attended a presentation	6.0%	5.9%	5.3%	5.1%	3.7%
<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?	84.0%	94.0%	95.0%	98.0%	94.1%
<u>Member Statements</u>					
• How current is an active member's data in the statements that the member receives?	4.0 mos	4.0 mos	4.0 mos	4.0 mos	2.7 mos
• Do statements provide an estimate of the future pension entitlement?	No	No	No	No	88% Yes

# Costs

# CalPERS total pension administration cost of \$217 per active member and annuitant was above the peer average of \$121.

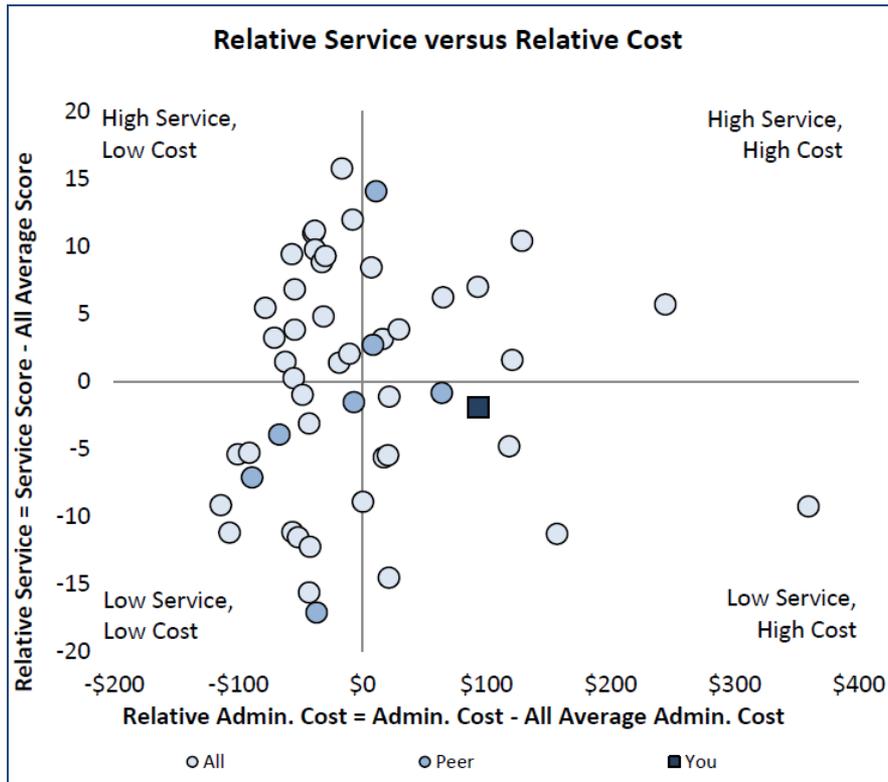
**Pension Administration Cost Per Active Member and Annuitant**



- Pension administration costs include Administrative Operating Costs, Headquarter Building Costs and Enterprise Project Costs.\*
- Costs continue to be higher than peers in part 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.

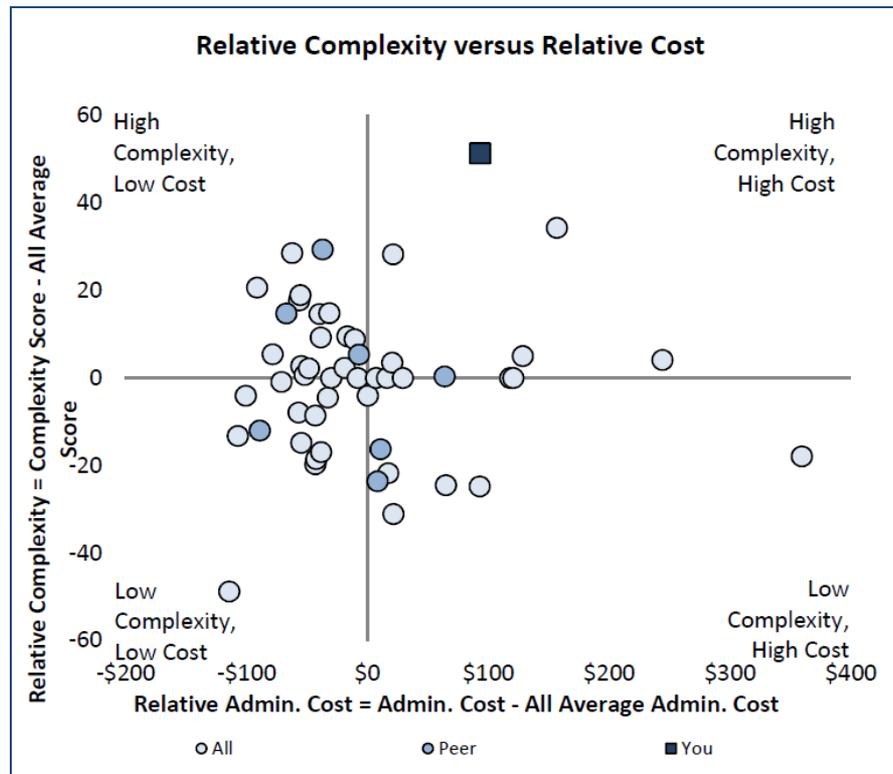
# Comparison of Relative Service Score and Costs



- This scatter diagram compares relative service scores and relative costs\* between CalPERS and other participating systems.
- The Strategic Plan goal is to reduce per member costs by 2% per year over the next five years.

\* Relative costs per member (active and annuitant).

# Comparison of Relative Complexity and Costs



- This scatter diagram compares relative complexity and relative costs\* between CalPERS and other participating systems.
- The Strategic Plan goal is to reduce per member costs by 2% per year over the next five years.

\* Relative costs per member (active and annuitant).

# Comparison of costs by activity (2015-16)

Activity	CalPERS	Peer Average	Difference
<b>Front Office</b>			
• Member Transactions	25	16	9
• Member Communication	22	17	5
• Collections and Data	16	8	8
<i>Front Office Total</i>	<i>\$63</i>	<i>\$41</i>	<i>\$22</i>
<b>Back Office</b>			
• Information Technology	53	29	24
• Support Services*	33	13	20
• Building	25	9	16
• Governance, Financial Control	20	12	8
• Legal	8	4	4
<i>Back Office Total</i>	<i>\$139</i>	<i>\$67</i>	<i>\$72</i>
<b>Total before Major Projects</b>	<b>\$202</b>	<b>\$108</b>	<b>\$94</b>
• Major Projects	16	12	4
<b>Total Pension Administration Costs**</b>	<b>\$217</b>	<b>\$121</b>	<b>\$96</b>
• Less State Pro Rata	-14	0	-14
<b>Total Pension Administration Costs (Less Pro Rata)</b>	<b>\$203</b>	<b>\$121</b>	<b>\$82</b>

# Cost Drivers

## Front Office

- Front office costs of \$63 are higher in comparison to our peers of \$41 mainly due to fewer member transactions per employee.
- We continue efforts to reduce complexity and streamline business processes.

## Information Technology

- Information Technology (IT) costs of \$53 are higher in comparison to our peers of \$29.
- Costs include database maintenance, applications, and IT infrastructure.

## Cost Drivers Continued

### Building

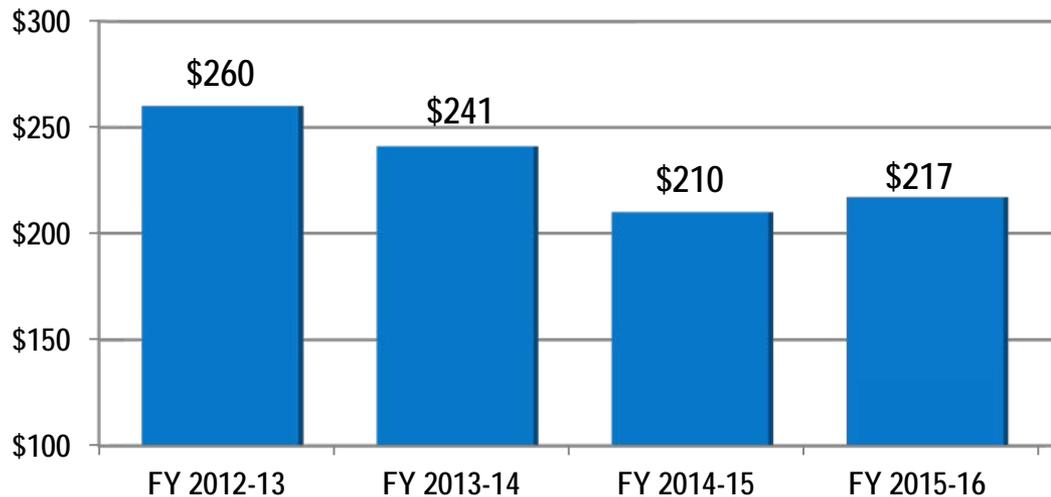
- Building costs of \$25 are higher in comparison to our peers of \$9.
- CalPERS invests in the LEED Platinum and Gold standard initiatives which includes the purchase of Green Energy. Energy costs include the maintenance of the members data center and back up systems.

### Support Services

- Actuarial costs of \$5 are higher in comparison to our peers of \$2, due to the complexity of our 3,000 unique plans.
- Legal costs of \$8 are higher in comparison to our peers of \$4, mainly due to bankruptcy cases.
- Human Resources (HR) costs of \$8 are higher in comparison to our peers of \$4. The enterprise has implemented a workforce plan to increase efficiencies.

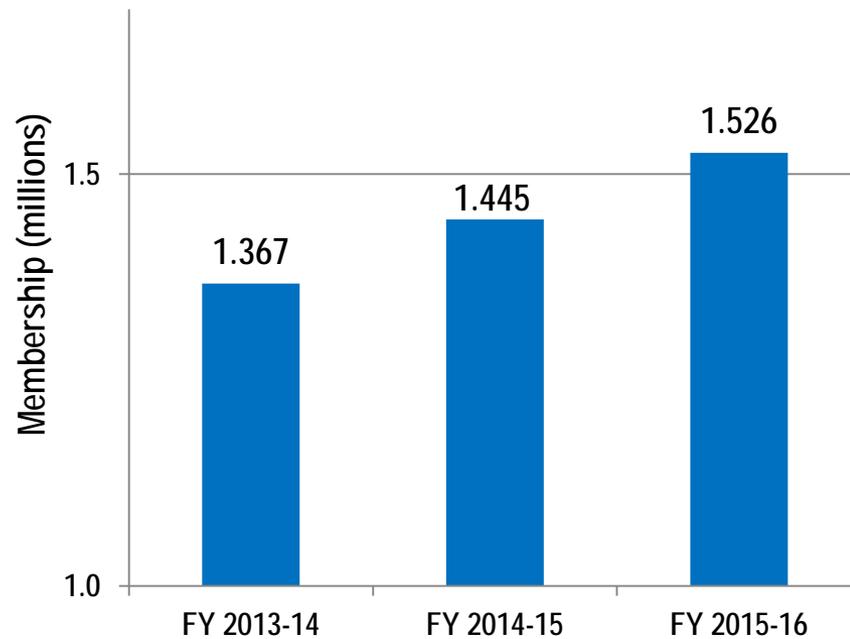
# CalPERS per member costs are expected to decrease supporting the FY 2017-22 Strategic Plan Goal

CalPERS Cost Per Member (Active and Annuitant)



- Per Member costs increased slightly between FY 2014-15 and FY 2015-16 mainly due to project costs.
- The Strategic Plan goal is to reduce per member costs by 2% per year over the next five years.

# CalPERS Membership



- 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 are expected to decrease supporting the FY 2017-22 Strategic Plan Goal