



Finance and Administration Committee Agenda Item 6b

September 19, 2017

Item Name: Annual Customer Service and 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 (FY) 2015-16 CalPERS CEM survey resulted in an overall service score of 76, nearly equivalent with the peer median. The results also reflect a slight increase in cost per member and annuitant from \$210 in FY 2014-15 to \$217 in FY 2015-16.

Strategic Plan

This informational item supports CalPERS strategic goal to reduce complexity across the enterprise. Two of the strategic measures for the 2017-22 Strategic Plan are focused on reducing the weighted average of our CEM pension complexity score by three percent, as well as reducing the CEM cost per member by two percent annually.

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 fourth 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 FY 2015-16.

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 team leaders 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 identify areas for improvement, set priorities, allocate resources effectively, and meet strategic goals.

Analysis

Our service score has increased substantially, from 65 to 76, between 2013 and now. This increase reflects our extensive investment in improving the end-to-end customer experience, notably in timeliness of pension inceptions, better contact center service, and significant expansion of our customer satisfaction surveying. We achieved this increase despite having the most complex plan design in CEM's global network of pension systems. This year, CalPERS exceeded our service scores beyond the peer median in the following activities: pension inceptions, refunds, withdrawals, and transfers out, contact center, one-on-one counseling, presentations and group counseling, website communications, satisfaction surveying, and disaster recovery.

The FY 2015-16 cost per member and annuitant of \$217 (\$187 before project and pro-rata costs) represented a \$7 per member increase from FY 2014-15. 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 four years as our complexity has remained high we have been able to improve our service score.

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 2015-16

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