

# North Carolina Retirement Systems

## Pension Administration Benchmarking Results

### FY 2013



# What are the benefits of benchmarking?

- Successful benchmarking using peer comparative analysis can result in significant benefits:
  - Changes in performance and innovation
  - Improvement in quality and productivity
  - Improved performance measurement
  - Opens your organization to new methods, ideas and tools
  
- ***“What gets measured, gets managed”***

# CEM's universe of participants

## Participants

### United States

Arizona SRS  
 CalPERS  
 CalSTRS  
 Colorado PERA  
 Delaware PERS  
 Florida RS  
 Idaho PERS  
 Illinois MRF  
 Indiana PRS  
 Iowa PERS  
 KPERS  
 LACERA  
 Michigan ORS  
 MOSERS  
 Nevada PERS  
 New Mexico ERB  
 North Carolina RS  
 NYC TRS  
 NYSLRS  
 Ohio PERS  
 Oregon PERS

Pennsylvania PSERS  
 South Carolina PEBA  
 South Dakota RS  
 STRS Ohio  
 SURS Illinois  
 TRS Louisiana  
 TRS of Texas  
 Utah RS  
 Virginia RS  
 Washington State DRS  
 Wisconsin DETF

### United Kingdom\*

Armed Forces Pension Schemes  
 Principal Civil Service Pension Scheme  
 Railway Pensions  
 Rolls Royce  
 Shell UK  
 Scottish Public Pension Agency  
 The Pension Protection Fund  
 Universities Superannuation Scheme

### Canada

APS  
 BC Pension Corporation  
 Canada Post  
 Defence Canada  
 Desjardins  
 Federal Public Service  
 HOOPP  
 LAPP  
 OMERS  
 Ontario Pension Board  
 Ontario Teachers  
 OPTrust  
 RCMP  
 Saskatchewan HEPP

### Scandinavia

ATP

### United Arab Emirates

Abu Dhabi RPB

### The Netherlands

ABP  
 bpfBOUW  
 Pensioenfonds Metaal en Techniek  
 Pensioenfonds van de Metalektro  
 PFZW  
 Rabobank Pensioenfonds  
 Pensioenfonds voor de Woningbouwcorporaties

### Australia\*

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

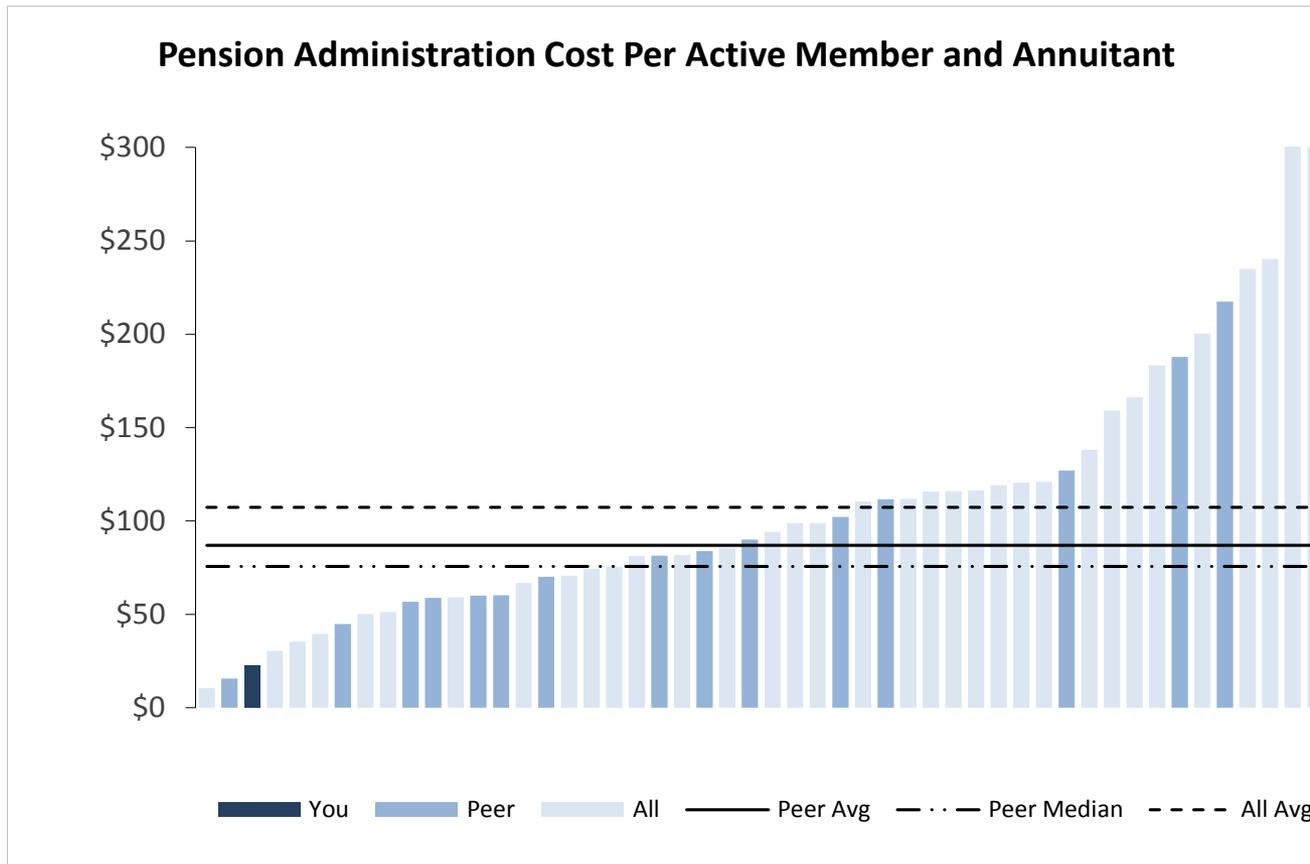
# CEM facilitates the sharing of ideas and best practices:

- CEM hosts an online peer network
- CEM hosts an annual global best practice conference
  - 2015 in Sacramento, California
  - Co-hosted by CalSTRS
- CEM conducts and shares practices research:
  - ASRS: Strategies to maximize productivity
  - Use of mobile apps for DB plans
  - Work from home programs

# NCRS was compared to the following peers:

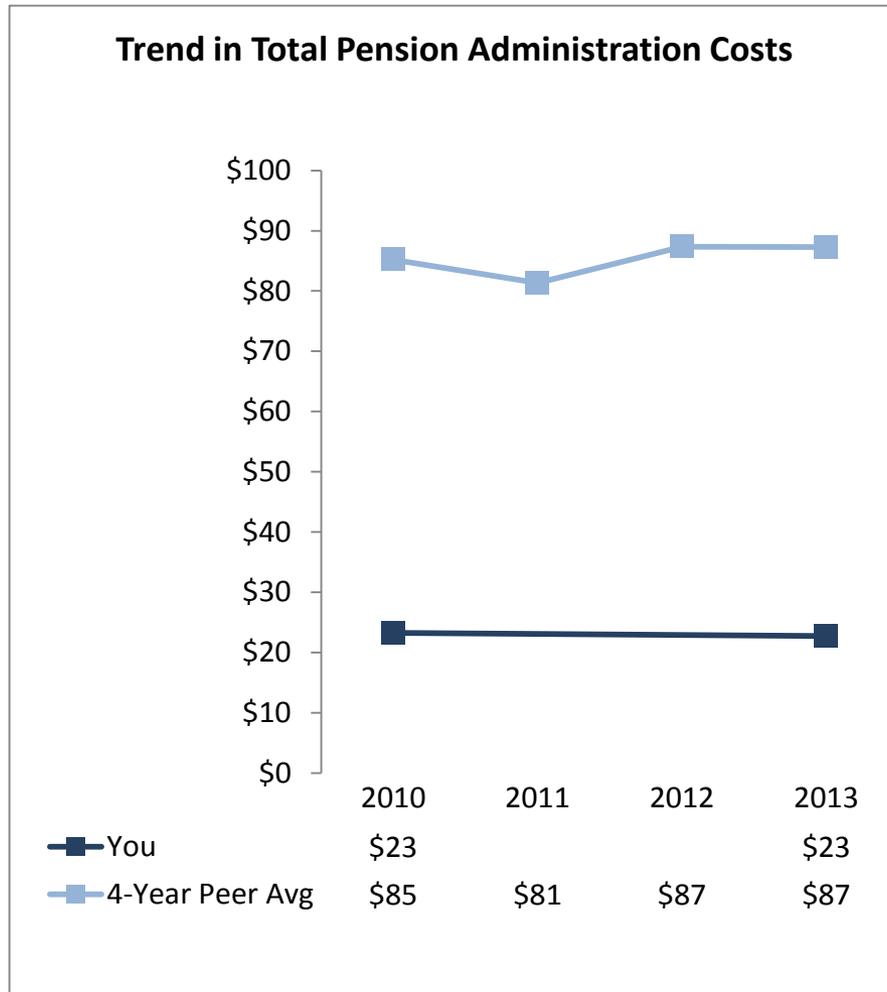
Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
CalPERS	760	567	1,326
Florida RS	615	387	1,001
NYSLRS	529	413	942
<b>North Carolina RS</b>	<b>470</b>	<b>272</b>	<b>743</b>
CalSTRS	417	267	684
Ohio PERS	347	195	543
Virginia RS	341	170	510
Michigan ORS	236	239	475
Washington State DRS	291	151	442
Wisconsin DETF	257	174	430
STRS Ohio	198	149	348
Colorado PERA	230	100	330
Arizona SRS	203	125	328
Oregon PERS	167	126	293
Illinois MRF	174	107	281
Iowa PERS	165	105	270
Peer Median	274	172	458
Peer Average	338	222	559

# Your Total Pension Administration Cost was \$23 per active member and annuitant.



- This was \$64 below the peer average of \$87 and one of the lowest in CEM's global universe.
- Your total pension administration cost was \$16.9 million.

# Cost trends:



- Your total pension administration cost per active member and annuitant decreased by 0.7% between 2010 and 2013 (\$23.26 vs. \$22.77).
- During this same period, the average cost of your peers increased by 0.8% per year.

# CEM measures these pension administration activities.

## Front Office Activities:

### 1. Member Transactions

- a) Pension Payments
- b) Pension Inceptions
- c) Withdrawals
- d) Purchases
- e) Disability

### 2. Communication

- a) Call Center
- b) Mail, Imaging
- c) 1-on-1 Counseling
- d) Group Counseling
- e) Written Estimates
- f) Website, AMS, Newsletters

### 3. Employer Transactions

- a) Collections and Data
- b) Employer Service
- c) Data from Members

## Back Office Activities:

### 1. Governance/ Financial Control

- a) Financial Administration
- b) Board, Strategy, Policy
- c) Government/ Public Relations

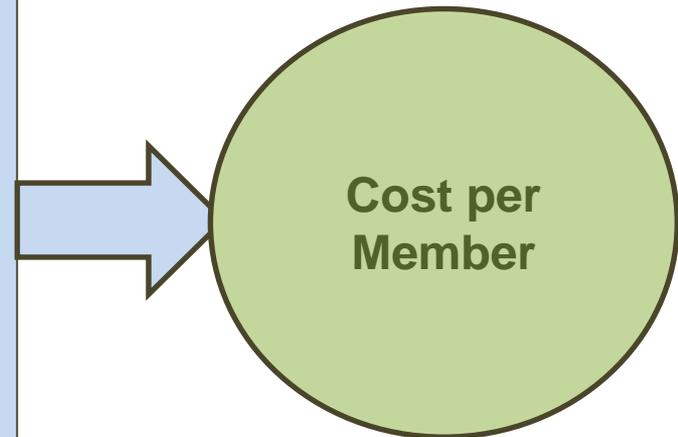
### 2. Major Projects

### 3. Support Services

- a) IT Database Management
- b) IT Desktop
- c) Building and Utilities
- d) Human Resources
- e) Actuarial
- f) Legal/ Rule Interpretation
- g) Internal/ External Audit
- h) Other Support Services

# CEM uses this cost model to explain differences in total costs:

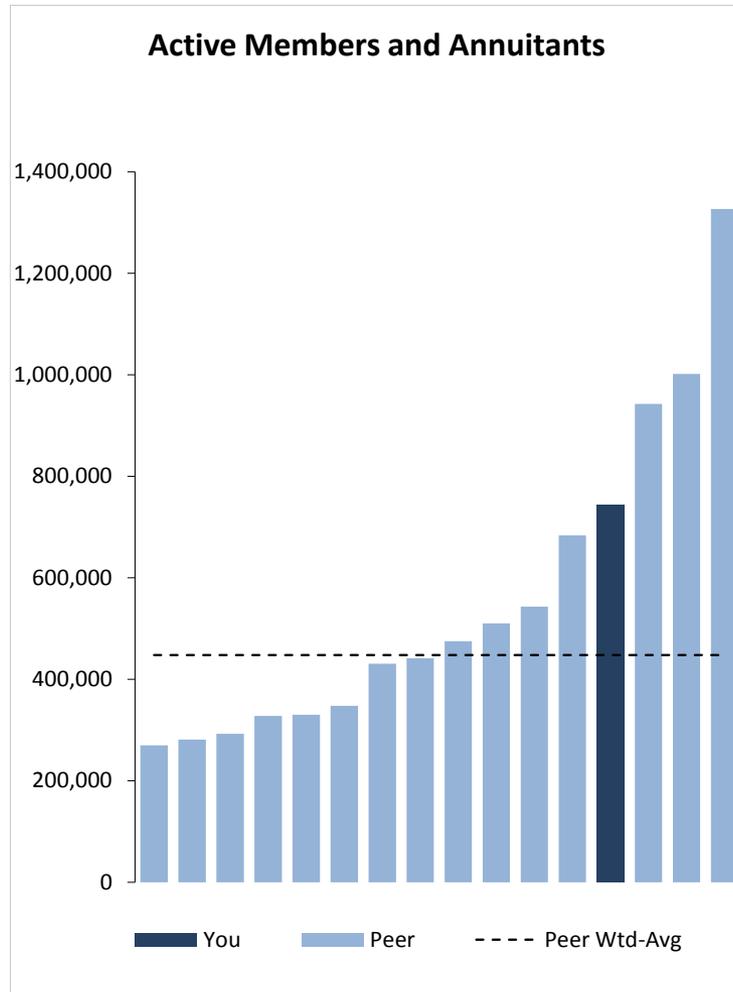
1. Economies of scale
2. Transactions per member (Workloads)
3. Transactions per FTE (Productivity)
4. Cost per FTE
5. Third party and other costs
6. Back-office activity costs



# Reasons why your total cost was \$64 below the peer average:

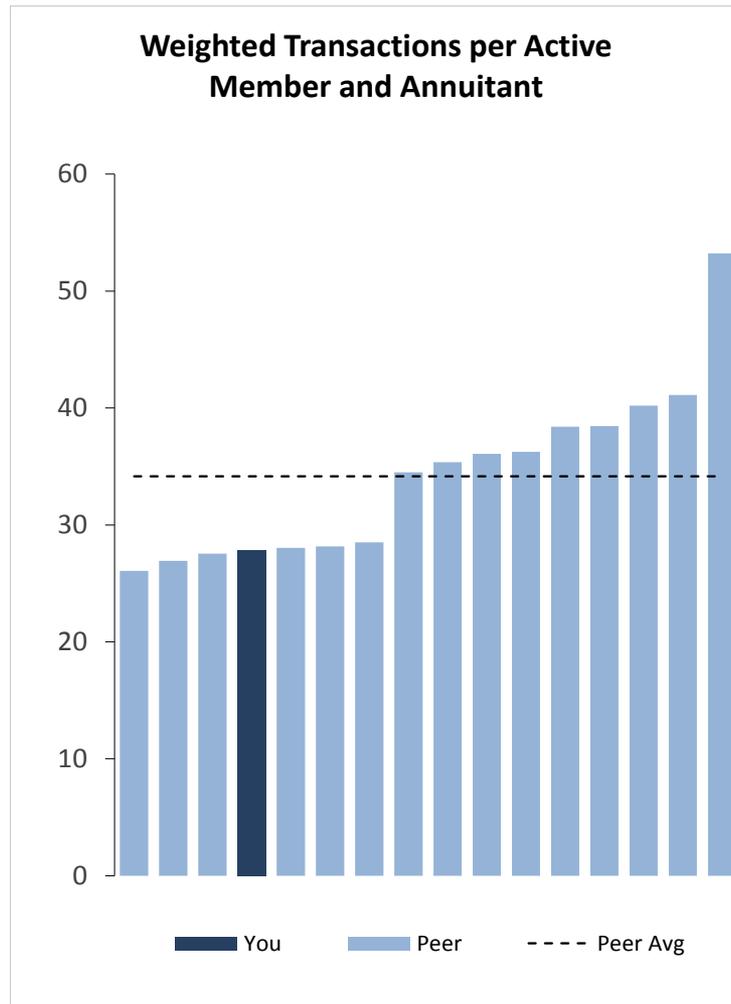
Reason	Impact
1. Economies of scale advantage	-\$3.78
2. Lower transactions per member (workloads)	-\$3.00
3. Higher transactions per FTE (productivity)	-\$8.50
4. Lower costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop	-\$20.48
5. Lower third-party and other costs in front-office activities	-\$3.74
6. Paying more/-less for back-office activities:	
- Governance and Financial Control	-\$4.26
- Major Projects	-\$7.36
- IT Strategy, Database, Applications (excl. major projects)	-\$6.09
- Actuarial, Legal, Audit, Other Support Services	-\$6.92
<b>Total</b>	<b>-\$64.14</b>

# Reason 1: You had an economies of scale advantage.



- You had 66% more members than the peer average.
- This means you had a cost advantage relative to the average peer of \$3.78 per member.

## Reason 2: You had lower transaction volumes (workloads).

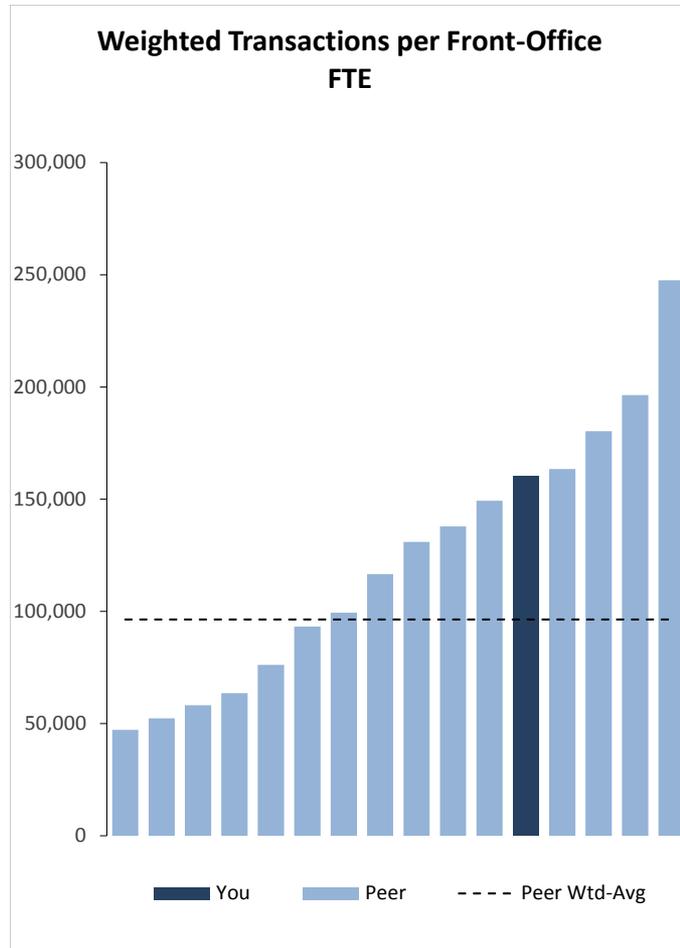


- Your transactions were 18% below the peer average.
- Your lower transaction volumes decreased your total cost per member by \$3.00 relative to the peer average.

# Where you did more/ fewer transactions:

Front Office Transactions (or Transaction Driver)	Volume per 1,000 Active Members and Annuitants		
	You	Peer Average	More/ -Less
1. Member Transactions			
a. Pension Payments (Annuitants)	367	391	-6%
b. New Payee Inceptions	24	27	-11%
c. Withdrawals and Transfers-out	25	23	5%
d. Purchases and Transfers-in	3	9	-67%
e. Disability Applications	3.2	2.3	36%
2. Member Communication			
a. Calls and Emails	426	662	-36%
b. Incoming Mail	418	450	-7%
c. Members Counseled 1-on-1	2	27	-94%
d. Member Presentations	0	1	-82%
e. Written Estimates	9	23	-61%
3. Collections and Data Maintenance			
a. Data and Money from Employers (Active Members)	633	609	4%
b. Service to Employers (Active	633	609	4%
c. Data Not from Employers (Actives, Inactives, Annuitants)	1,316	1,420	-7%
Weighted Total	27,887	34,171	-18%

# Reason 3: You had higher transactions per FTE (productivity).



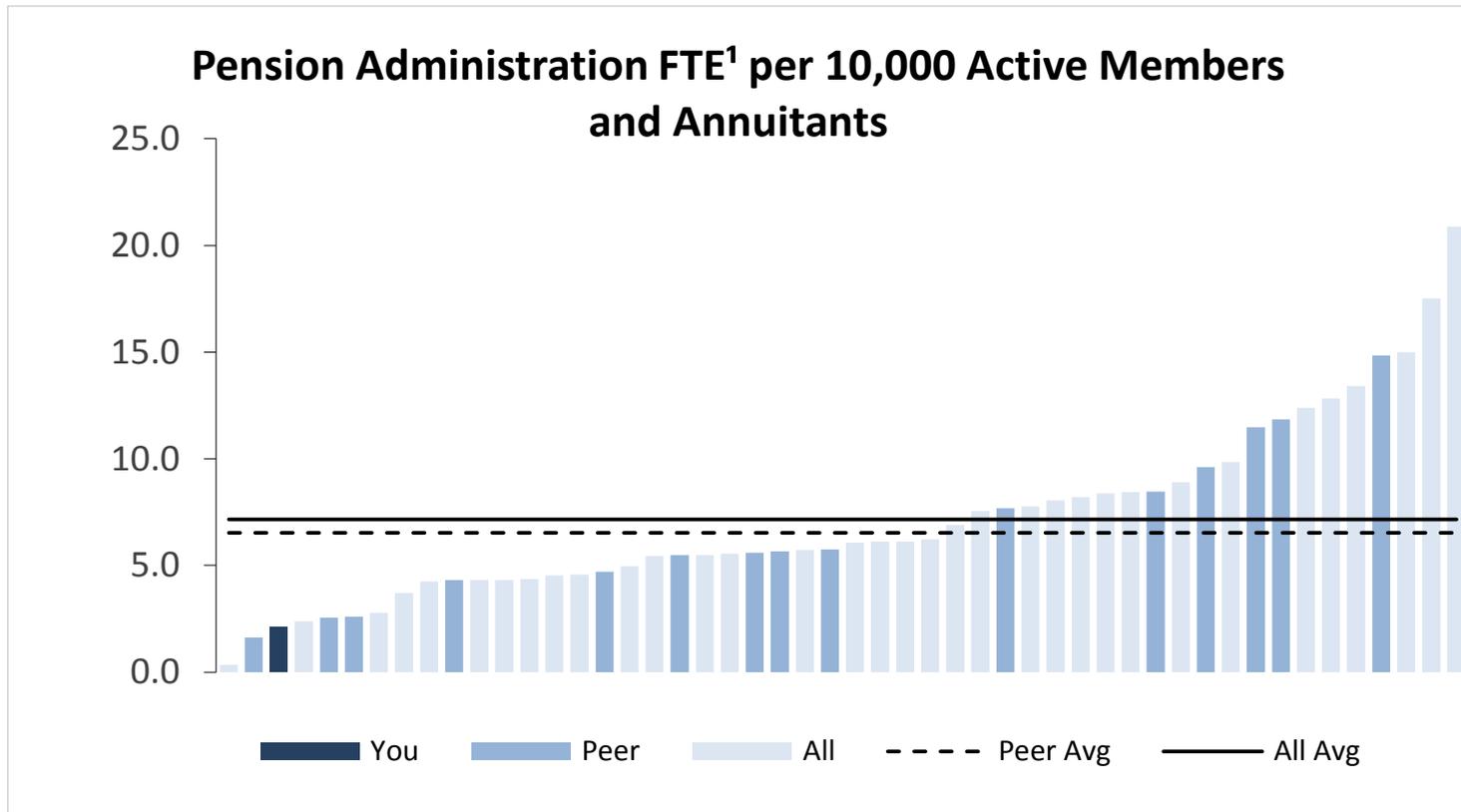
- Your transactions per front-office FTE were 66% above the peer average.
- Your higher transaction volumes per FTE decreased your cost per member by \$8.50 relative to the peer average.

## Reason 4: Your overall costs per FTE were lower.

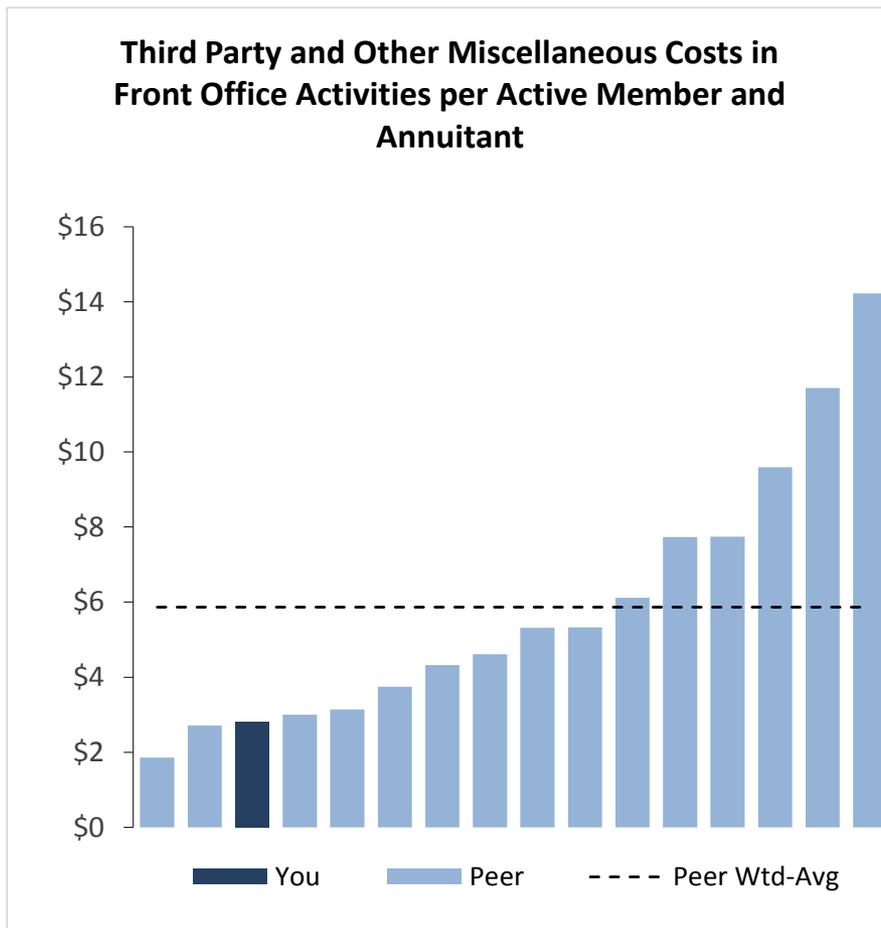
Cost per FTE		
	You	Peer Avg
Salaries and Benefits	\$49,781	\$78,983
Benefits for Retired Staff	\$0	\$883
Building and Utilities	\$10,018	\$10,386
Human Resources	\$2,037	\$2,996
IT Desktop, Networks,	\$3,155	\$10,310
Total	\$64,991	\$103,559

- This decreased your total cost by \$20.48 per member relative to the peer average.

# You had 2.10 pension administration FTE per 10,000 members vs. a peer average of 6.52.



## Reason 5: You had lower third party and other miscellaneous costs in the front-office activities.



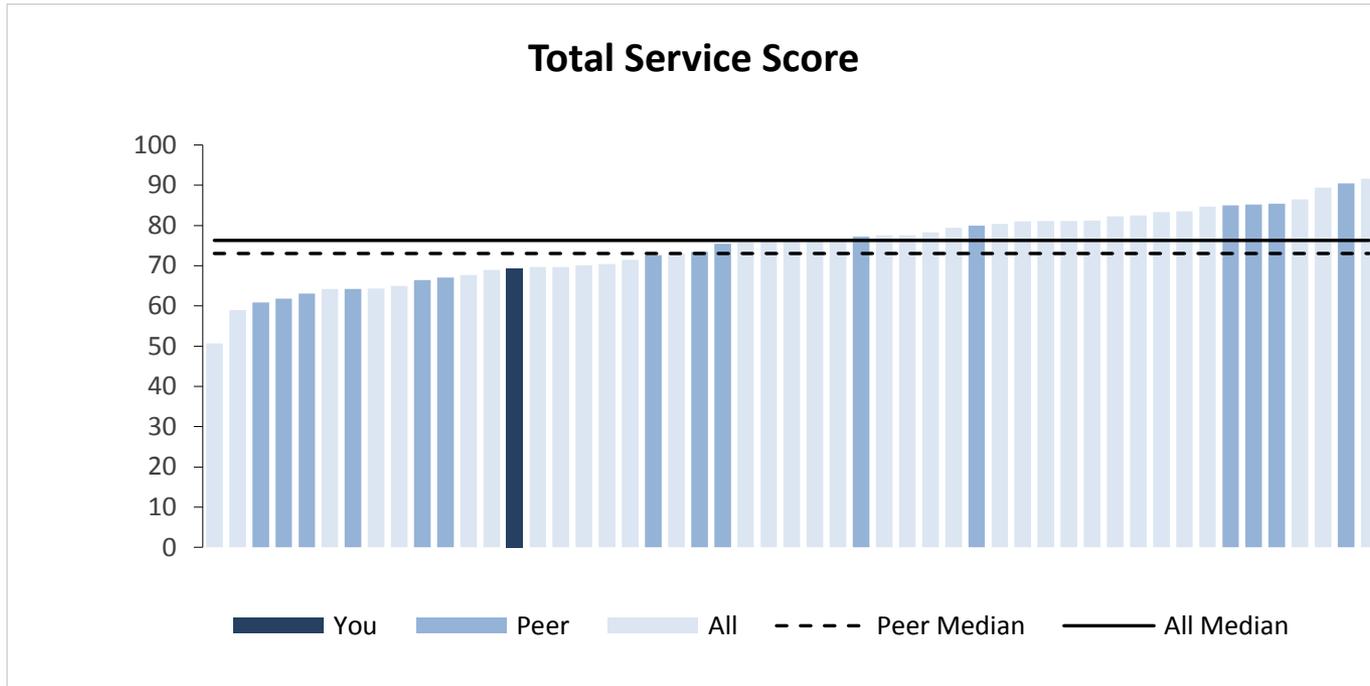
- Your third party and other miscellaneous costs in the front-office activities were \$2.82 per member.
- This was 52% below the peer average of \$5.87.
- This decreased your total cost per member by \$3.74 relative to the peer average.

## Reason 6: You paid less for back-office activities.

Back-Office Activities - Adjusted Cost per Member			
Back Office Activities	You	Peer Avg	More/-less
Governance and Financial Control	\$1.18	\$5.45	-\$4.26
Major Projects	\$0.00	\$7.36	-\$7.36
IT Strategy, Database, Applications (excl. major projects)	\$6.06	\$12.14	-\$6.09
Actuarial, Legal, Audit, Other	\$2.22	\$9.14	-\$6.92
Total	\$9.46	\$34.09	-\$24.63

- Your cost per active and retiree of \$9.46 for back-office activities was below the peer average of \$34.09.
- This decreased your total cost per member by \$24.63 relative to the peer average.

# Your total service score was 69 below the peer median of 73.



- CEM defines service from the member's perspective:
  - Faster turnaround times
  - More availability
  - More choice
  - Higher quality

Select Key Service Metrics	You	Peer Avg
<u>Member Contacts</u>		
• % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	23%	17%
• Average total wait time including time negotiating auto attendants, etc.	421 secs	273 secs
<u>Website</u>		
• Can members access their own data in a secure environment?	Yes	94% Yes
• Do you have an online calculator linked to member data?	Yes	81% Yes
• # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc.	8	9
<u>1-on-1 Counseling and Member Presentations</u>		
• % of your active membership that attended a 1-on-1 counseling session	0.2%	4.5%
• % of your active membership that attended a presentation	2.3%	4.9%
<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?	90.5%	87.9%
• What % of annuity pension inceptions were initiated online?	n/a	36%
<u>Member Statements</u>		
• How current is an active member's data in the statements that the member receives?	5.0 mos	2.5 mos
• Do statements provide an estimate of the future pension entitlement?	Yes	69% Yes

# Where can NCRS improve your score?

- Improve your undesired call outcomes
- Improve your call wait time
- Offer more website transactions and tools

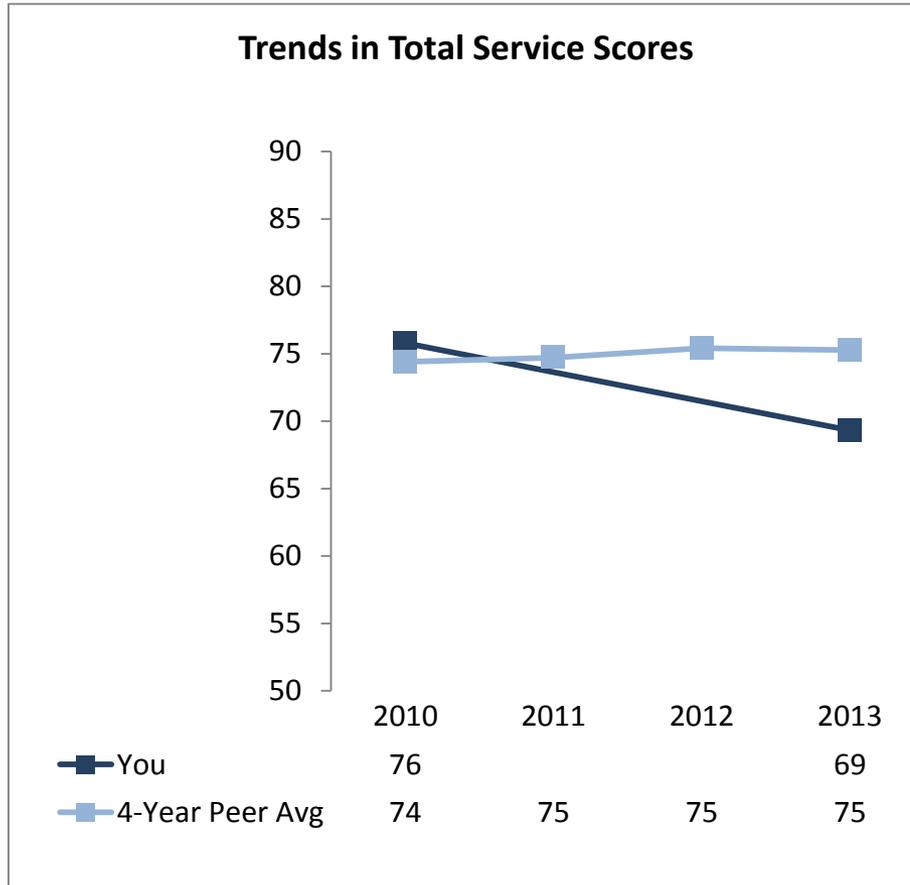
*CEM is not recommending these changes.*

*Service improvement should be cost effective and important to your members.*

# Your online capabilities compared to your peers:

Online Tool	% offering tool		
	You	Peer	All
Benefit calculators			
In non-secure area	Yes	63%	55%
In secure area not linked to member data	No	19%	10%
In secure area linked to member's salary and service data	Yes	81%	84%
Service credit purchase calculator	Yes	75%	72%
Download forms	Yes	94%	98%
Register for counseling sessions	Yes	53%	37%
Register for presentations	No	63%	61%
Change address	Yes	88%	83%
Change beneficiary	Yes	50%	45%
Change family information	No	31%	30%
Tools for annuitants			
Change banking information for direct deposit	Yes	56%	45%
Change tax withholding amount	Yes	69%	49%
Download or print duplicate tax receipts	Yes	88%	69%
View annuity payment details	Yes	94%	76%
Apply for retirement	No	56%	37%
View status of online retirement application	n/a	67%	50%
View status of disability application	No	19%	7%
Secure mailbox	No	63%	43%
Download member statement	Yes	81%	86%
Digital file	No	25%	18%
Upload documents	No	25%	10%
View pensionable earnings and/or service without downloading	Yes	88%	84%
If yes:			
Are both salary and service data available?	Yes	100%	93%
Online data up-to-date to the most recent pay period?	Yes	86%	74%
Complete annual history from the beginning of	Yes	71%	60%

# Service trends:



- Your service score decreased from 76 to 69 between 2010 and 2013.
- The biggest impact on your overall score was a decreased call center score.
- Abandoned calls increased from 2% to 23%.
- Call wait time increased from 102 to 421 seconds.
- This was due to changes in healthcare increased member inquiries without additional staff.

# Key Takeaways:

- Your cost of \$23 per member and annuitant was in the lowest quartile of CEM's universe.
- The primary reasons why:
  - Lower FTE costs
  - Lower costs in the back-office activities
- Your service score was 69 - below the peer median score of 73.
- Your service score decreased in 2013 primarily due to higher call wait times and higher undesired call outcomes.
- The Call Center service score was impacted by new healthcare options.

# Global Trends in Pension Administration

- **Australia and The Netherlands**
  - Highly regulated
  - Ranked #1 and #2 in the world
  - Similar industry-wide funds
  - Considerable consolidation
  - Outsourced to 3<sup>rd</sup> parties
- **The United Kingdom**
  - Highly fragmented market
  - Moving to a collective DC environment
  - ‘Auto-enrolment’ is the biggest challenge
  - End to compulsory annuitization



# Trends in pension administration:



- **Communication**

- Engaging with younger members through social media and mobile apps
- Engaging with all members for advocacy
- Use of videos for member education
- Movement away from newsletters to “news”

- **Targeting and segmentation**

- Use of business intelligence to be better informed on membership
- Targeting members based on age, life cycle, preferences

