

CEM Pension Administration Benchmarking Analysis

Iowa Public Employees' Retirement System



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Paul Martiniello
paul@cembenchmarking.com
+1 (416) 644-8091

How you can use CEM's pension administration benchmarking service:

Measure and Manage Costs

Understand the factors influencing costs with detailed peer analysis of:

- Staff costs
- Transaction Volumes
- Productivity

Measure and Manage Service

An analysis of over 120 key performance metrics that compares:

- Your service levels relative to your peers
- Service areas to improve or reduce

Global Best Practices

Leveraging and sharing the wealth of knowledge and expertise that exists among CEM clients, the CEM team, and other industry experts through exclusive:

- Conferences and Workshops
- Online Peer Intelligence Network
- Insights Research Papers



70 leading global pension systems participate in the benchmarking service.

Participants

United States

Arizona SRS
CalPERS
CalSTRS
Colorado PERA
Delaware PERS
ERS of Georgia
Florida RS
Idaho PERS
Illinois MRF
Indiana PRS
Iowa PERS
KPERs
LACERA
Michigan ORS
Nevada PERS
NYC ERS
NYC TRS
NYSLRS
Ohio PERS
Oregon PERS
Pennsylvania PSERS
Pennsylvania SERS
PSRS PEERS of Missouri
South Dakota RS

STRS Ohio

TRS Illinois

TRS Louisiana

TRS of Texas

Utah RS

Virginia RS

Washington State DRS

Wisconsin DETF

United Kingdom*

Armed Forces Pension Schemes
British Airways
BSA NHS Pensions
Pension Protection Fund
Principal Civil Service Pension Scheme
Railways Pension Scheme
Rolls Royce
Scottish Public Pension Agency
Teachers' Pensions Scheme
Tesco
Universities Superannuation Scheme

Canada

APS
BC Pension Corporation
Canadian Forces Pension Plans
FPSPP
HOOPP
LAPP
OMERS
Ontario Pension Board
Ontario Teachers
OPTrust
RCMP

Scandinavia

Alecta
ATP

The Netherlands*

ABN Amro Pensioenfonds
ABP
BPF Koopvaardij
bpfBOUW
Pensioenfonds Metaal en Techniek
Pensioenfonds PGB
Pensioenfonds TNO
Pensioenfonds van de Metalektro
Pensioenfonds Vervoer
Pensioenfonds voor de Woningcorporaties
PFZW
PPF APG
Rabobank Pensioenfonds
Shell Pensioenfonds

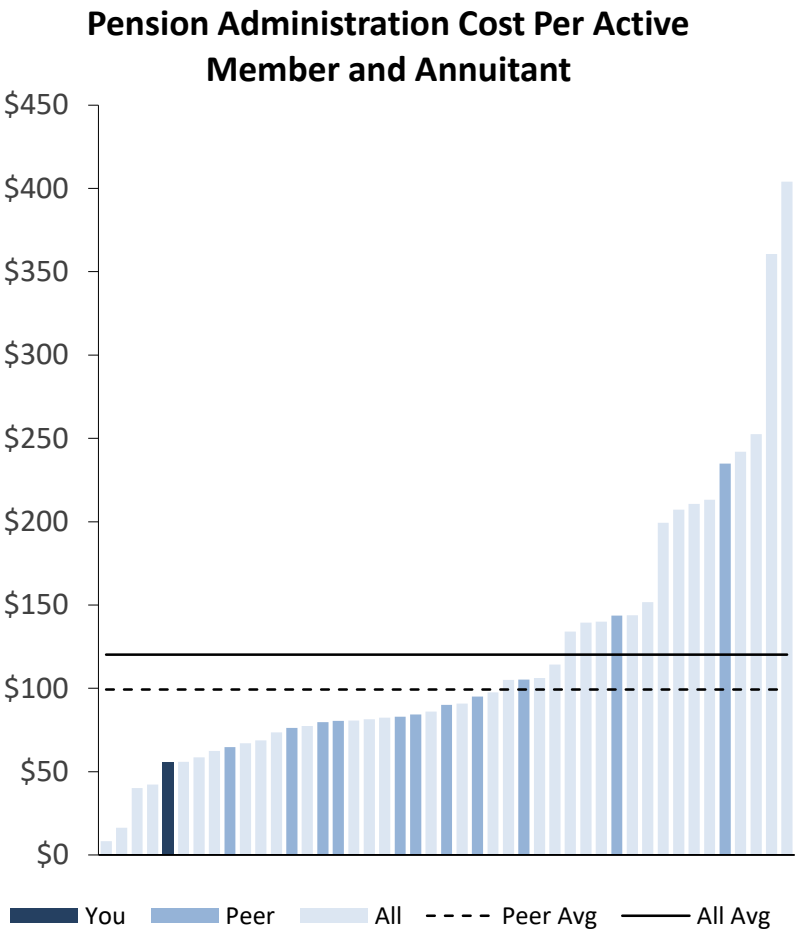
* Systems in the UK and most systems in the Netherlands complete different benchmarking surveys and hence your analysis does not include their results.

The custom peer group for Iowa PERS consists of the following 12 peers:

| Custom Peer Group for Iowa PERS | | | |
|---------------------------------|-----------------------|------------|------------|
| Peers (sorted by size) | Membership (in 000's) | | |
| | Active Members | Annuitants | Total |
| Washington State DRS | 318 | 179 | 497 |
| Wisconsin DETF | 257 | 198 | 455 |
| Indiana PRS | 257 | 149 | 407 |
| STRS Ohio | 212 | 160 | 372 |
| Colorado PERA | 240 | 114 | 354 |
| Arizona SRS | 206 | 145 | 351 |
| Oregon PERS | 173 | 141 | 314 |
| Illinois MRF | 175 | 122 | 297 |
| Iowa PERS | 170 | 118 | 288 |
| NYC TRS | 127 | 95 | 222 |
| PSRS PEERS of Missouri | 126 | 89 | 215 |
| TRS Louisiana | 90 | 78 | 168 |
| Peer Median | 191 | 131 | 333 |
| Peer Average | 196 | 132 | 328 |

Inactive members are not considered when selecting peers because they are excluded when determining cost per member. They are excluded because they are less costly to administer than either active members or annuitants.

Your total pension administration cost was \$55 per active member and annuitant. This was \$44 below the peer average of \$99.



| Category | \$ per Active Member and Annuitant | | | \$000s |
|----------------------------------|------------------------------------|----------|----------|--------|
| | You | Peer Avg | Peer Med | |
| Member Transactions | 5 | 13 | 12 | 1,374 |
| Member Communication | 9 | 16 | 16 | 2,461 |
| Collections and Data Maintenance | 6 | 7 | 6 | 1,584 |
| Governance and Financial Control | 3 | 9 | 9 | 922 |
| Major Projects | 13 | 11 | 7 | 3,880 |
| Information Technology | 11 | 23 | 22 | 3,246 |
| Building | 5 | 8 | 5 | 1,326 |
| Legal | 1 | 3 | 3 | 338 |
| HR, Actuarial, Audit | 3 | 9 | 5 | 769 |
| Total Pension Administration | 55 | 99 | 84 | 15,899 |

Your cost per member was lower in most categories.

Reasons why your total cost was \$44 below the peer average.

| Reason | Impact |
|---|----------|
| 1. Economies of scale disadvantage | \$0.55 |
| 2. Lower transactions per member (workloads) | -\$6.50 |
| 3. Higher transactions per FTE (productivity) | -\$23.21 |
| 4. Higher costs per FTE for: salaries and benefits, building and utilities, HR and IT desktop | \$9.08 |
| 5. Lower third-party and other costs in front-office activities | -\$1.62 |
| 6. Paying more/-less for back-office activities: | |
| - Governance and Financial Control | -\$7.23 |
| - Major Projects | \$3.39 |
| - IT Strategy, Database, Applications (excl. major projects) | -\$9.74 |
| - Actuarial, Legal, Audit, Other Support Services | -\$8.81 |
| Total | -\$44.10 |

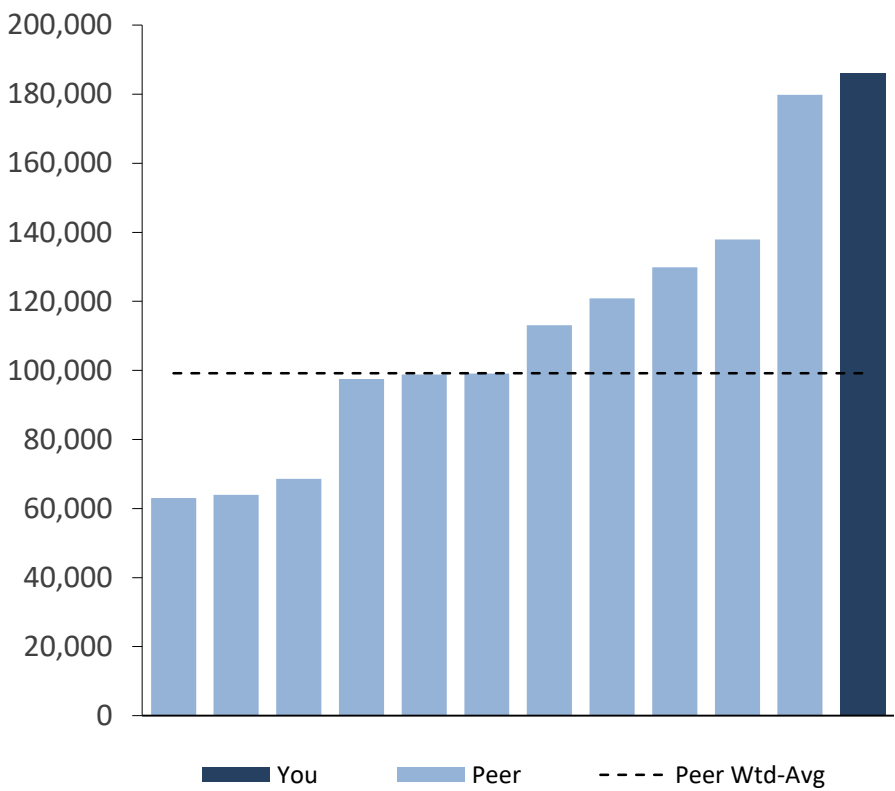
The following pages detail the key reasons why your total cost is different from your peers.

You had lower transaction volumes per member (workloads).

| Where did you do more/fewer transactions? | | | | |
|---|--|---------------|-------------|----------------------------------|
| Front Office Transactions (or Transaction Driver) | Volume per 1,000 Active Members and Annuitants | | | \$ per Member Transaction Impact |
| | You | Peer Average | More/-Less | |
| 1. Member Transactions | | | | |
| a. Pension Payments (Annuitants) | 409 | 409 | 0% | \$0.00 |
| b. New Payee Inceptions | 24 | 25 | -4% | -\$0.12 |
| c. Withdrawals and Transfers-out | 32 | 29 | 10% | \$0.26 |
| d. Purchases and Transfers-in | 0.5 | 7.3 | -93% | -\$1.30 |
| e. Disability Applications | 0.8 | 2.1 | -61% | -\$1.16 |
| 2. Member Communication | | | | |
| a. Calls and Emails | 361 | 597 | -40% | -\$1.86 |
| b. Incoming Mail | 261 | 494 | -47% | -\$0.97 |
| c. Members Counseled 1-on-1 | 29 | 29 | -1% | -\$0.01 |
| d. Member Presentations | 0.3 | 1.7 | -81% | -\$1.41 |
| e. Written Estimates | 40 | 37 | 6% | \$0.13 |
| 3. Collections and Data Maintenance | | | | |
| a. Data and Money from Employers (Active Members) | 591 | 591 | 0% | \$0.00 |
| b. Service to Employers (Active Members) | 591 | 591 | 0% | \$0.00 |
| c. Data Not from Employers (Actives, Inactives, Annuitants) | 1,236 | 1,348 | -8% | -\$0.07 |
| Weighted Total | 29,359 | 37,227 | -21% | -\$6.50 |

You had higher transactions per FTE (total productivity).

Weighted Transactions per Front-Office FTE



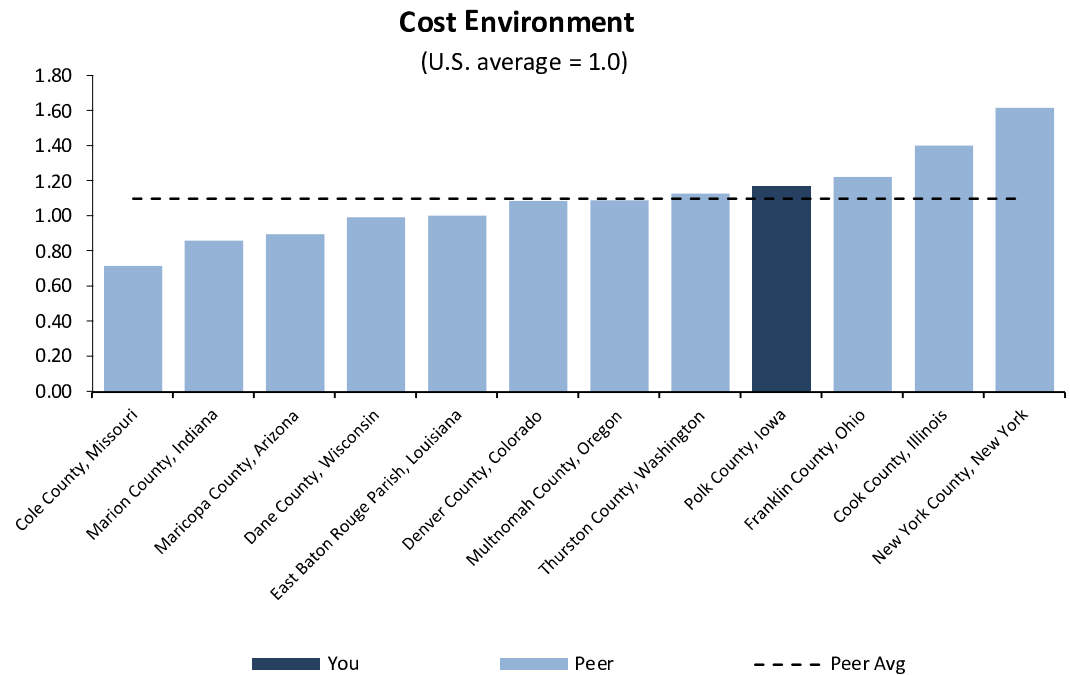
Your transactions per front-office FTE were 88% above the peer average and the highest in your peer group.

Your higher transaction volumes per FTE decreased your total cost per member by \$23.21 relative to the peer average.

You had overall higher costs per FTE for: salaries and benefits, IT desktop, networks and telecom, building and utilities, and human resources.

| | Cost per FTE | | |
|-------------------------------|--------------|-----------|------------------|
| | You | Peer Avg | FTE-Wtd Peer Avg |
| Salaries and Benefits | \$106,829 | \$94,681 | \$95,199 |
| Benefits for Retired Staff | \$719 | \$861 | \$852 |
| Building and Utilities | \$20,124 | \$11,733 | \$13,373 |
| Human Resources | \$1,857 | \$3,760 | \$3,574 |
| IT Desktop, Networks, Telecom | \$11,683 | \$14,212 | \$12,969 |
| Total | \$141,212 | \$125,247 | \$125,966 |

Your higher costs per FTE increased your total cost by \$9.08 per member relative to the peer average.



Differences in your cost per FTE reflect differences in:

- Organization structure and strategy
- Building and IT costs
- Cost environment of your location vs. peers.

Labor costs in your area were 7% above the peer average.

You paid less overall for back-office activities.

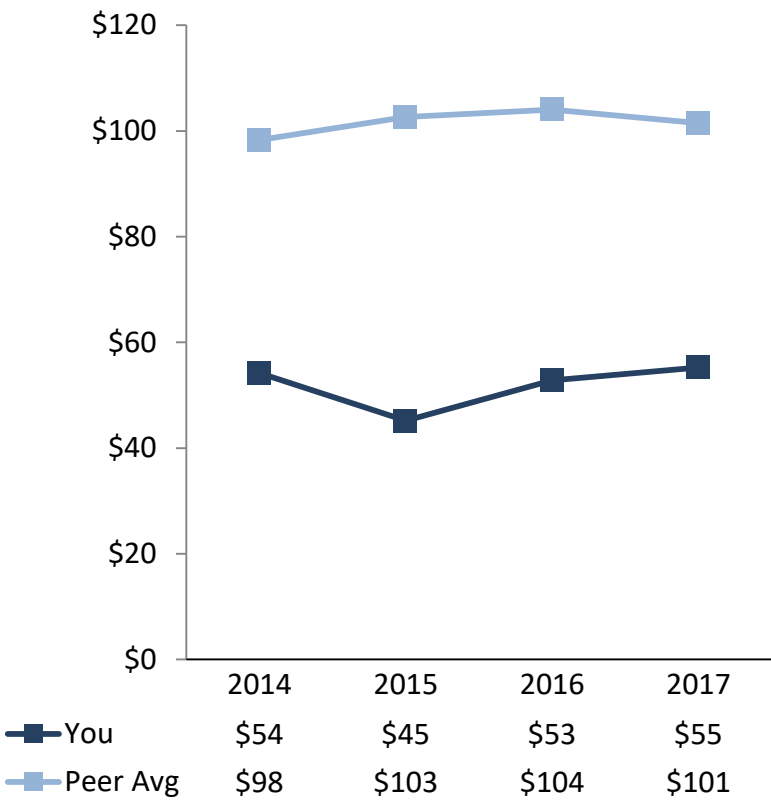
| Back-Office Activities - Adjusted Cost per Member | | | |
|---|---------|----------|----------------|
| Back Office Activities | You | Peer Avg | More/ -less |
| Governance and Financial Control | \$3.68 | \$10.91 | -\$7.23 |
| Major Projects | \$13.49 | \$10.10 | \$3.39 |
| IT Strategy, Database, Applications (excl. major projects) | \$10.11 | \$19.86 | -\$9.74 |
| Actuarial, Legal, Audit, Other | \$3.72 | \$12.53 | -\$8.81 |
| Total | \$31.01 | \$53.40 | -\$22.39 |

Your adjusted cost per active member and annuitant of \$31.01 for back-office activities was below the peer average of \$53.40.

This decreased your total cost per member by \$22.39 relative to the peer average.

Cost Trends

Trend in Total Pension Administration Costs



Trend analysis is based on systems that have provided 4 consecutive years of data (11 of your 12 peers).

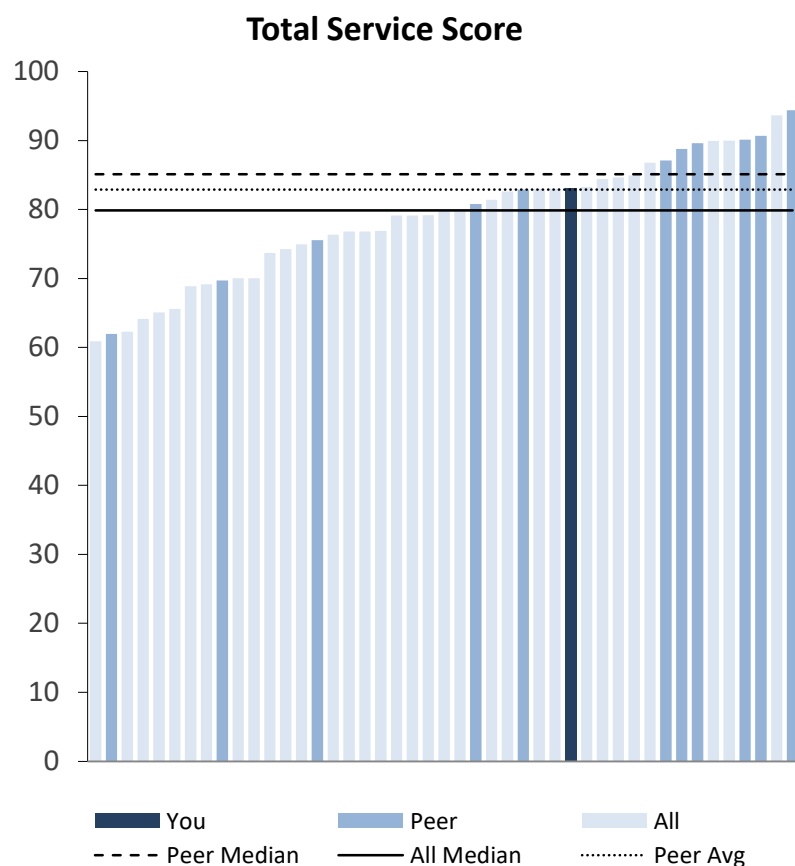
Your total pension administration cost per active member and annuitant increased by 0.6% per annum between 2014 and 2017.

During the same period, the average cost of your peers with 4 years of consecutive data increased by 1.1% per annum.

Material changes to your cost per member have largely been due to variances in major project spending. Your 2017 cost per member increased because you made an addition to your building lobby and updated the software of your security access system.

You continue to have the lowest administration cost in your peer group.

Your total service score was 83, in a high-scoring peer group. This was close to the peer median of 85.



Service is defined from a member's perspective. Higher service means more channels, faster turnaround times, more availability, more choice, better content and higher quality.

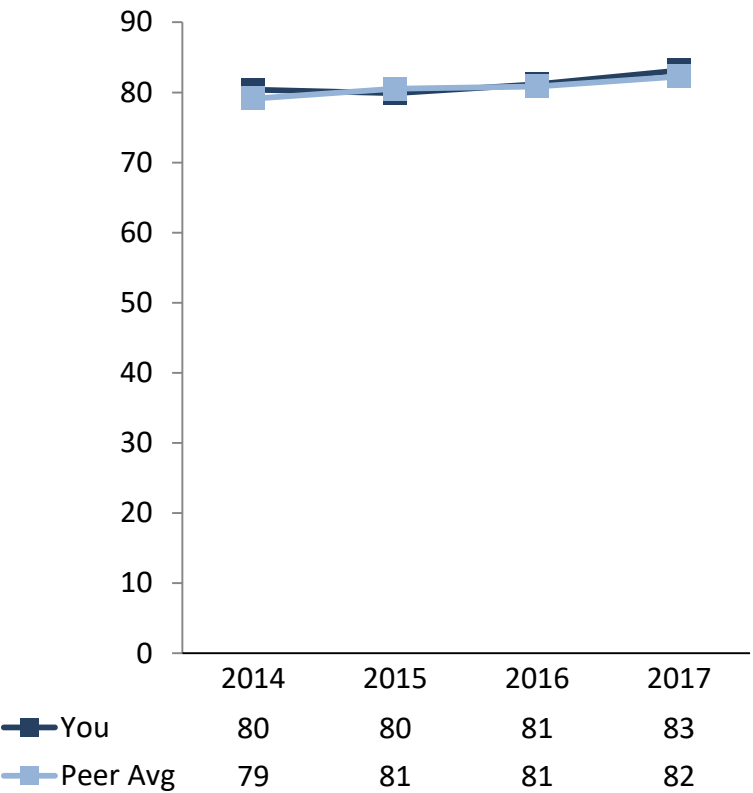
| Service Scores by Activity | | | |
|---|--------|-----|-------------|
| Activity | Weight | You | Peer Median |
| 1. Member Transactions | | | |
| a. Pension Payments | 19.7% | 100 | 100 |
| b. Pension Inceptions | 7.4% | 88 | 89 |
| c. Refunds, Withdrawals and Transfers-out | 1.3% | 100 | 93 |
| d. Purchases and Transfers-in | 3.1% | 92 | 87 |
| e. Disability | 3.8% | 90 | 88 |
| 2. Member Communication | | | |
| a. Call Center | 21.2% | 70 | 73 |
| c. 1-on-1 Counseling | 7.4% | 96 | 87 |
| d. Presentations and Group Counseling | 6.5% | 70 | 91 |
| e. Written Pension Estimates | 4.7% | 93 | 93 |
| f. Mass Communication | | | |
| • Website | 11.3% | 77 | 86 |
| • News and targeted communication | 2.8% | 71 | 80 |
| • Member statements | 4.7% | 91 | 89 |
| 3. Other | | | |
| Satisfaction Surveying | 5.0% | 55 | 61 |
| Disaster Recovery | 1.0% | 66 | 95 |
| Weighted Total Service Score | 100.0% | 83 | 85 |

Examples of key service measures included in your Service Score:

| Select Key Service Metrics | You | Peer Avg |
|---|---------|----------|
| <u>Member Contacts</u> | | |
| • % of calls resulting in undesired outcomes (busy signals, messages, hang-ups) | 7% | 9% |
| • Average total wait time including time negotiating auto attendants, etc. | 86 secs | 119 secs |
| <u>Website</u> | | |
| • Can members access their own data in a secure environment? | Yes | 92% Yes |
| • Do you have an online calculator linked to member data? | Yes | 92% Yes |
| • # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc. | 14 | 14 |
| <u>1-on-1 Counseling and Member Presentations</u> | | |
| • % of your active membership that attended a 1-on-1 counseling session | 4.8% | 5.0% |
| • % of your active membership that attended a presentation | 2.2% | 6.7% |
| <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? | 100.0% | 90.3% |
| <u>Member Statements</u> | | |
| • How current is an active member's data in the statements that the member receives? | 3.0 mos | 2.3 mos |
| • Do statements provide an estimate of the future pension entitlement? | Yes | 75% Yes |

Your service score increased from 80 to 83 between 2014 and 2017.

Trends in Total Service Scores



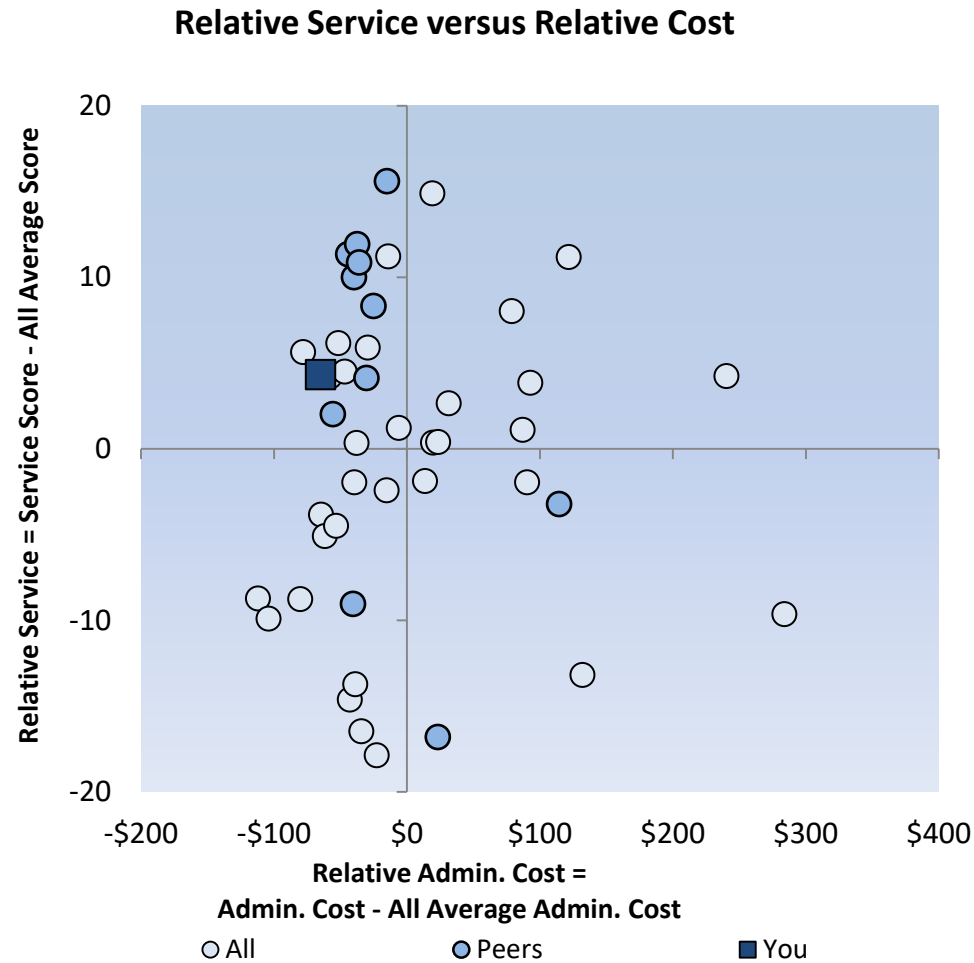
Presentations: Attendees as a percentage of active members increased from 1.5% to 2.2%, and your percentage of in-field and live webcast presentations increased from 40% to 72%.

Website: You added more functionality to your website, such as the ability to register for member counseling and presentations.

Satisfaction surveying: You started to survey member satisfaction for disability applications.

Trend analysis is based on systems that have provided 4 consecutive years of data (11 of your 12 peers).

The relationship between service and pension administration cost in the CEM universe:



Iowa PERS has consistently provided a high level of service while maintaining low costs relative to its peers.

Key Takeaways:

Cost

- Your total pension administration cost was \$55 per active member and annuitant. This was \$44 below the peer average of \$99.
- Your total pension administration cost per active member and annuitant increased by 0.6% per annum between 2014 and 2017.
- You continue to have the lowest administration cost in your peer group.

Service

- Your total service score was 83, in a high-scoring peer group. This was close to the peer median of 85. Six of your peers had scores in the top 10 of CEM's global participants.
- Your service score increased from 80 to 83 between 2014 and 2017.