

CEM Pension Administration Benchmarking Analysis

Iowa Public Employees' Retirement System



Key Takeaways:

Cost

- Your total pension administration cost of \$46 per active member and annuitant was \$53 below the peer average of \$99 and \$75 below the all average.
- Between 2014 and 2021 your total pension administration cost per active member and annuitant decreased 2.4% per annum.
- You were the third lowest cost system in the CEM universe.

Service

- Your total service score was 77. This was below the peer median of 81.
- Your total service cost of 77 is the same as your total service score in 2014. Your service cost had increased to 81 in 2018 but declined to 79 in 2019 due to lower attendance at member presentations. COVID related impacts resulted in a further decline to 77 for 2021.
- COVID had the largest impact on your service score in the following areas: your call center wait time increased, undesired phone calls increased and 1-on-1 counseling/ presentation attendance declined.

71 leading global pension systems participate in the benchmarking service.

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
Minnesota State RS
Nevada PERS
NYC TRS
NYSLRS
Ohio PERS
Oregon PERS
Pennsylvania PSERS
PERS of Mississippi
PSRS PEERS of Missouri

South Dakota RS
STRS Ohio
Texas County and District RS
TRS Illinois
TRS of Texas
Utah RS
Virginia RS
Washington State DRS

Canada

Alberta Pension Services
Alberta Teachers
BC Pension Corporation
Canadian Forces PP
Federal Public Service PP
HOOPP
LAPP of Alberta
Municipal Pension Plan of BC
Ontario Pension Board
Ontario Teachers
OPTrust
RCMP
Saskatchewan HEPP

The Netherlands*

ABN Amro PF
ABP
bpfBOUW
Metaal en Techniek
PF PWRI
PF Vervoer
PFZW
Rabobank PF

Denmark

ATP

United Kingdom*

Armed Forces Pension Scheme
BSA NHS Pensions
BT Pension Scheme
Greater Manchester PF
Irish Construction Workers' PS
Local Pensions Partnership
Lothian PF
Merseyside PF
Pension Protection Fund
Principal Civil Service
Railpen Pension Scheme
Rolls Royce Pension Fund
Royal Mail Pensions
South Yorkshire PF
Teachers' Pensions
Tyne & Wear PF
Universities Superannuation
West Midlands Metro
West Yorkshire PF

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

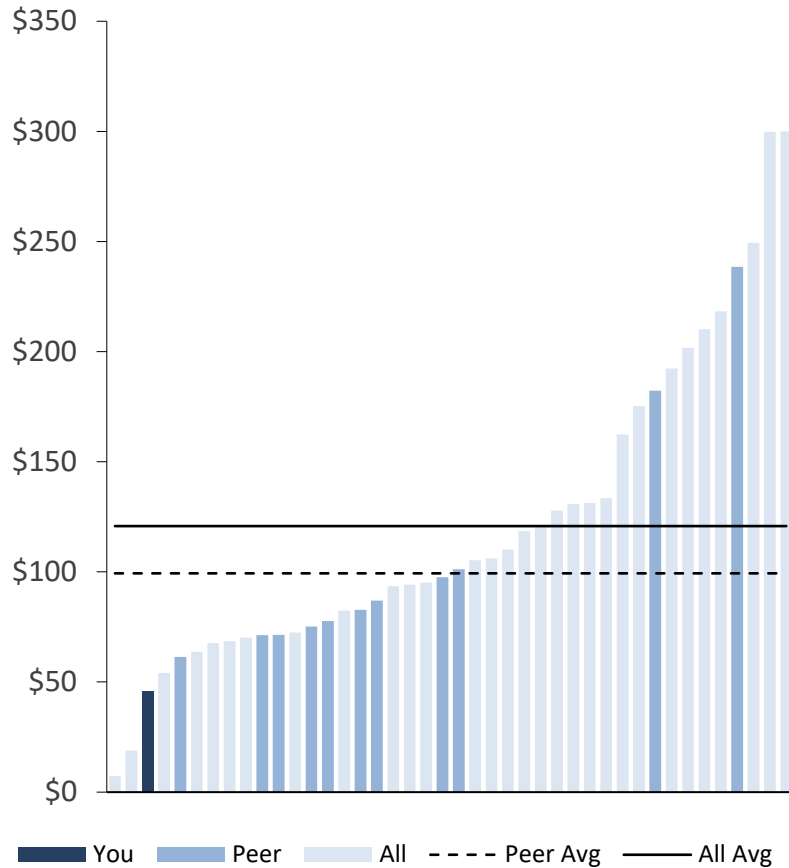
The custom peer group for Iowa PERS consists of the following 12 peers:

Custom Peer Group for Iowa PERS			
Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
Washington State DRS	334	209	543
Indiana PRS	248	167	414
Arizona SRS	208	163	371
STRS Ohio	203	160	363
Colorado PERA	234	127	361
Oregon PERS	181	159	340
Illinois MRF	171	140	311
Iowa PERS	173	129	302
TRS Illinois	159	128	287
KPERS	154	108	262
PSRS PEERS of Missouri	129	101	229
NYC TRS	125	90	216
Peer Median	177	135	325
Peer Average	193	140	333

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 of \$46 per active member and annuitant was \$53 below the peer average of \$99 and \$75 below the all average.

Pension Administration Cost Per Active Member and Annuitant



Category	\$000s	\$ per Active Member and Annuitant	
		You	Peer Avg
<u>Front office</u>			
Member Transactions	1,482	5	12
Member Communication	2,579	9	15
Collections & Data Maintenance	1,761	6	7
<u>Governance and support</u>			
Governance and Financial Control	1,038	3	7
Major Projects	203	1	14
Information Technology	4,982	16	24
Building	652	2	7
HR, Actuarial, Audit, Other	816	3	10
Total Pension Administration	13,852	46	99

Reasons why your cost per member was \$53 below the peer average:

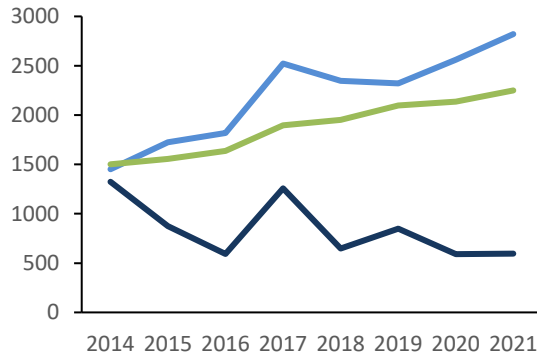
Reason	You	Peer Avg	Impact \$ per active member and
1 Fewer front-office FTE per 10,000 members	1.5 FTE	3.4 FTE	-\$25
2 Lower third party costs per member in the front-office	\$4	\$5	\$0
3 Higher costs per FTE			
Salaries and Benefits (Incl. retiree benefits)	\$110,961	\$102,730	
Building and Utilities	\$10,127	\$12,370	
HR	\$2,974	\$3,593	
IT Desktop, Networks, Telecom	<u>\$14,866</u>	<u>\$18,351</u>	
Total	\$138,929	\$137,043	\$1
4 Lower support costs per member ¹			
Governance and Financial Control	\$4	\$8	
Major Projects	\$1	\$15	
IT Strategy, Database, Applications	\$14	\$16	
Actuarial, Legal, Audit, Other	<u>\$3</u>	<u>\$12</u>	
Total	\$22	\$51	-\$29
Total			-\$53

1. To avoid double counting, Governance and support costs are adjusted for differences in cost per FTE.

One reason why you had fewer FTEs in your front office than your peers was that you had 43% fewer weighted transaction volumes. You had a higher productivity as well.

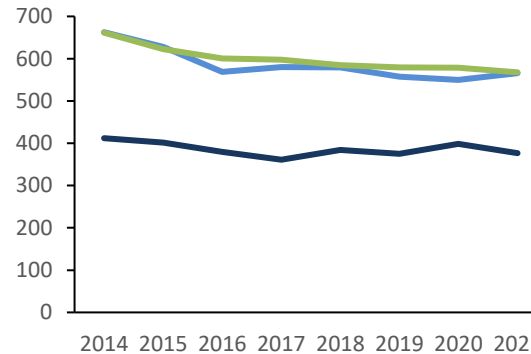
Website - Total Secure Area Visits

per 1,000 active members and annuitants



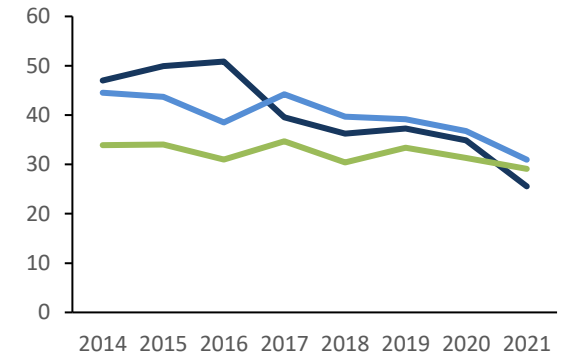
Incoming Calls and Emails

per 1,000 active members and annuitants



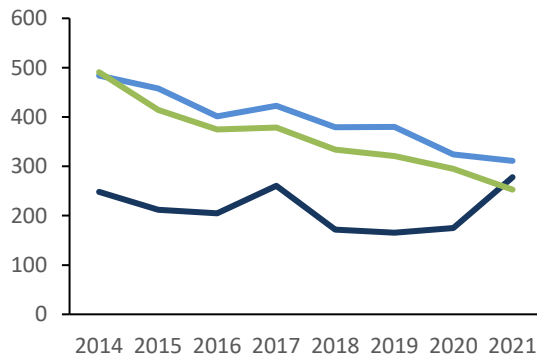
Written Estimates

per 1,000 active members and annuitants



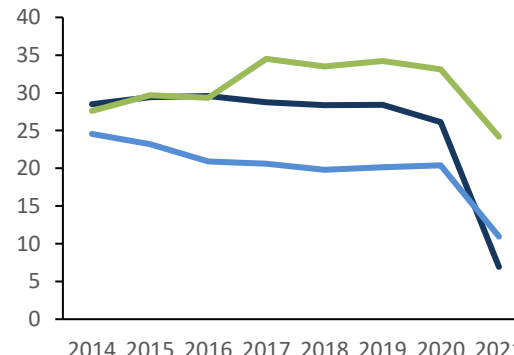
Incoming Mail

per 1,000 active members and annuitants



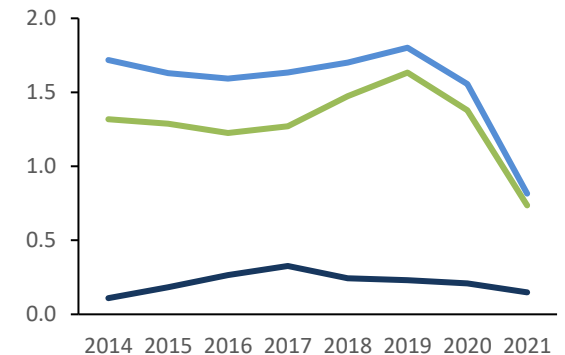
Members Counseled 1-on-1

per 1,000 active members and annuitants



Member Presentations

per 1,000 active members and annuitants

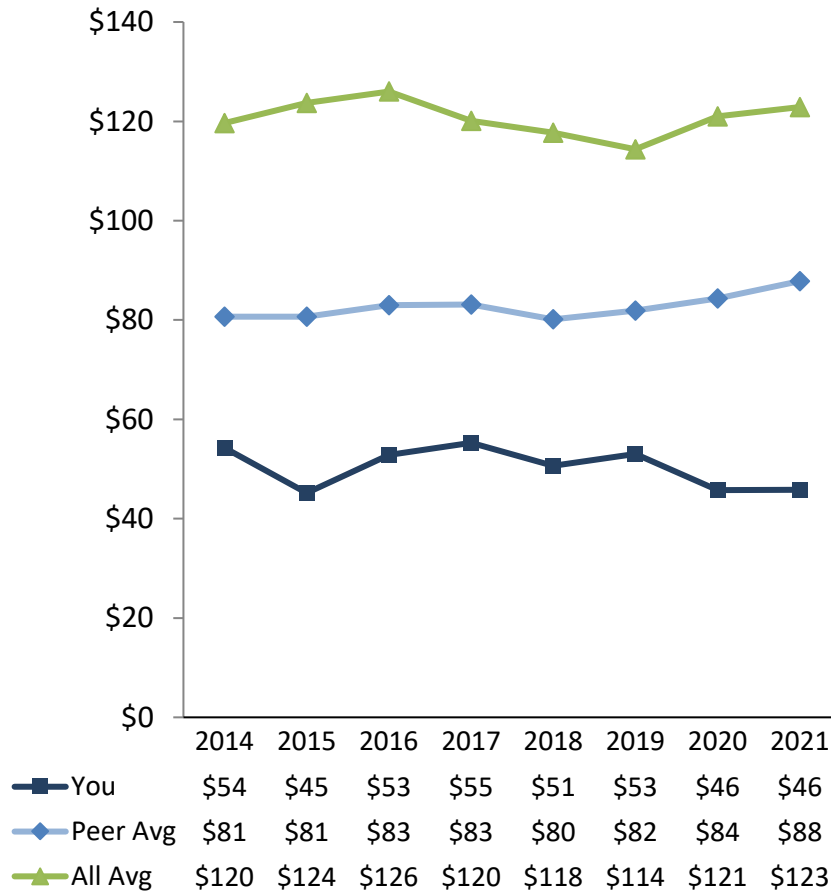


— You — Peer Avg — All Avg

Trend analysis is based on systems that have provided 8 consecutive years of data (10 of your 12 peers and 31 of the 42 systems in the universe).

Cost Trends

Trend in Total Pension Administration Costs



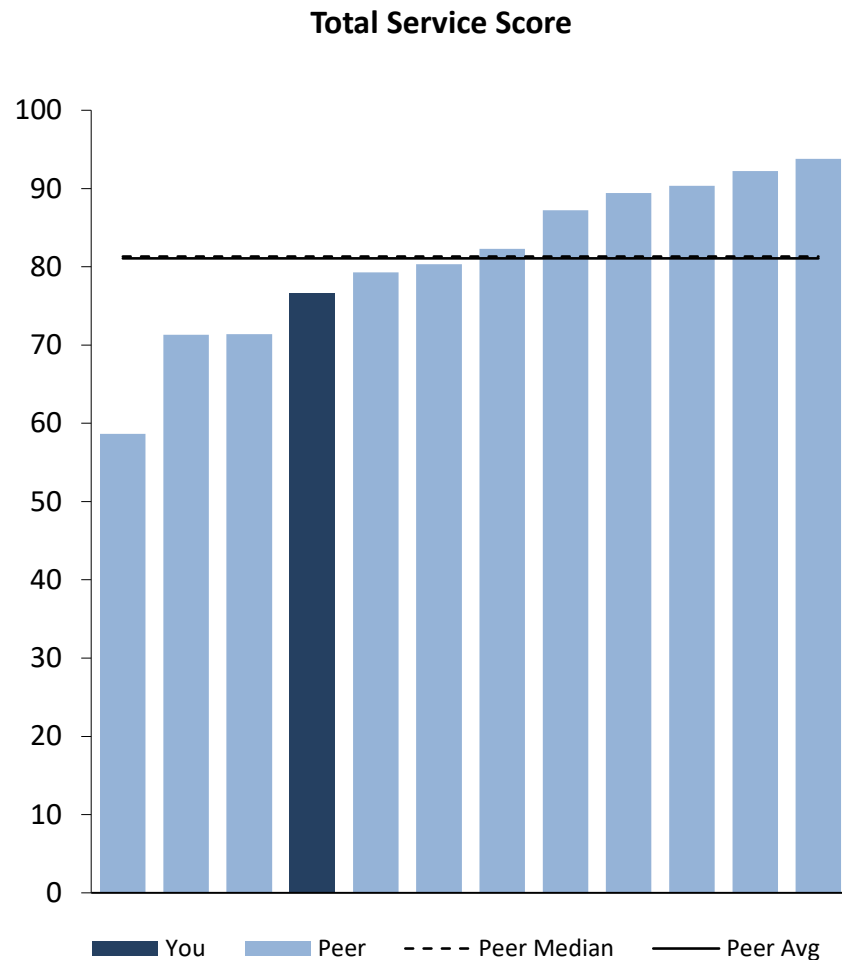
Between 2014 and 2021 your total pension administration cost per active member and annuitant decreased 2.4% per annum.

During the same period, the average cost of your peers with 8 consecutive years of data increased 1.2% per annum.

The main reason why your costs decreased was the decrease in major project costs: from \$15 per member in 2014 to \$1 per member in 2021.

Trend analysis is based on systems that have provided 8 consecutive years of data (10 of your 12 peers and 31 of the 42 systems in the universe).

Your total service score was 77. This was below the peer median of 81.



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.

Higher service is not necessarily cost-effective. For example, the ability to answer the telephone 24 hours a day is higher service, but not cost effective.

Service Scores by Activity			
Activity	Weight	You	Peer Median
1. Member Transactions			
Pension Payments	10.0%	100	100
Pension Inceptions	7.4%	88	88
Refunds, Withdrawals, and Transfers-out	1.3%	100	95
Purchases and Transfers-in	3.1%	92	90
Disability	3.8%	100	93
2. Member Communication			
Call Center	21.0%	76	80
1-on-1 Counseling	7.4%	79	80
Member Presentations	6.5%	41	100
Written Pension Estimates	4.7%	93	90
Mass Communication			
Website	21.3%	75	86
News and Targeted Communication	2.8%	76	78
Member Statements	4.7%	91	83
3. Other			
Member Experience Surveying	5.0%	0	40
Disaster Recovery	1.0%	100	99
Weighted Total Service Score	100%	77	81

Examples of key service measures included in your Service Score:

Select Key Service Metrics	You		Peer Avg
	2020	2021	
<u>Member Contacts</u>			
• % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	6%	8%	13%
• Average total wait time including time negotiating auto attendants, etc.	36 secs	79 secs	297 secs
<u>Website</u>			
• Can members access their own data in a secure environment?	Yes	Yes	100% Yes
• Do you have an online calculator linked to member data?	Yes	Yes	100% Yes
• # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc.	13	14	16
<u>1-on-1 Counseling and Member Presentations</u>			
• % of your active membership that attended a 1-on-1 counseling session	4.6%	1.2%	2.9%
• % of your active membership that attended a presentation	1.2%	0.9%	7.7%
<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%	100.0%	87.8%
<u>Member Statements</u>			
• How current is an active member's data in the statements that the member receives?	3.0 mos	3.0 mos	2.5 mos
• Do statements provide an estimate of the future pension entitlement?	Yes	Yes	67% Yes

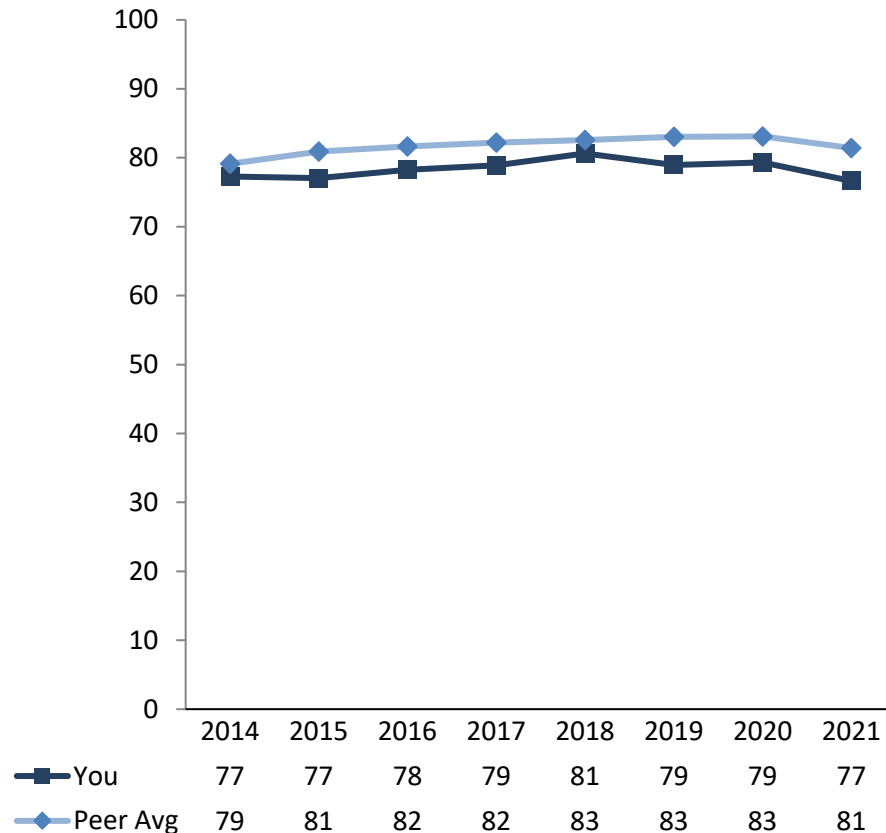
Where can you improve your total service score?

Potential improvements to your total service score	
Factor	Potential Improvement
You did not do any customer experience surveying during the fiscal year covered in this benchmarking report. To achieve a perfect service score you must do best practice customer experience surveying of all channels (e.g., calls, website, counseling) and all customer journeys (e.g., retirement, disability).	+ 5.2
0.9% of your active members attend presentations or group counseling. To achieve a perfect service score, attendees as a percent of active members must be 2.5% or greater.	+ 3.0
You do not review your staff's responses to member calls. To achieve a perfect service score you must review your staff's responses to member calls 4 or more times per month.	+ 1.7
Your members are forced to acknowledge a disclaimer every time they log-in or use the calculator. To achieve a perfect service score members must not be forced to acknowledge a disclaimer every time they log-in or use the calculator.	+ 0.9

CEM is not recommending these changes. Service improvement should be cost effective and important to your members.

Your total service score was the same in 2014 and 2021.

Trends in Total Service Scores



Trend analysis is based on systems that have provided 8 consecutive years of data (10 of your 12 peers).

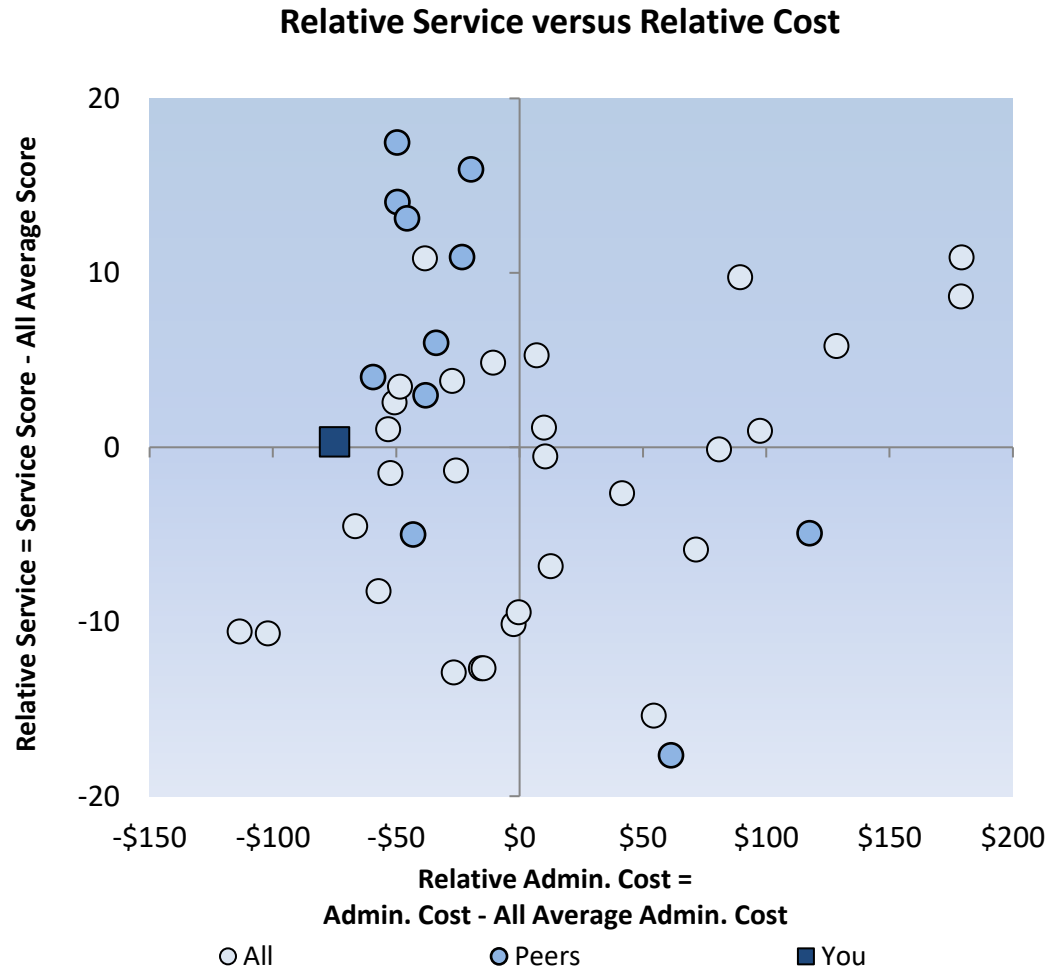
Historic scores have been restated to reflect changes in methodology. Therefore, your historic service scores may differ from previous reports.

Over the first 7 years your service score improved by 2 points by expanding your CRM capabilities, an improved call wait time, adding online tools and newsletters.

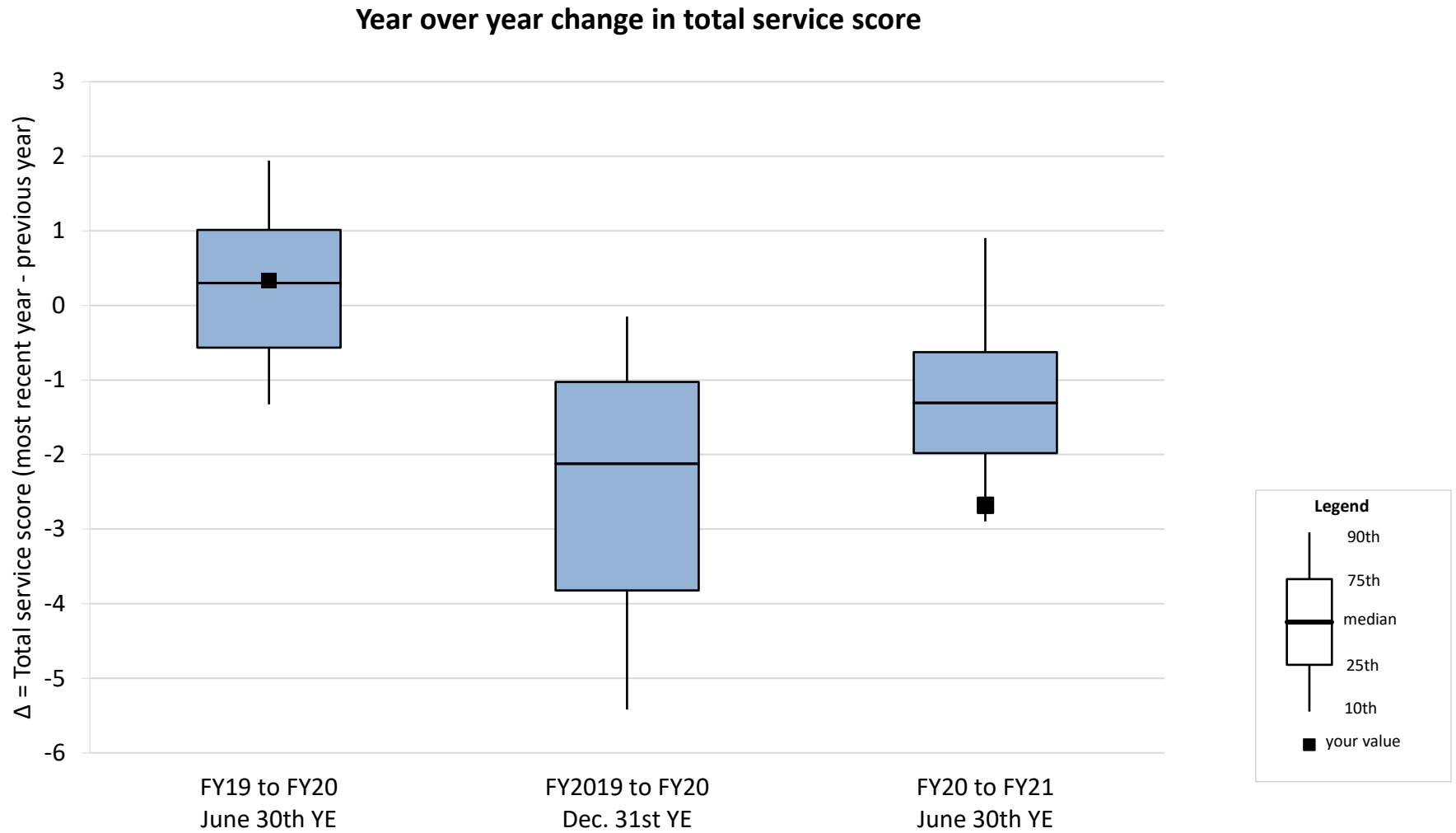
However, the COVID-19 pandemic had a significant impact and subsequently your service score decreased between last year and now. Changes in the following activities caused the decrease:

- 1-on-1 counseling: There were no counseling sessions in the field (57% in 2020).
- Call center:
 - Total wait time increased from 36 seconds to 79 seconds.
 - Undesired outcomes, i.e. abandoned calls in menu or queue: increased from 6.3% to 7.8%.
- Presentations: Your attendees as a % of active members fell from 1.2% to 0.9%.
- Member experience: None of your member groups were surveyed this year.

You were positioned in the low cost, high service quadrant on the CEM administration cost effectiveness graph.



COVID impact: total service scores fell for almost all systems in the latter half of 2020 and 2021.



Key service measures affected by the COVID experience:

Select Key Service Metrics	Avg for 12 months ending Jun 30*:		
	2020	2021	% Change
<u>Member Contacts</u>			
• % of calls resulting in undesired outcomes ('call another time' message and abandoned calls in a queue or on hold)	12.4%	14.4%	15.8%
• Average total wait time including time negotiating auto attendants, etc.	308 secs	380 secs	23.4%
• Average call duration	316 secs	363 secs	14.9%
<u>1-on-1 Counseling and Member Presentations</u>			
• % of your active membership that attended a 1-on-1 counseling session	9.2%	6.8%	-26.6%
• % of your active membership that attended a presentation	4.9%	3.1%	-37.2%
<u>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?	86.5%	85.4%	-1.2%
• What % of survivor inceptions are paid without an interruption of cash flow greater than 1 month between the pensioner's final pension check and the survivor's first pension check?	75.5%	69.2%	-8.4%
<u>Member Statements</u>			
• How current is an active member's data in the statements that the member receives?	2.9 months	2.8 months	-3.4%
<u>Refunds and Service Credit Purchases</u>			
• How many days does it take on average to issue a refund check?	36.8 days	35.8 days	-2.7%
• How many days does it take on average to provide a written service credit purchase cost?	65.8 days	35.0 days	-46.8%

* For the 20 systems that submitted data for the 12 months ending Jun 30, 2020 and 2021.

Global Trends

1. COVID-19 is changing work and disaster plans.
 - Continuing in the future: Work from home, web counseling, web presentations, and requiring members to do more transactions online.
 - Disaster recovery has less need for a second physical location.
2. Pension administration systems are becoming IT organizations.
 - IT & Major projects is now the biggest cost category for most systems.
3. Cyberrisk continues to increase
 - A sample of 12 large plans had an average of 4 internal FTE dedicated to managing cybersecurity.
4. Customer experience focus
 - Organizing communication, service, work and staff by customer journeys. Collecting satisfaction and effort metrics by journey as well as channel.
 - More segmentation, data mining, focus groups, targeted messaging, personas, branding.
5. Improved cost effectiveness
 - Improving processes: e.g. More than half of systems are using tools such as Lean, Six-Sigma, One and Done.
 - Straight through processing.
 - Maximizing online transactions, eliminating paper.
 - Belief that online is the highest service channel if done correctly.
 - Reduced emphasis on counseling and presentations (less true for systems administering healthcare).
6. Managing pension envy, which is often exacerbated by poor funded status