



**Defined Benefit Administration
Benchmarking Analysis**

FY 2006

ComSuper - consolidated schemes

Prepared February 1, 2007 by:

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The objective of this report is to help you understand:

1. How your Total Pension Administration Cost compares to your peers.
2. How the following four factors impact your costs:
 - Transaction Volumes
 - Service Levels
 - Plan Complexity
 - Total Volume - Economies of Scale
3. How your Service Levels compare to your peers in key service areas.
4. What you do differently from your peers.
5. Trends in your Service Levels and Costs.

59 leading global pension systems participate in the benchmarking service

Current Participants	
<u>United States</u>	
ACERA	TRS Louisiana
Arizona SRS	Washington State DRS
Colorado PERA	CalPERS *
Delaware PERS	CalSTRS *
Idaho PERS	Michigan ORS *
Illinois MRF	NY City Teachers' RS *
Indiana PERF	Pennsylvania SERS *
Indiana State TRF	Texas Teachers ERS *
Iowa PERS	
KPERS	
LACERA	
MOSERS	
Nevada PERS	
New Hampshire RS	
North Carolina RS	
NYSLRS	
Ohio PERS	
Ohio SERS	
Oregon PERS	
Pennsylvania PSERS	
South Carolina RS	
South Dakota RS	
STRS Ohio	
	<u>Canada</u>
	APA
	BC Pension Corporation
	Canada Post
	Defence Canada
	LAPP
	Ontario Teachers
	OPTrust
	PWGSC
	QPP
	RCMP
	<u>Australia</u>
	Australia Post
	ComSuper
	ESSS
	Pillar DB **
	QSuper DB **
	RBF Tasmania DB **
	Super SA DB **
	Unisuper DB
	<u>The Netherlands</u>
	ABP
	BPF
	BPF Bouw
	Bpf Landbouw
	BPF Metalektro
	KPN
	Pensioenfond Metaal en Techniek
	PGGM
	SSPF/ SPN
	Stichting Algemeen Pensioenfond KLM

* We have not yet received clean data from the 6 systems identified with an asterisk. Therefore, these 6 systems are excluded from this analysis.

** 4 Australian participants are alternating year participants. For the purposes of this study, we have inflated their costs submitted for the fiscal year ended June 30, 2005 by 4%, the rate of inflation as at the year ended June 30, 2006 (source: Reserve Bank of Australia).

When evaluating costs and performance, the most relevant comparisons are to systems similar to you in membership and nationality. Your peer group consists of Australian participants.

	Membership (000s)			Total
	Preserver	Retirees	Active Members	
ComSuper Military	61	63	53	177
ComSuper Public Service	102	127	179	408
ComSuper	163	190	231	585
Australia Post	10	0	38	48
ESSS	42	50	63	155
Pillar DB **	17	49	93	159
QSuper DB **	50	3	101	154
RBF Tasmania DB **	16	7	13	36
Super SA DB **	4	15	12	31
Unisuper DB	0	4	52	56
Average	38	40	75	153
Median	16	11	58	105

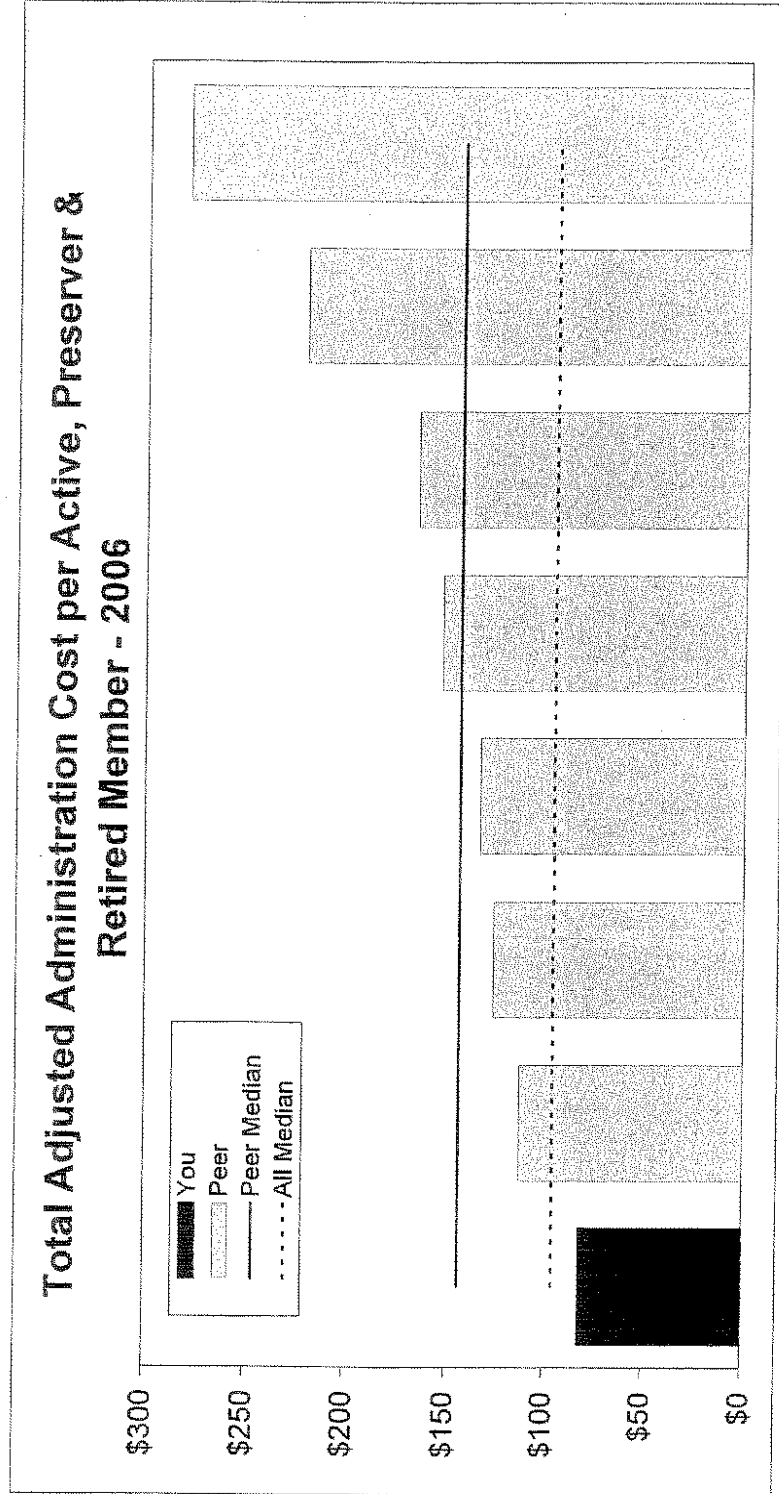
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This analysis is based on your Total Adjusted Administration Cost of \$47.8 million.

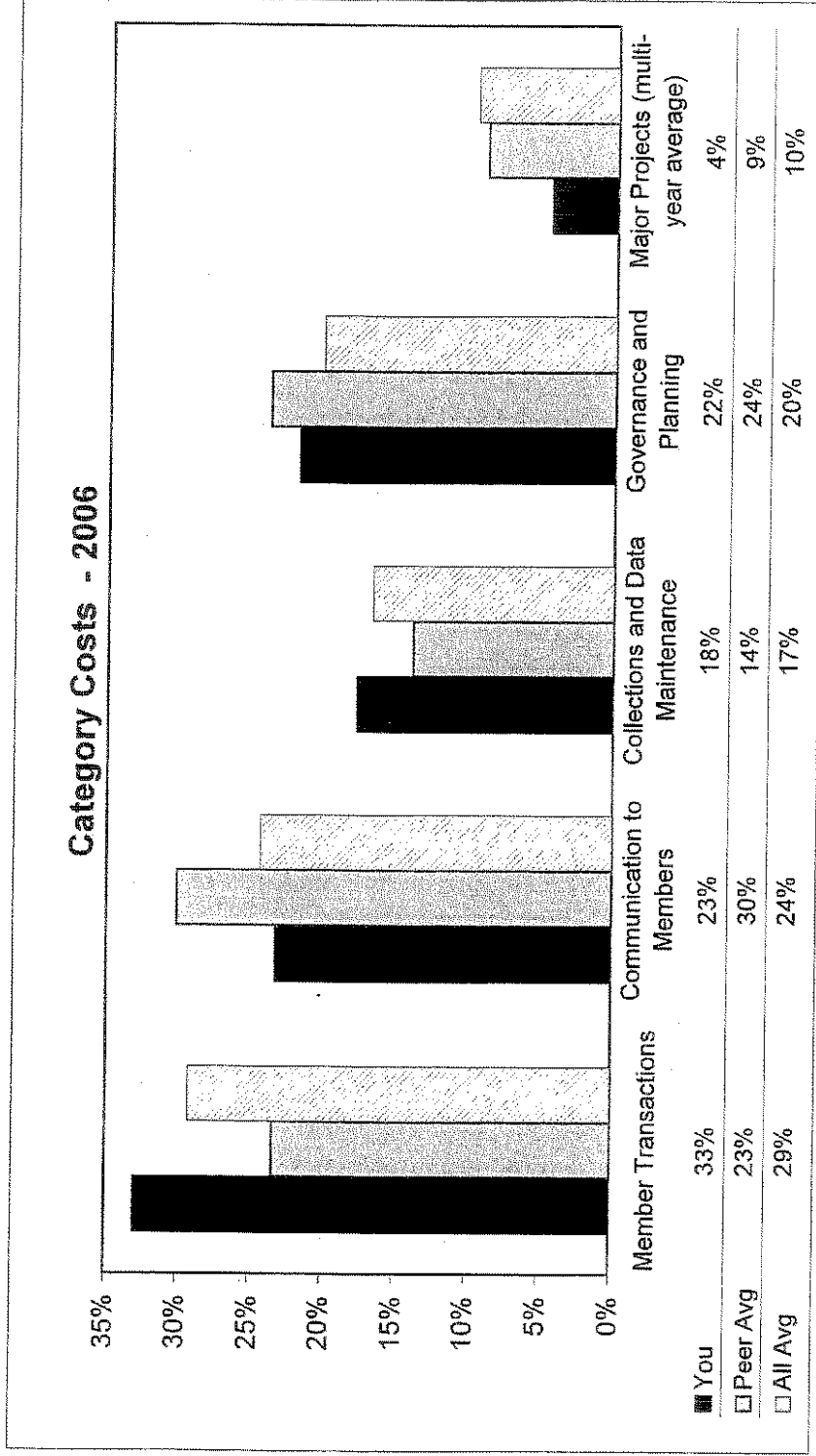
Activity	Total Adjusted Administration Cost for ComSuper		PSS/CSS	\$000s
	Military			
1 Paying Annuity Pensions	849		1,867	2,716
2 Annuity Pension Inceptions (non-disability)	1,364		1,379	2,744
3 Written Estimates	173		275	447
4A 1-on-1 Member Counseling	0		69	69
4B Group Retirement Counseling	294		0	294
5 Member Contacts: Calls, Emails, Letters	863		4,396	5,259
6 Mass Communication to Members and Annuitants	1,021		3,993	5,014
7A-C Collections and Data Maintenance	5,195		2,169	7,365
7D Service to Employers	0		1,096	1,096
8 Lump Sums and Transfers-out	2,386		2,018	4,404
9 Transfers-in	77		140	217
10 Invalidity	3,692		1,966	5,657
11A-D Financial Control and Governance	3,989		6,186	10,175
12A-C Plan Design and Rules Development	177		0	177
13 Major Projects and Non-recurring	995		918	1,913
Total Administration Cost per survey	21,075		26,472	47,547
Adjustments:				
<i>subtract</i> Major Projects and Non-recurring		995	918	1,913
<i>add</i> 3-year average Major Project cost*		1,081	998	2,126
Total Adjusted Administration Cost*	\$ 21,161	\$ 26,552		\$47,760

* The Total Adjusted Administration Cost and average Major Project cost for ComSuper Consolidated do not equal the sum of Military and PSS/CSS (Consolidated is \$47K more than the sum of the 2 divisions) due to the 3-year averaging calculations for major Project costs.

Your Total Adjusted Administration Cost was \$82 per Active, Preserver & Retired Member. This was below the peer median of \$143.



You spent the largest proportion of your budget on Member Transactions. Your peers' largest cost area was Communication to Members.



We measure and compare 4 factors that impact costs.

Factors that impact costs:

1. Transaction Volumes
(Transaction Type Cost)
2. Service Level
3. Plan Complexity
4. Total Volume (Economies of Scale)



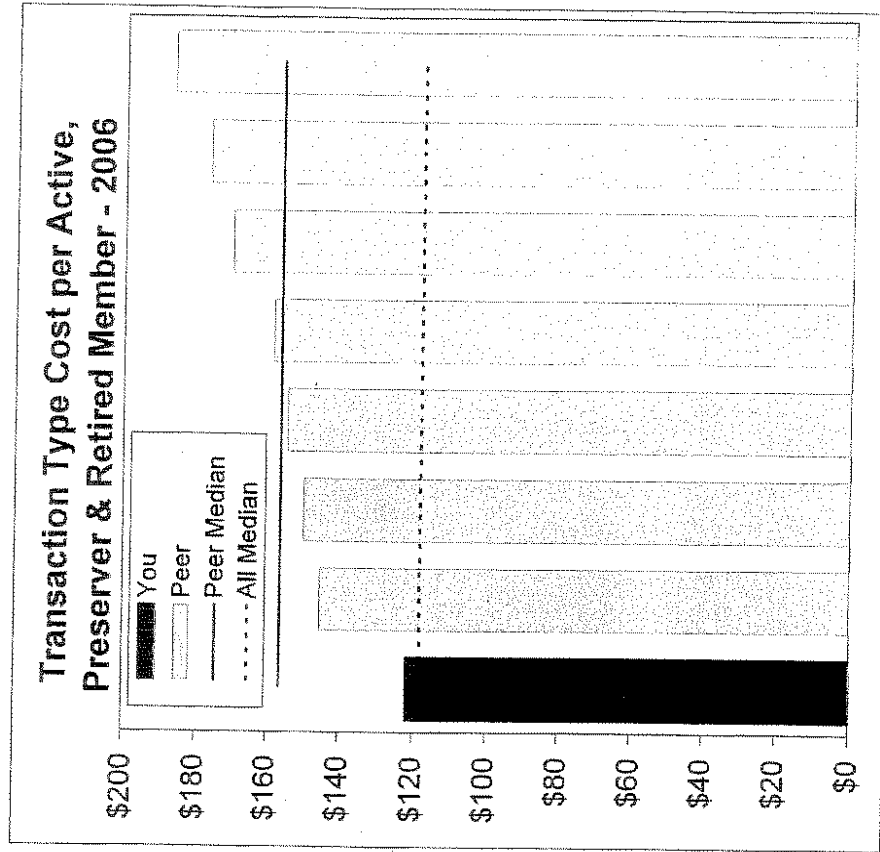
1. Transaction Volumes

Your total transaction volumes per Active, Preserver & Retired Member were 22% below the peer median.

It is lower cost to do fewer transactions per member. Therefore, it is important to understand how and why your transaction volumes differ. The Transaction Type Cost measure provides a way of summarizing in a single number the over 80 different transaction types that we compare. It equals your transaction volumes by type, such as the number of member calls or newsletters mailed, multiplied by our estimate of the average cost of all participants to perform each transaction type.

Activities where you did fewer transactions include:

- Fewer Lump Sums & Transfers-Out - You had 28 Lump Sums & Transfers-Out for every 1000 Active, Preservers & Retired Members versus a peer average of 74.
- Fewer Members Counseled 1-on-1 - You counseled 5 members for every 1000 Active, Preservers & Retired Members versus a peer average of 27.
- Fewer Calls, Emails and Letters - You had 708 Calls, Emails and Letters for every 1000 Active, Preservers & Retired Members versus a peer average of 1,138.



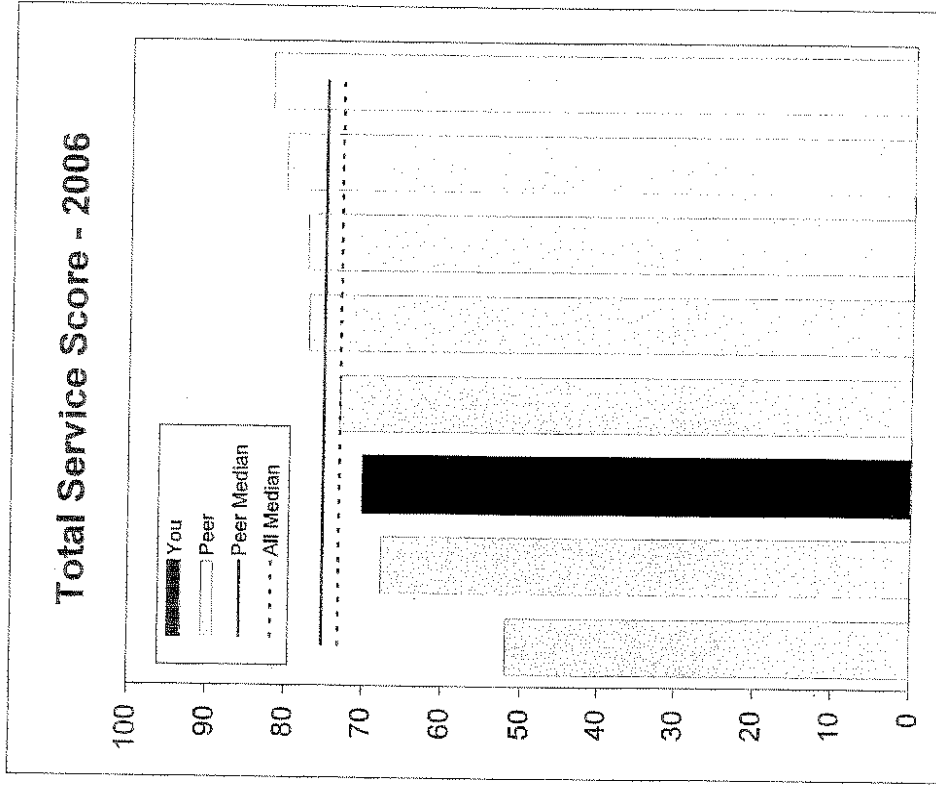
2. Service Level

Your Total Service Score was 70. This is slightly below the peer median of 75.

Your Total Service Score is the weighted average of your Service Scores for each Activity. Your Service Scores for each Activity and a discussion of ways to improve your score are shown on the following three pages.

Understanding why you rank where you do is more important than your Total Service Score because:

- Service is defined as: "Anything a member would like, before considering costs." High service may not always be cost effective or optimal. For example, having your Call Center open 24 hours a day is higher service, but may not be cost effective.
- The weights used to determine the service scores will not always match the relative importance your members attach to the criteria.



2. Service Level

Examples of key service measures included in your Service score.

Select Key Service Metrics	You	Peer Avg
<u>Member Contacts</u>		
• What percent of calls result in desired outcomes (reach knowledgeable person, needs satisfied by self-serve options) as opposed to undesired outcomes (such as busy signals, messages, hang-ups)?	79%	92%
• What was the average total wait time in seconds to reach a knowledgeable person, including time waiting on hold, time navigating auto-attendant, receptionist redirection time, etc?	187 secs	71 secs
• Can you provide members with an immediate real time estimate of their benefits at retirement over the telephone?	Yes	100% Yes
<u>Website</u>		
• Are all, some or none of your forms available online?	All	63% All
• Do members have access to their own data (i.e., service credit summary, pensionable salary, beneficiaries, etc.) in a secure environment?	No	88% Yes
• Do you have an online calculator on your website?	Yes	88% Yes
• Changes to non-financial data such as address changes?	Yes	100% Yes
<u>Member Statements</u>		
• On average, how current is an active member's data in the statements that the member receives (in months)?	4.0	2.9
• Do your statements for active members include:	Yes	100% Yes
- Pensionable earnings?		
- An estimate of the future benefit retirement based on age scenario modeling or assuming the member continues to work until earliest possible retirement?	No	75% Yes

Your Service Scores by Activity compared to your peers as follows:

2. Service Level

Service Scores by Activity		Your Score	Peer Avg
Weight	Activity		
9.7%	1 Paying Annuity Pensions	92	93
3.1%	2 Annuity Pension Inceptions (non-disability)	81	72
6.5%	3 Written Estimates	74	63
13.0%	4A-B Counseling	90	70
21.3%	5 Member Contacts: Calls, Emails, Letters	41	69
25.1%	6 Mass Communication to Members and Annuitants	69	74
	a) Member Presentations (15%)	58	59
	b) Website (30%)	75	85
	c) Electronic Delivery (5%)	75	31
	d) Newsletters (15%)	75	58
	e) Member Statements (30%)	64	88
	f) Other Mass Communication (5%)	70	72
4.0%	7D Service to Employers	71	75
7.8%	8 Lump Sums and Transfers-out	81	79
2.1%	9 Transfers-in	90	75
4.7%	10 Invalidity	74	75
2.8%	11A-D Financial Control and Governance	59	81
100.0%	Total Service Score (Average)	70	72
	Total Service Score (Median)		75

We do not have service measures for the activities 7A-C Collections, Data and Billing or for activity 12 Plan Design.

2. Service Level

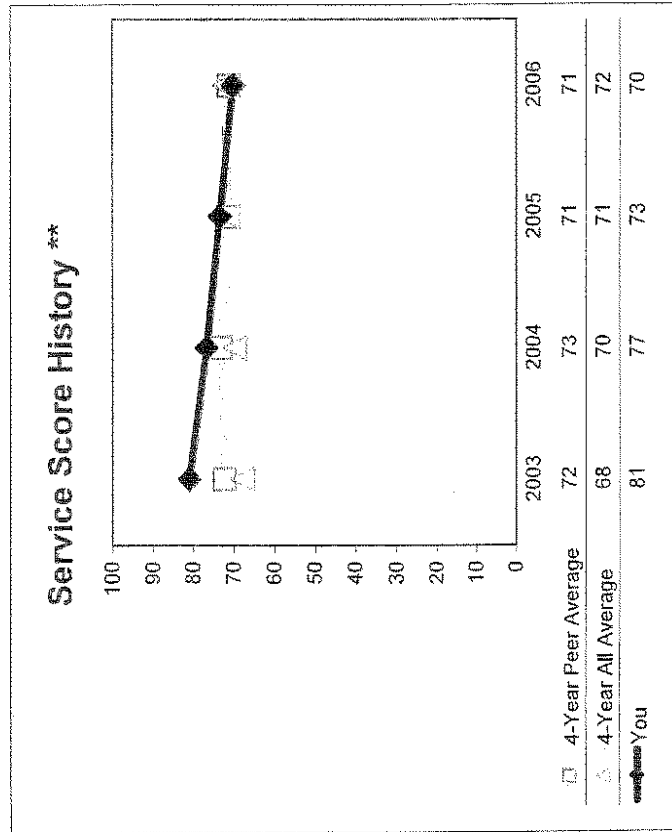
Examples of 5 changes you could make that would improve your Total Service score by 17.1 points.

This excerpt shows a selection of things you could do to improve your Total Service score. CEM is not recommending these changes. Higher service is not necessarily optimal or cost effective. We include this analysis because many participants want to know what they would have to do to achieve a higher score. The Service section shows in detail what you would need to do to achieve a perfect score for each activity.

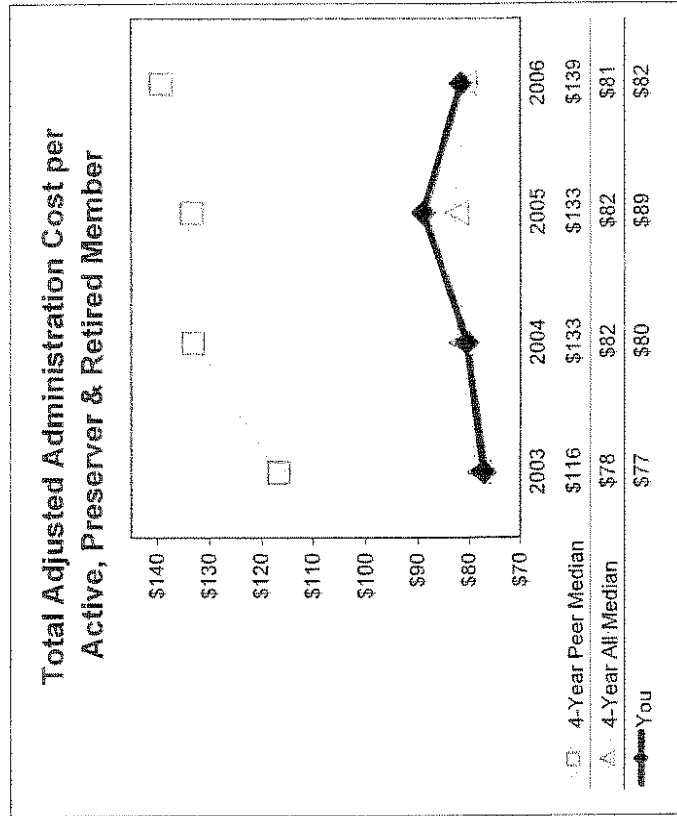
- **Call Outcomes (+5.4 potential additional points)** - A perfect score requires that all calls either get through to a knowledgeable person or are satisfied by a self serve option. 21.0% of your calls during business hours do not get through. Instead they result in either busy signals, hang-ups or messages. This was more than the peer average of 8.1%.
- **Call Wait Time (+5.2)** - A perfect score requires that callers immediately reach a knowledgeable person with no waiting. Your callers wait 187 seconds on average. This was slower than the peer average of 71 seconds.
- **Satisfaction Surveying (+3.3)** - A perfect score requires that you do single-activity-focused satisfaction surveying for all key activities, survey only members who recently experienced the service, be able to summarize results by service representative and survey on a frequent random-sample basis. You do not survey transfers-in or invalidity. You do survey 1-on-1 counseling, member calls, presentations, website, employers and transfers-out but some of the surveys were not single-activity-focused.
- **Member Statement Content (+1.9)** - A perfect score requires that statements show total service credit, earnings the pension will be based on, a historical summary of earnings and service credit earned each year, current refund value and an estimate of the future retirement benefit. Your statements do not show an estimate of the future retirement benefit.
- **Group Size (+1.3)** - A perfect score requires that you have an average of 10 people or fewer per presentation. You had an average of 102 attendees per presentation. This was above the peer average of 41.

Service and Cost Trends

• Service Scores have changed very little for the average 4-year participant*.



• Costs have changed very little for the median 4-year participant*.



* The 2006 Peer and All numbers in the graphs above may not match others in this report because these graphs depict only those systems that have provided 4 consecutive years of data (4 of your 8 peers, 34 of the 53 participants).

** The Service Score calculation methodology has improved over time based on participant feedback. The current 2006 Service Score methodology was applied retroactively to recalculate your 2003 - 2005 scores. If a service question was not asked in 2003 - 2005 we used your response from the year when the question was first asked as a default.

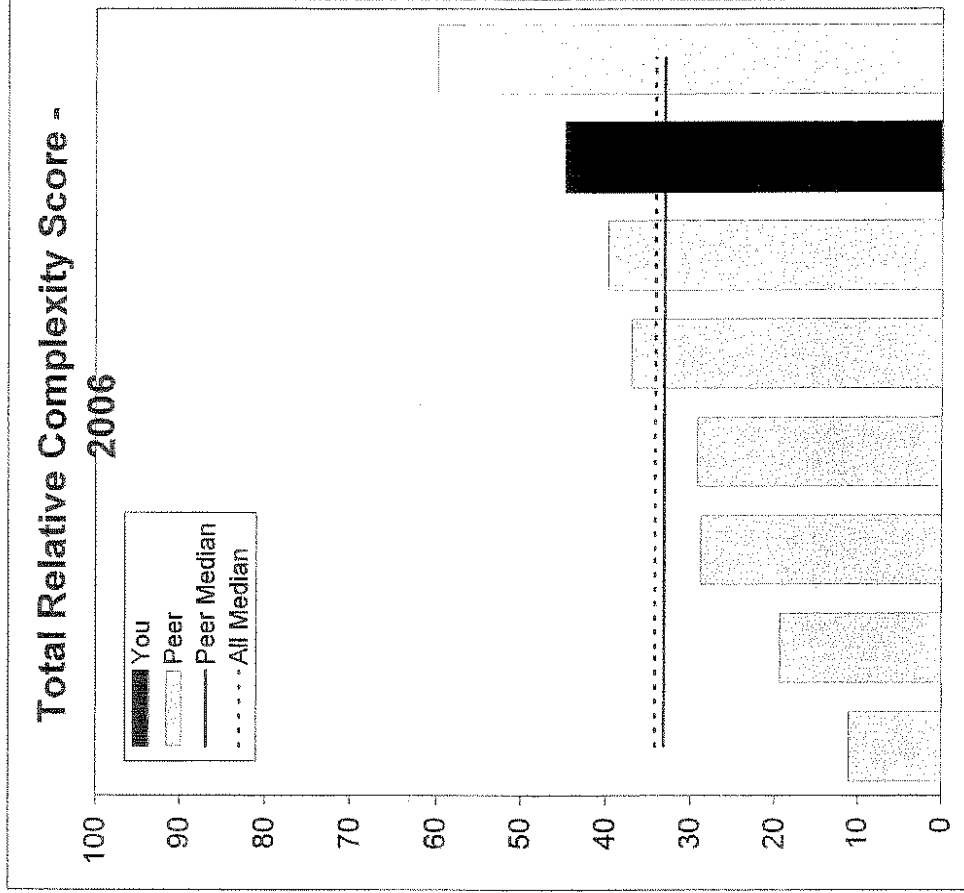
3. Plan Complexity

Your relative Complexity was above the peer median.

Complexity is caused by two factors:

1. Multiple member groups with different rule sets.
2. Complex rules. For example, many systems need to keep track of multiple mortality tables that depend on the member's hire date.

The Complexity Scores are relative measures. Relative measures rank all participants from relatively least to relatively most complex on a scale of 0 to 100. A low Relative Complexity score does not mean that your system is not complex, rather it means that your system is relatively less complex than your peers. All retirement systems are extremely complex, so even the system that has a 0 Total Relative Complexity score is still extremely complex.



3. Plan

Complexity

Your Relative Complexity by underlying cause compared to your peers as follows:

Many participants are curious about why they do not have a higher complexity rating.

The most complex participant is CalPERS. Their participating local employers can extensively customize their rule sets. For example, their employers can select their own benefit multipliers, final salary definition, retirement age, cost of living adjustment rules, disability benefit rules etc. Their complexity from Customization Choices is 100 versus your score of 0.

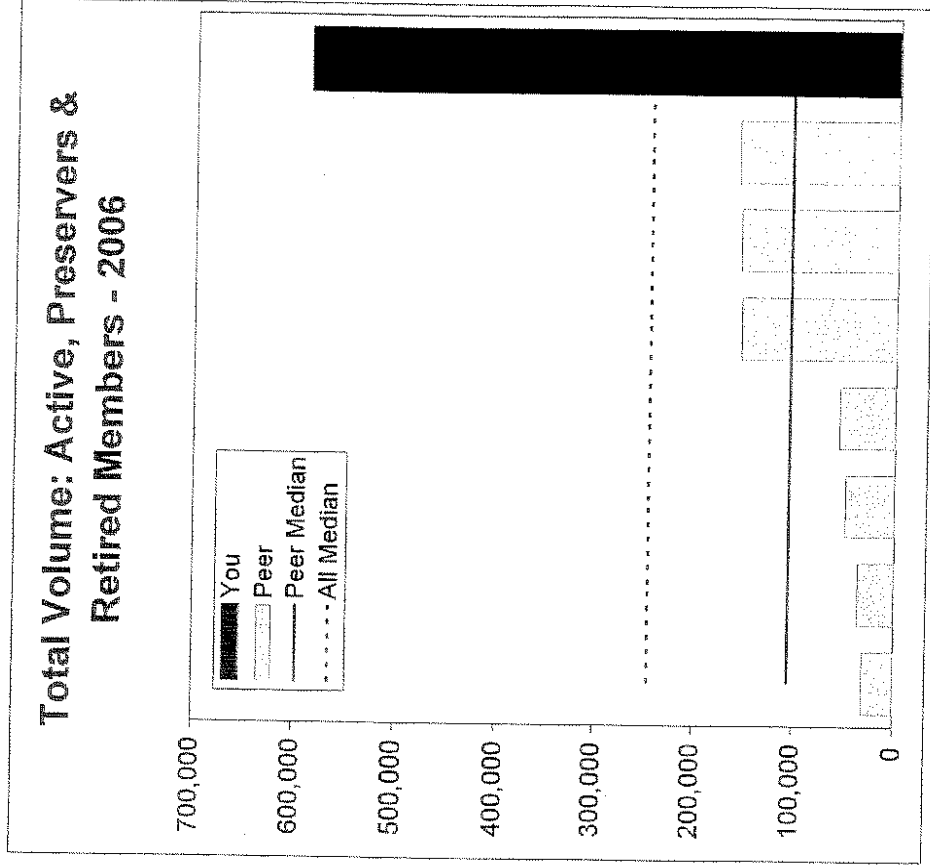
The second most complex participant has a long history of grandfathered changes to their benefit formula and fragmented rules related to different counties and cities. They have over 81 different multipliers and 8 different possible salary definitions that could apply in their benefit formula. Their complexity from Multiple Benefit Formula is 100 versus your score of 33.

Relative Complexity Ratings by Cause			
Complexity: 0 least - 100 most			
Weight	Underlying Cause	Your	Peer Avg
15.0%	A. Pension Payment Options	31	26
20.0%	B. Customization Choices	0	19
10.0%	C. Multiple Plan Types and Overlays	100	65
16.0%	D. Multiple Benefit Formula	33	36
3.0%	E. External Reciprocity	0	0
4.0%	F. COLA rules	25	22
3.0%	G. Contribution Rates	87	67
4.0%	H. Variable Compensation	85	36
3.0%	I. Service Credit Rules	60	31
3.0%	J. Divorce Rules	55	72
5.5%	K. Purchase Rules	50	24
4.0%	L. Refund Rules	100	52
6.0%	M. Invalidation Rules	94	86
0.5%	N. Translation	0	13
3.0%	O. Defined Contribution Plan Rules	0	2
100.0%	Weighted Average (before scaling)	43	36
	Scaled Total Complexity	45	34

4. Economies of Scale

Your Total Volume was 584,700 Active, Preservers & Retired Members. This compared to a peer median of 104,950.

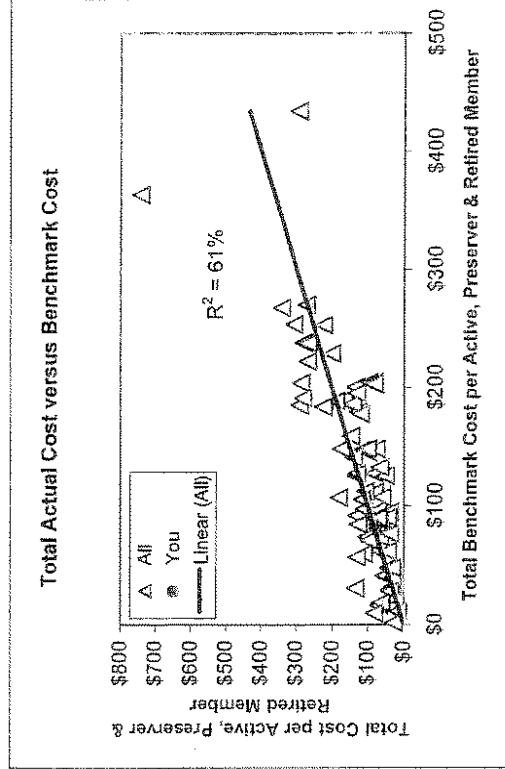
Total Volume matters most for systems with 50,000 or fewer Active, Preservers & Retired Members. These smaller systems have a scale disadvantage.



Your Total Cost was slightly lower than predicted after adjusting for differences in economies of scale and transaction volumes.

Your Benchmark Cost, shown in the table on the right, is based on the regression equation that uses both the Transaction Type Cost and Total Volume measures. In combination, these two measures are our best predictors of Total Cost. Together they explained 61% of differences in costs between participants.

Benchmark Cost Analysis	
Cost per Active, Preserver & Retired Member	
Actual Cost	\$82
Benchmark Cost	\$84
Difference	-\$2



This is the second year that CEM has used the Benchmark Cost Analysis in Pension Administration Benchmarking. CEM will continue to research this analysis and consider all feedback that we receive from benchmarking participants. Therefore, we expect that there will be some changes and adjustments to the Benchmark Cost Analysis over the next year.

The Benchmark Cost cost equation is based on the most recent data from all of the participating systems that have participated during the past 3 years. The regression equation is: $\text{Benchmark Cost} = 268.56 + -58.71 \times \text{Log } 10 \text{ of Actives, Preservers \& Retired Members} + 1.27 \times \text{Transaction Type Cost}$.

Summary

- Your Total Actual Administration Cost of \$82 was below the peer median of \$143.
- Your total transaction volumes per Active, Preserver & Retired Member were below the peer median.
- Your Total Service Score of 70 was below the peer median of 75.
- Your Relative Complexity of 45 was above the peer median of 33.
- Your Total Volume of 584,700 Active, Preservers & Retired Members was above the peer median of 104,950.
- Your Benchmark Cost (a predicted cost that adjusts for economies of scale and transaction types) was \$84, very close to your actual cost of \$82.

Interpretation:

Your Total Cost was lower than the peer group median reflecting your lower than normal transaction volumes and higher than median membership size. Your actual Total Cost was very close to where we would predict it to be after adjusting for transaction volumes and economies of scale.