

Texas Municipal Retirement System Pension Administration Benchmarking Results

Calendar 2018

David Dupont
Director
CEM Benchmarking



Key takeaways

- Cost
 - Your cost of \$104 per member was \$12 above the adjusted peer average.
 - Your cost was above average partly because you had higher salary and other costs per FTE. Your higher costs per FTE reflects a combination of:
 - You had 11% fewer FTE in the front-office than your peers.
 - Travis County's cost environment is 11% above the peer median.
 - You have a tough peer group. The average peer cost is substantially lower than the adjusted universe average of \$153.
- Service
 - Your score of 79 was close to the peer average.
 - Your score improved from 78 to 79 between 2012 and 2018.

62 leading global pension systems participate in the benchmarking service.

United States

Arizona SRS
CalPERS
CalSTRS
Colorado PERA
Delaware PERS
Florida RS
Idaho PERS
Illinois MRF
Indiana PRS
Iowa PERS
KPERs
LACERA
Michigan ORS
NYC ERS
NYC TRS
NYSLRS
Ohio PERS
Oregon PERS
Pennsylvania PSERS

PSRS PEERS of Missouri
South Carolina RS
South Dakota RS
STRS Ohio
Texas MRS
TRS Illinois
TRS Louisiana
TRS of Texas
Utah RS
Virginia RS
Washington State DRS
Wisconsin DETF

United Kingdom*

Armed Forces Pension Schemes
BSA NHS Pensions
BT Pension Scheme
Pension Protection Fund
Principal Civil Service Pension Scheme
Scottish Public Pension Agency
Teachers' Pensions Scheme
Universities Superannuation Scheme

Canada

APS
Alberta Teachers' RF
BC Pension Corporation
Canadian Forces Pension Plans
FPSPP
LAPP
OMERS
Ontario Pension Board
Ontario Teachers
OPTrust
RCMP
SHEPP

The Netherlands*

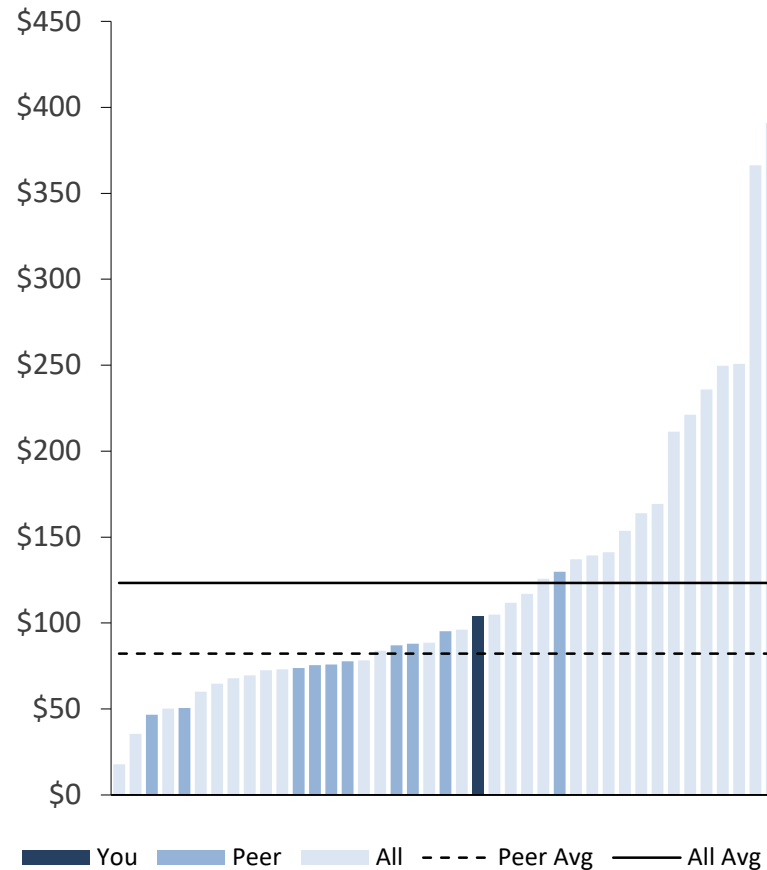
ABN Amro Pensioenfond
ABP
bpfBOUW
Pensioenfond Metaal en Techniek
Pensioenfond Vervoer
Philips Pensioenfond
PFZW
Rabobank Pensioenfond
Shell Pensioenfond
St. Pensioenfond Openbaar Vervoer
Spoorwegpensioenfond

Texas MRS's peer group consists of the 11 U.S. plans because size is the primary driver of costs.

| Custom Peer Group for Texas MRS | | | |
|---------------------------------|-----------------------|------------|------------|
| Peers (sorted by size) | Membership (in 000's) | | |
| | Active Members | Annuitants | Total |
| Arizona SRS | 207 | 150 | 357 |
| Oregon PERS | 173 | 148 | 321 |
| Illinois MRF | 177 | 132 | 308 |
| Iowa PERS | 170 | 121 | 291 |
| TRS Illinois | 161 | 122 | 283 |
| KPERS | 152 | 100 | 251 |
| PSRS PEERS of Missouri | 127 | 92 | 219 |
| TRS Louisiana | 91 | 79 | 170 |
| Texas MRS | 112 | 58 | 170 |
| Utah RS | 97 | 68 | 166 |
| Idaho PERS | 71 | 47 | 118 |
| Peer Median | 152 | 100 | 251 |
| Peer Average | 140 | 102 | 241 |

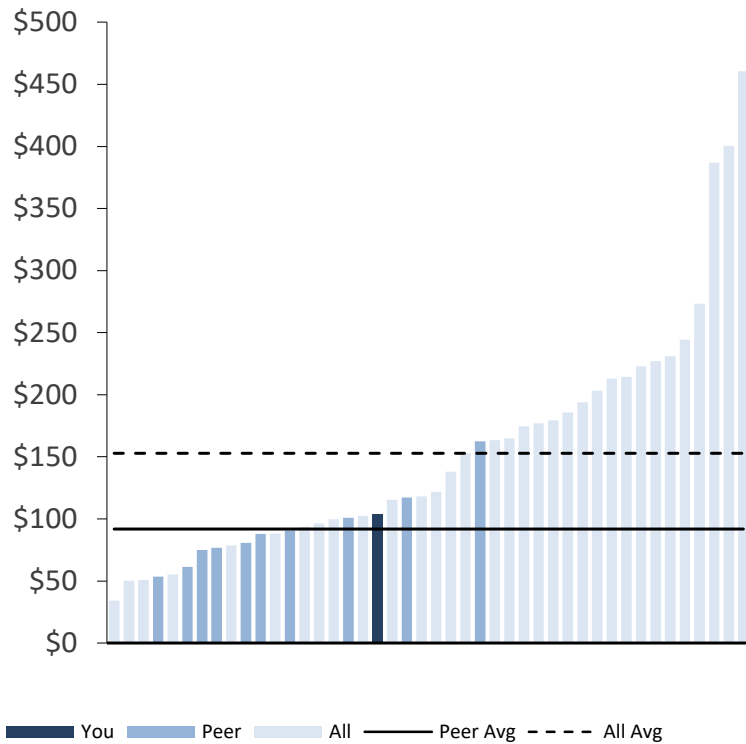
Your total pension administration cost was \$104 per active member and annuitant. It was \$22 above the peer average.

Pension Administration Cost Per Active Member and Annuitant



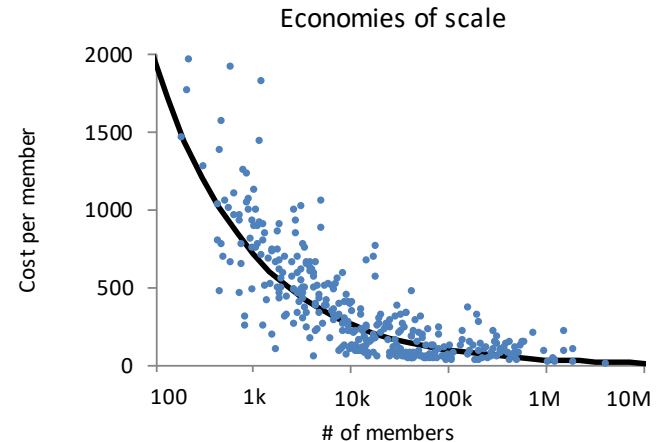
Size matters: you have an economies of scale disadvantage relative to the peer average. After adjusting the cost of each peer for its scale advantage/disadvantage, your cost was \$12 above the adjusted peer average of \$92.

Pension Administration Cost Per Active Member and Annuitant - Adjusted for Economies of Scale



- Your system had 30% fewer members than the peer average. Your smaller size means that you have a scale disadvantage of \$10 relative to the peer average.

- The scale adjustment is based on regression analysis using cost and membership data from 370 global pension plans. Approximately 70% of differences in cost per member can be explained by differences in size.

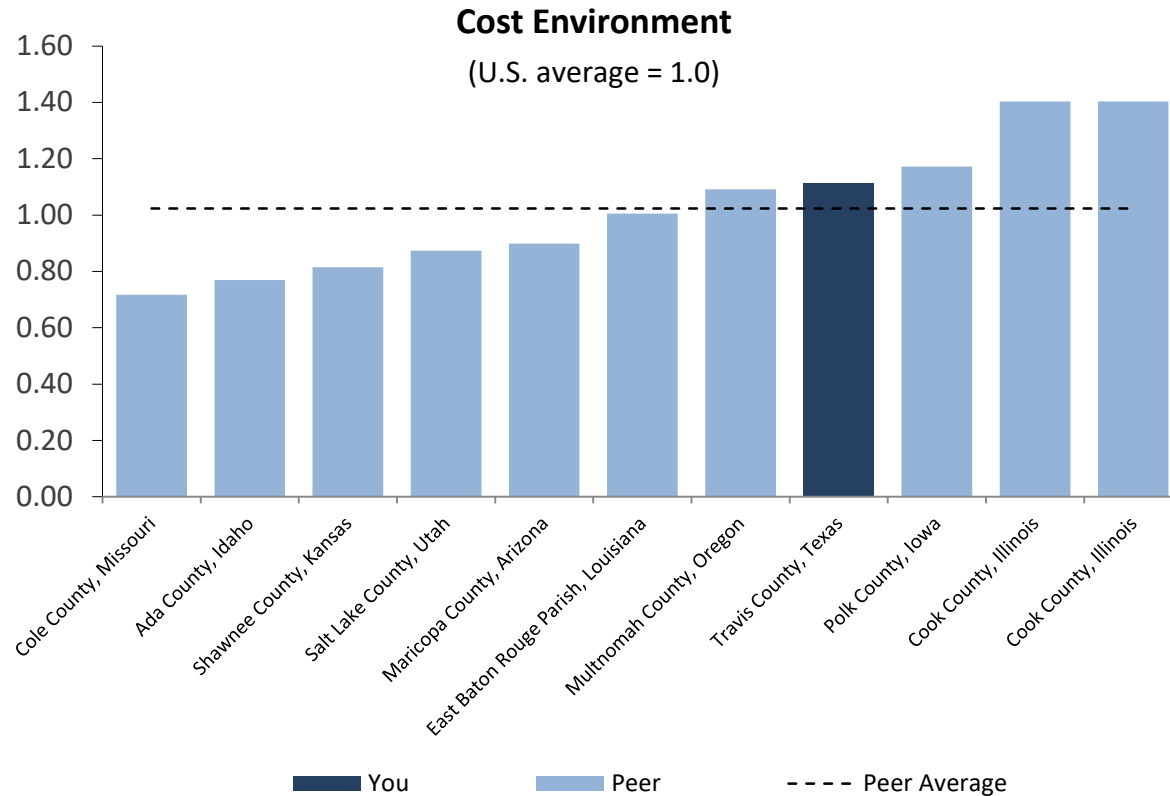


- Each peer's cost was adjusted for its scale advantage/disadvantage relative to your system.

Reasons why your total cost was above the peer average:

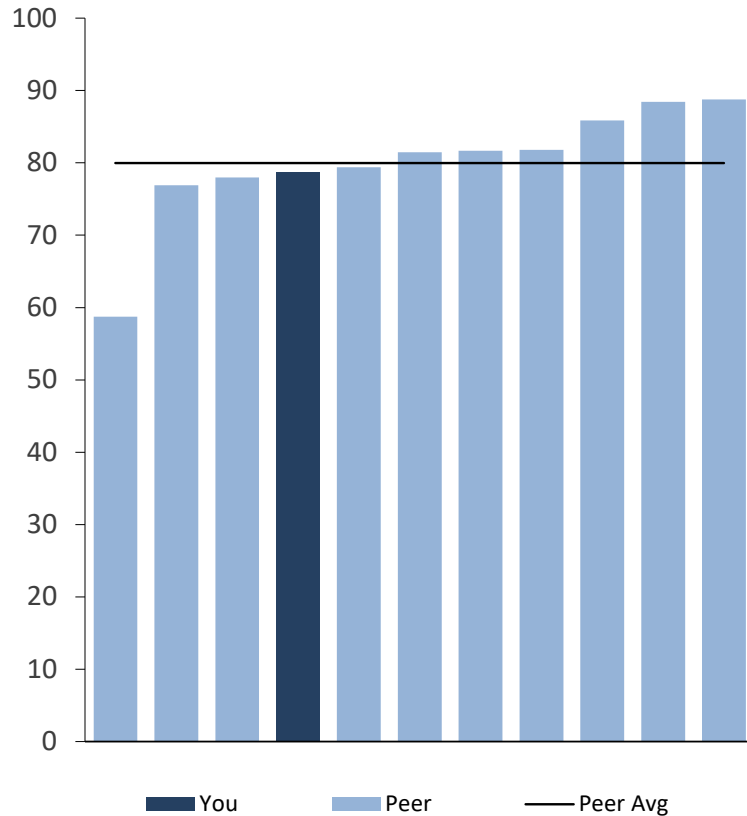
| Reason | You | Peer Avg | Impact \$ per active member and annuitant |
|---|-----------------|-----------------|---|
| 1 Fewer front-office FTE per 10,000 members | 2.9 FTE | 3.2 FTE | -\$5 |
| 2 Higher third party costs per member in the front-office | \$7 | \$6 | \$1 |
| 3 Higher costs per FTE | | | |
| Salaries and Benefits | \$123,125 | \$100,402 | |
| Building and Utilities | \$13,102 | \$7,878 | |
| HR | \$4,904 | \$3,192 | |
| IT Desktop, Networks, Telecom | <u>\$10,062</u> | <u>\$14,239</u> | |
| Total | \$151,193 | \$125,712 | \$13 |
| 4 Higher support costs per member | | | |
| Governance and Financial Control | \$17 | \$11 | |
| Major Projects | \$6 | \$9 | |
| IT Strategy, Database, Applications | \$20 | \$16 | |
| Actuarial, Legal, Audit, Other | <u>\$18</u> | <u>\$13</u> | |
| Total | \$61 | \$49 | \$12 |
| Total | | | \$22 |
| Scale adjustment | | | -\$10 |
| Total after adjusting for economy of scale differences | | | \$12 |

One reason why your cost per FTE are above average the cost environment for Travis County is 11% above the peer median.



Your total service score was 79. This was close to the peer average of 81.

Total Service Score



Service Scores by Activity

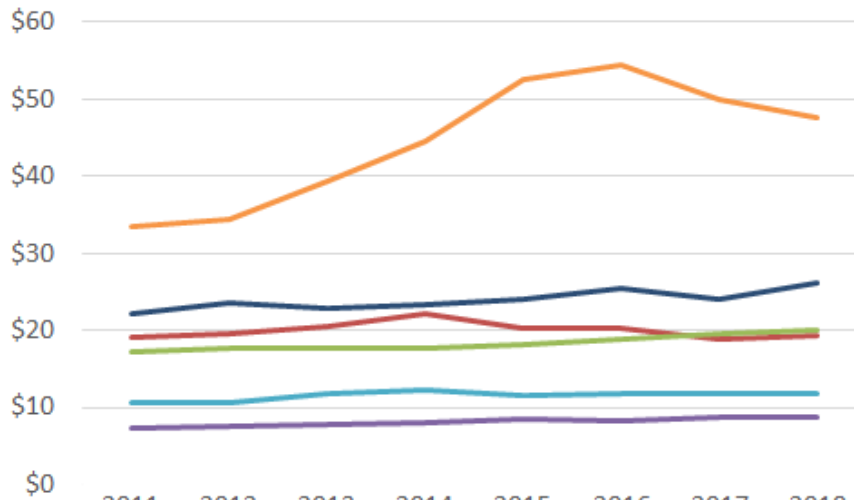
| Activity | Weight | Peer | |
|--|-------------|-----------|-----------|
| | | You | Median |
| 1. Member Transactions | | | |
| a. Pension Payments | 10.0% | 100 | 100 |
| b. Pension Inceptions | 7.4% | 85 | 87 |
| c. Refunds, Withdrawals, and Transfers | 1.3% | 100 | 79 |
| d. Purchases and Transfers-in | 3.1% | 100 | 87 |
| e. Disability | 3.8% | 95 | 91 |
| 2. Member Communication | | | |
| a. Call Center | 21.0% | 75 | 76 |
| c. 1-on-1 Counseling | 7.4% | 94 | 85 |
| d. Member Presentations | 6.5% | 100 | 100 |
| e. Written Pension Estimates | 4.7% | 82 | 87 |
| f. Mass Communication | | | |
| • Website | 21.3% | 70 | 76 |
| • News and targeted communication | 2.8% | 85 | 83 |
| • Member statements | 4.7% | 69 | 84 |
| 3. Other | | | |
| Customer Experience Surveying | 5.0% | 0 | 54 |
| Disaster Recovery | 1.0% | 88 | 90 |
| Weighted Total Service Score | 100% | 79 | 81 |

Examples of key services measures included in your Service Score:

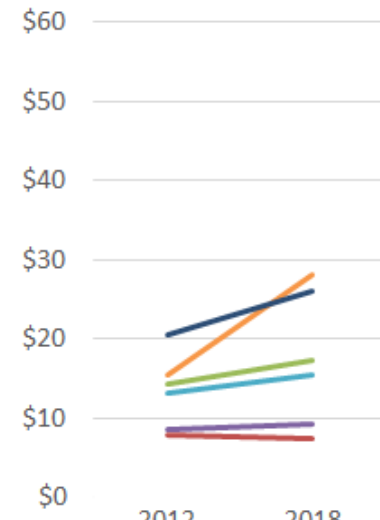
| Select Key Service Metrics | You 2018 | Peer Avg |
|---|----------|----------|
| <u>Member Contacts</u> | | |
| • % of calls resulting in undesired outcomes (busy signals, messages, etc.) | 9% | 9% |
| • Average total wait time including time negotiating auto attendants, etc. | 29 secs | 186 secs |
| <u>Website</u> | | |
| • Can members access their own data in a secure environment? | Yes | 100% Yes |
| • Do you have an online calculator linked to member data? | 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. | 10 | 13 |
| <u>1-on-1 Counseling and Member Presentations</u> | | |
| • % of your active membership that attended a 1-on-1 counseling session | 4.4% | 4.8% |
| • % of your active membership that attended a presentation | 6.7% | 7.8% |
| <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? | 96.9% | 87.0% |
| <u>Member Statements</u> | | |
| • How current is an active member's data in the statements that the member receives? | 3.0 mos | 2.9 mos |
| • Do statements provide an estimate of the future pension entitlement? | Yes | 82% Yes |

IT and Major Project costs are the biggest and fastest growing part of total cost.

All Systems Average Cost Per Member



Your Cost Per Member

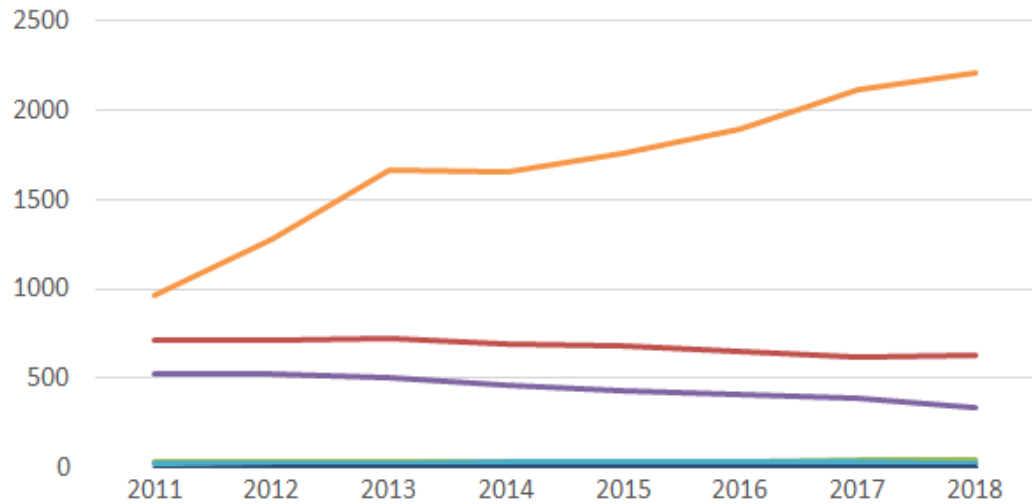


| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------|------|------|------|------|------|------|------|------|
| IT and Major Projects | \$34 | \$34 | \$39 | \$45 | \$53 | \$54 | \$50 | \$48 |
| Member Transactions | \$19 | \$20 | \$21 | \$22 | \$20 | \$20 | \$19 | \$19 |
| Member Communication | \$17 | \$18 | \$18 | \$18 | \$18 | \$19 | \$19 | \$20 |
| Collections and Data | \$7 | \$8 | \$8 | \$8 | \$9 | \$8 | \$9 | \$9 |
| Governance | \$11 | \$11 | \$12 | \$12 | \$11 | \$12 | \$12 | \$12 |
| Support | \$22 | \$24 | \$23 | \$23 | \$24 | \$25 | \$24 | \$26 |

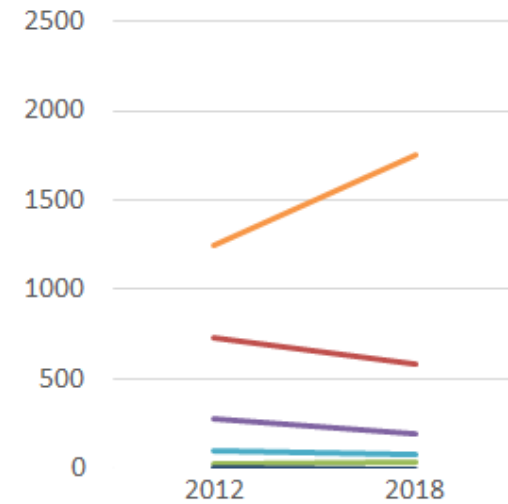
| | 2012 | 2018 |
|-----------------------|------|------|
| IT and Major Projects | \$15 | \$28 |
| Member Transactions | \$8 | \$7 |
| Member Communication | \$14 | \$17 |
| Collections and Data | \$9 | \$9 |
| Governance | \$13 | \$16 |
| Support | \$21 | \$26 |

The good news is that members are benefiting from the IT investment.

All Average Transaction Volume Per 1000 Members



Your Transaction Volume Per 1000 Members



| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------|------|------|------|------|------|------|------|------|
| Secure web visits | 961 | 1278 | 1671 | 1654 | 1755 | 1897 | 2114 | 2206 |
| Calls | 709 | 713 | 727 | 690 | 677 | 654 | 618 | 628 |
| 1on1 | 27 | 31 | 33 | 33 | 33 | 33 | 38 | 39 |
| Incoming mail | 523 | 523 | 508 | 462 | 426 | 409 | 386 | 338 |
| Estimates | 24 | 24 | 26 | 28 | 28 | 28 | 30 | 26 |
| Presentations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |

| | 2012 | 2018 |
|-------------------|------|------|
| Secure web visits | 1248 | 1748 |
| Calls | 726 | 584 |
| 1on1 | 16 | 29 |
| Incoming mail | 280 | 193 |
| Estimates | 97 | 78 |
| Presentations | 2 | 1 |