



# North Carolina Retirement Systems Pension Administration Benchmarking Results

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## Key Takeaways:

### Cost

- Your total pension administration cost of \$27 per active member and annuitant was \$74 below the peer average of \$101 and the second lowest in CEM's global universe.
- Between 2015 and 2021 your total pension administration cost per active member and annuitant increased 2.4% per annum.

### Service

- Your total service score was 71. This was below the peer median of 77.
- Your service score has decreased by 1 point between 2015 and 2021.
- The addition of new online tools such as applying for retirement online and the ability to view the retirement application status as well as improvements to your refund and purchases processes had a positive impact on your service score. Offsetting these impacts were negative changes in key metrics for your call center and 1-on-1 counseling.

## 66 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  
North Carolina RS  
NYC TRS  
NYSLRS  
Ohio PERS  
Oregon PERS  
Pennsylvania PSERS  
PSRS PEERS of Missouri  
South Dakota RS

STRS Ohio  
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  
LAPP of Alberta  
Municipal Pension Plan of BC  
Ontario Pension Board  
Ontario Teachers  
OPTrust  
RCMP

#### The Netherlands\*

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

#### 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  
Teachers' Pensions  
Tyne & Wear PF  
Universities Superannuation  
West Midlands Metro  
West Yorkshire PF

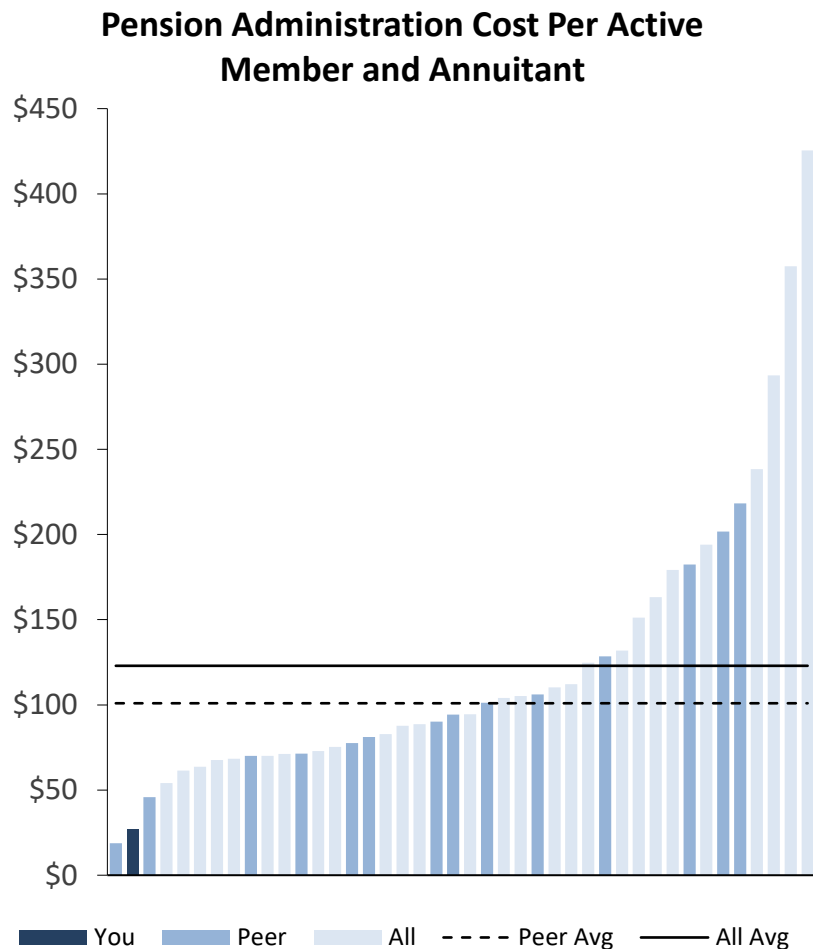
\* Systems in the UK and most systems in the Netherlands, except ABP and PFZW, complete different benchmarking surveys and hence your analysis does not include their results.

## The custom peer group for North Carolina RS consists of the following 15 peers:

Custom Peer Group for North Carolina RS			
Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
CalPERS	864	753	1,617
Florida RS	634	472	1,105
NYSLRS	502	497	999
<b>North Carolina RS</b>	<b>465</b>	<b>339</b>	<b>804</b>
CalSTRS	449	318	767
Virginia RS	345	225	570
Washington State DRS	334	209	543
Ohio PERS	290	219	509
Michigan ORS	168	286	454
Arizona SRS	208	163	371
Colorado PERA	238	131	369
STRS Ohio	203	160	363
Oregon PERS	181	159	340
Illinois MRF	172	145	317
Iowa PERS	173	129	302
Peer Median	290	219	509
Peer Average	348	280	629

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 \$27 per active member and annuitant was \$74 below the peer average of \$101 and the second lowest in CEM's global universe.**



Category	\$000s	\$ per Active Member and Annuitant	
		You	Peer Avg
<u>Front office</u>			
Member Transactions	4,516	6	12
Member Communication	4,937	6	18
Collections & Data Maintenance	1,487	2	7
<u>Governance and support</u>			
Governance and Financial Control	2,041	3	7
Major Projects	0	0	9
Information Technology	6,244	8	28
Building	217	0	6
Legal	819	1	3
HR, Actuarial, Audit, Other	1,188	1	11
<b>Total Pension Administration</b>	<b>21,448</b>	<b>27</b>	<b>101</b>

Your total pension administration cost was \$21.4 million. This excludes the fully-attributed cost of administering healthcare, and optional and third-party administered benefits of \$0.5 million.

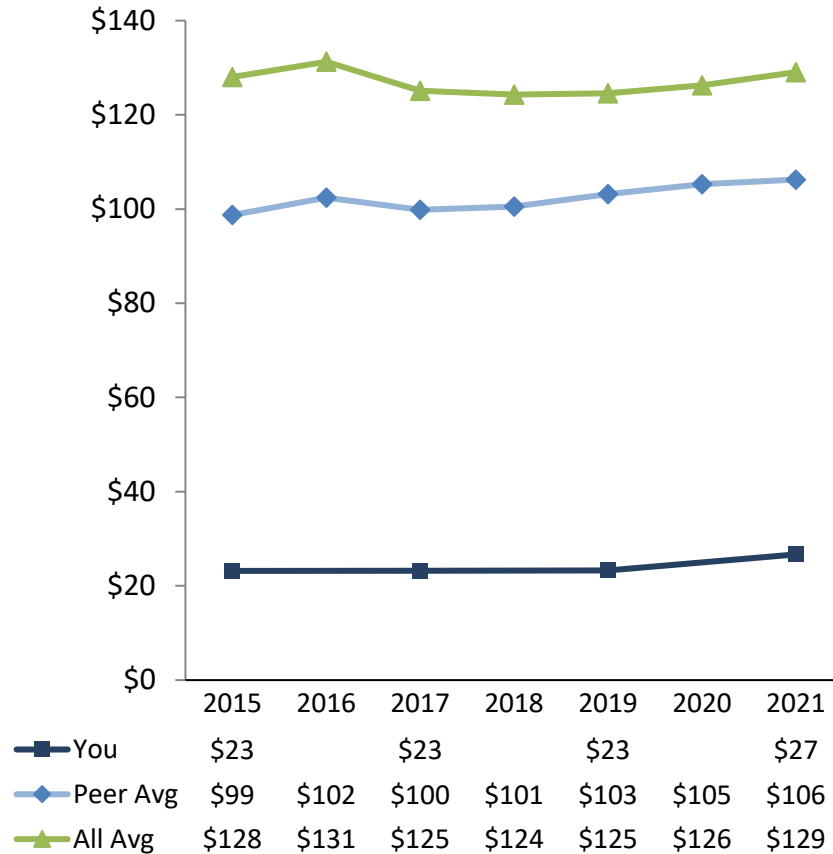
## Reasons why your cost per member was \$74 below the peer average:

Reason	You	Peer Avg	Impact \$ per active member and annuitant
1 Fewer front office FTE per 10,000 members	2.0 FTE	3.4 FTE	-\$10
2 Lower third party costs per member in the front office	\$1	\$5	-\$4
3 Lower costs per FTE			
Salaries and Benefits	\$67,074	\$98,245	
Building and Utilities	\$1,252	\$11,215	
HR	\$1,237	\$4,274	
IT Desktop, Networks, Telecom	<u>\$4,800</u>	<u>\$20,714</u>	
Total	\$74,363	\$134,448	-\$31
4 Lower support costs per member <sup>1</sup>			
Governance and Financial Control	\$3	\$6	
Major Projects	\$0	\$9	
IT Strategy, Database, Applications	\$7	\$15	
Actuarial, Legal, Audit, Other	<u>\$2</u>	<u>\$10</u>	
Total	\$12	\$40	-\$28
<b>Total</b>			<b>-\$74</b>

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

## Cost Trends:

**Trend in Total Pension Administration Costs**

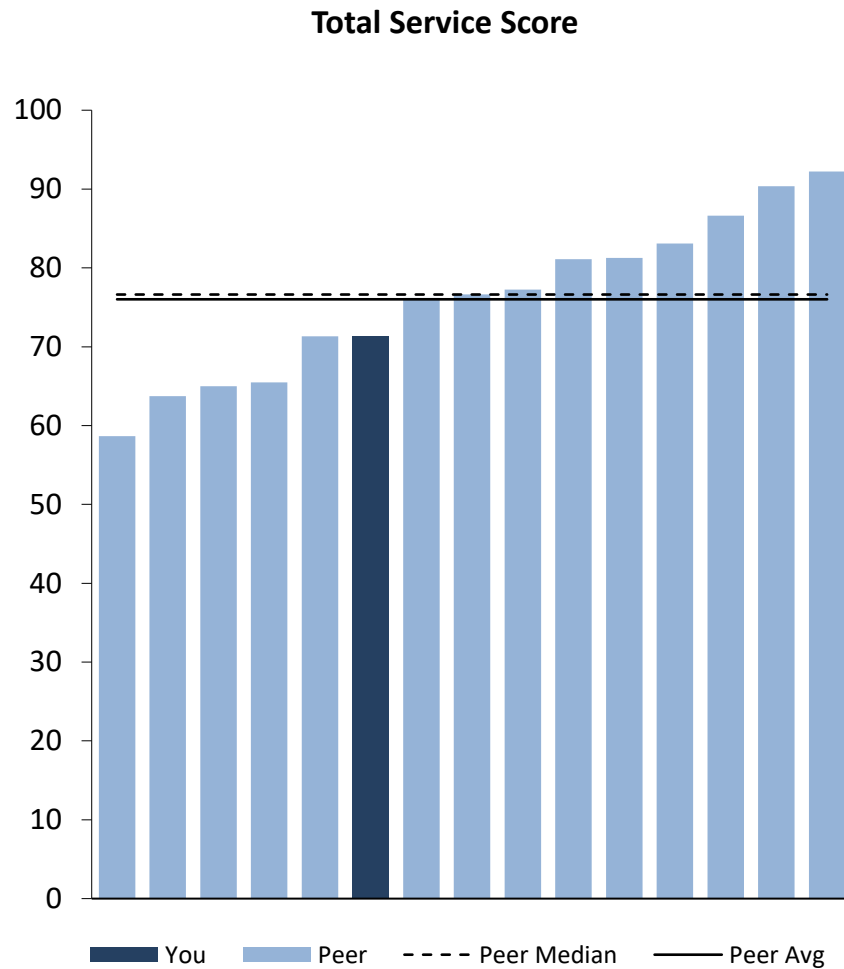


Between 2015 and 2021 your total pension administration cost per active member and annuitant increased 2.4% per annum.

During the same period, the average cost of your peers with 7 consecutive years of data increased 1.2% per annum.

Trend analysis is based on systems that have provided 7 consecutive years of data (14 of your 15 peers and 34 of the 42 systems in the universe).

## Your total service score was 71. This was below the peer median of 77.



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
<b>1. Member Transactions</b>			
Pension Payments	10.0%	100	100
Pension Inceptions	7.4%	72	88
Refunds, Withdrawals, and Transfers-out	1.3%	90	95
Purchases and Transfers-in	3.1%	99	92
Disability	3.8%	91	82
<b>2. Member Communication</b>			
Call Center	21.0%	37	64
1-on-1 Counseling	7.4%	55	75
Member Presentations	6.5%	95	95
Written Pension Estimates	4.7%	81	87
Mass Communication			
Website	21.3%	85	85
News and Targeted Communication	2.8%	58	81
Member Statements	4.7%	77	83
<b>3. Other</b>			
Member Experience Surveying	5.0%	48	44
Disaster Recovery	1.0%	86	86
<b>Weighted Total Service Score</b>	<b>100%</b>	<b>71</b>	<b>77</b>



## Examples of key service measures included in your total service score:

Select Key Service Metrics	You		Peer Avg
	2019	2021	
<b><u>Member Contacts</u></b>			
• % of calls resulting in undesired outcomes (busy signals, messages, hang-ups)	11%	23%	22%
• Average total wait time including time negotiating auto attendants, etc.	133 secs	205 secs	416 secs
<b><u>Website</u></b>			
• 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	93% Yes
• # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc.	15	15	17
<b><u>1-on-1 Counseling and Member Presentations</u></b>			
• % of your active membership that attended a 1-on-1 counseling session	0.9%	0.6%	2.1%
• % of your active membership that attended a presentation	2.9%	1.6%	5.1%
<b><u>Pension Inceptions</u></b>			
• 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?	82.6%	81.3%	88.9%
<b><u>Member Statements</u></b>			
• How current is an active member's data in the statements that the member receives?	5.0 mos	5.0 mos	2.2 mos
• Do statements provide an estimate of the future pension entitlement?	Yes	Yes	73% Yes

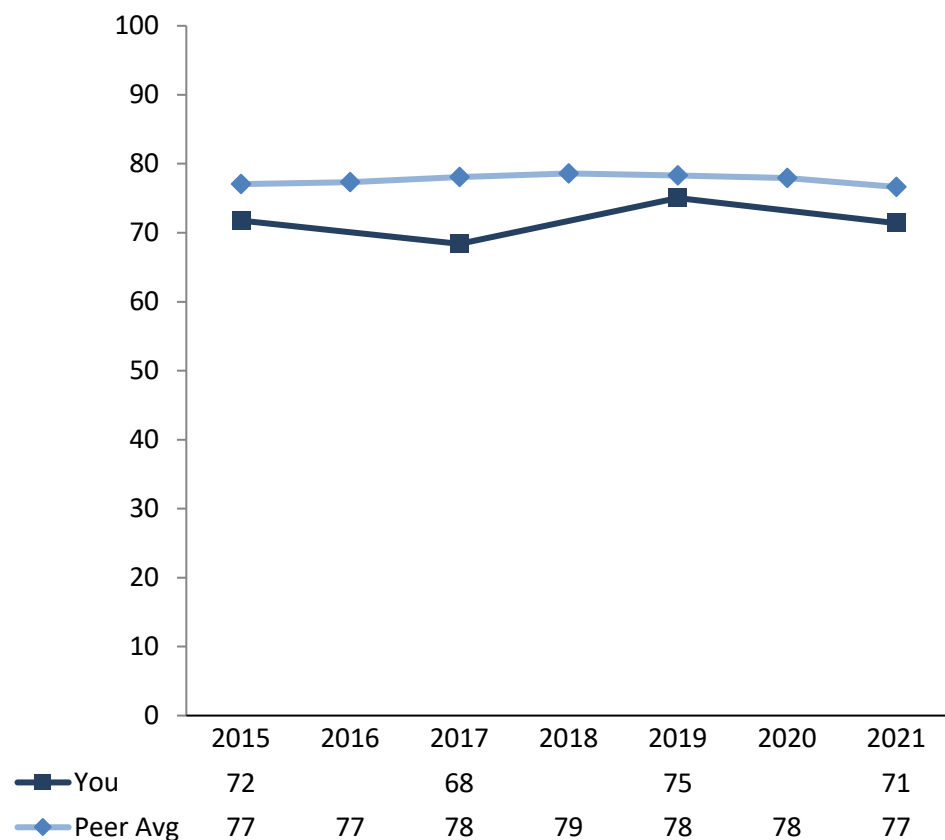
## Where can you improve your total service score?

Potential improvements to your total service score	
Factor	Potential Improvement
22.6% of your incoming calls resulted in undesired outcomes (e.g., busy signals, messages, hang-ups). To achieve a perfect service score, members must experience no undesired call outcomes.	+ 3.8
You did not recently survey your members about their retirement process experience, or your website (public and secure area) or your active members and annuitants about their participation in your plan.	+ 2.8
On average, members calling your call center reach a knowledgeable person in 205 seconds. To achieve a perfect service score, members must reach a knowledgeable person on the phone in 60 seconds or less.	+ 2.4
18.7% of your service pension inception experienced a cashflow interruption greater than one month. To achieve a perfect service score 100% of your service pensions must be incepted without a cashflow interruption greater than one month.	+ 1.1

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

## Your service score has decreased slightly between 2015 and 2021.

Trends in Total Service Scores



Trend analysis is based on systems that have provided 7 consecutive years of data (14 of your 15 peers).

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

In the past 7 years you've made changes that had both positive and offsetting impacts on your service score. The most important ones were:

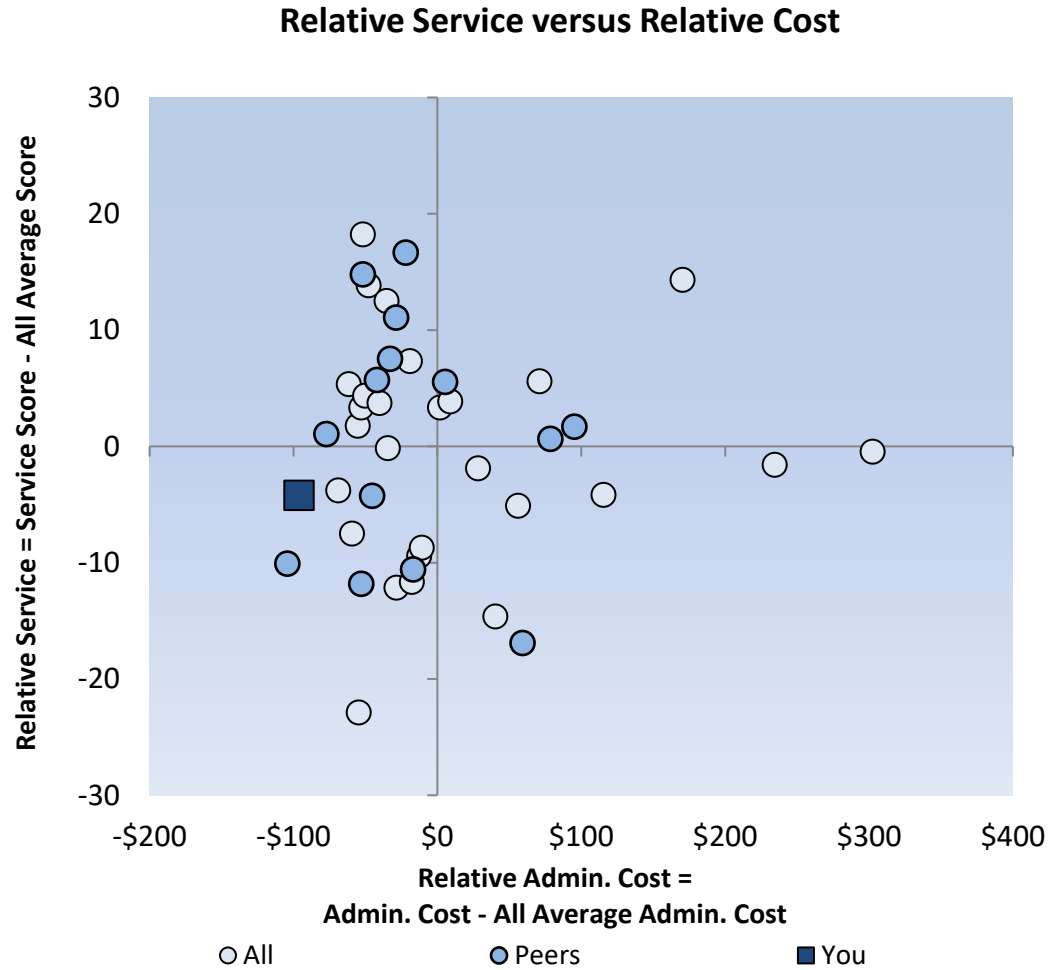
### Changes that had a positive impact

- **Website:** Your members can now submit a retirement application online and view the status. They can also register for presentations.
- **Refunds:** Your turnaround times for both a refund check and transfer-out decreased from 60 days to 9 days.
- **Purchases:** Your turnaround time for a service credit purchase estimate decreased from 10 to 1.6 days.

### Changes offsetting your score

- **Call center:** COVID-19 and the implementation of a new phone system resulted in the following changes:
  - Undesired call outcomes: increased from 15% to 23%
  - Menu layers: increased from 1 to 4 layers
- **1-on-1 counseling:** You stopped offering your members walk-in sessions in 2019.

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



## Key Takeaways:

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