Agenda Item 10

MEETING DATE: May 23, 2018

SUBJECT: Customer Service Performance Management Update

SUBMITTED FOR: ___ Consent  X  Deliberation  and Action  ___ and File

RECOMMENDATION

Staff recommends the Board approve ongoing participation in the Cost Effectiveness Management (CEM) Pension Benefit Administration Benchmarking service for a period not to exceed five years, and authorize the Chief Executive Officer to negotiate terms and enter into a service agreement.

PURPOSE

To present results of the CEM benchmarking survey, extend the CEM engagement, and discuss progress on current data collection, analysis, and reporting efforts as part of the SCERS Strategic Management Program.

DISCUSSION

As part of the ongoing continuous improvement program building on the SCERS Strategic Plan 2014-2018, SCERS participated in the global pension administration benchmarking service offered by CEM. The primary objective was to establish a baseline of performance from which to measure the impact of the strategic IT Modernization program.

Staff experience with the benchmarking has demonstrated that the information produced is also beneficial in identifying opportunities for service improvement as part of our IT system design decision-making but also in opportunities to improve our processes and practices in the near term.

SCERS entered into a one-time benchmarking exercise of 2016-17 data with CEM for $20,000. Ongoing, annual costs are estimated to be approximately the same.
BACKGROUND

The SCERS Strategic Plan 2014-2018 Goal 3 Service Delivery directs management and staff to “establish a baseline for customer service performance, measures to enhance customer service, and quantitative and qualitative standards for ongoing evaluation of customer service.”

ATTACHMENTS

Presentation by Chief Strategy Officer

Prepared by: Reviewed by:

/S/ /S/
Stephen Hawley Eric Stern
Chief Strategy Officer Chief Executive Officer
Customer Service Performance

Progress Toward a System for Measuring Results

Steve Hawley
Chief Strategy Officer

May 23, 2018
SCERS Strategic Management Program

Strategic Plan 2014-2018

Strategic Management Program
Strategy Management Matrix Organization

- Operations
  - Process
  - Objectives
  - Actions
  - Performance Targets
  - Measured Results
  - Managed Risks & Business Continuity Plans

- Benefits
  - Process

- Investments
  - Asset Class
Summary of 2017 Results

CEM BENCHMARKING
Benchmarking Objectives

• What gets measured gets managed
  – Identify what is important
  – Monitor progress using an independent outside benchmark
  – Provide a catalyst for change

• Focus on customer service
  – Identify service gaps
  – Learn about industry trends; what others are doing

• Communicate to stakeholders
  – Demonstrate success and achievement
  – Demonstrate commitment to continuous improvement
  – Support resource requests

• Collaboration
  – Conferences
  – Communities of Practice
**Benchmark Peer Group**

<table>
<thead>
<tr>
<th>Peers</th>
<th>Actives Members</th>
<th>Annuitant</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sonoma County ERA</td>
<td>4,071</td>
<td>4,653</td>
<td>8,724</td>
</tr>
<tr>
<td>Fort Worth ERF</td>
<td>6,551</td>
<td>4,328</td>
<td>10,879</td>
</tr>
<tr>
<td>City of Austin ERS</td>
<td>9,364</td>
<td>5,934</td>
<td>15,298</td>
</tr>
<tr>
<td>San Diego City ERS</td>
<td>7,149</td>
<td>9,210</td>
<td>16,359</td>
</tr>
<tr>
<td>Saskatchewan Teachers</td>
<td>15,428</td>
<td>1,802</td>
<td>17,230</td>
</tr>
<tr>
<td><strong>Sacramento County ERS</strong></td>
<td><strong>12,587</strong></td>
<td><strong>11,396</strong></td>
<td><strong>23,983</strong></td>
</tr>
<tr>
<td>District of Columbia RB</td>
<td>10,500</td>
<td>14,301</td>
<td>24,801</td>
</tr>
<tr>
<td>Fairfax County RS</td>
<td>18,207</td>
<td>10,995</td>
<td>29,202</td>
</tr>
<tr>
<td>City of Detroit</td>
<td>9,142</td>
<td>20,997</td>
<td>30,139</td>
</tr>
<tr>
<td>ERFC</td>
<td>21,748</td>
<td>11,367</td>
<td>33,115</td>
</tr>
<tr>
<td>San Bernardino CERA</td>
<td>21,110</td>
<td>12,179</td>
<td>33,289</td>
</tr>
<tr>
<td>Orange County ERS</td>
<td>21,746</td>
<td>16,369</td>
<td>38,115</td>
</tr>
<tr>
<td><strong>Peer Average</strong></td>
<td><strong>13,134</strong></td>
<td><strong>10,294</strong></td>
<td><strong>23,428</strong></td>
</tr>
</tbody>
</table>
Graphical Comparison of Peer Characteristics

1. **Active Members and Annuitants**
   - Graph showing comparison of active members and annuitants between you and peers, with a comparison to peer averages.

2. **Total Assets**
   - Graph showing comparison of total assets in billions between you and peers, with a comparison to peer averages.

3. **Number of Employers**
   - Graph showing comparison of the number of employers between you and peers.

4. **Number of Administration Staff**
   - Graph showing comparison of the number of administration staff between you and peers.
Key Takeaways

- SCERS: $288
- Peers: $314

- SCERS: 51
- Peers: 61
## Service Score Details

<table>
<thead>
<tr>
<th>Activity</th>
<th>You</th>
<th>Peer Average</th>
<th>Weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paying Pensions</td>
<td>100</td>
<td>100</td>
<td>20.0%</td>
</tr>
<tr>
<td>Pension Inceptions</td>
<td>29</td>
<td>40</td>
<td>7.0%</td>
</tr>
<tr>
<td>Benefit Estimates</td>
<td>28</td>
<td>52</td>
<td>5.0%</td>
</tr>
<tr>
<td>1-on-1 Counseling</td>
<td>100</td>
<td>92</td>
<td>7.0%</td>
</tr>
<tr>
<td>Presentations</td>
<td>75</td>
<td>81</td>
<td>6.0%</td>
</tr>
<tr>
<td>Member Contacts</td>
<td>25</td>
<td>40</td>
<td>21.0%</td>
</tr>
<tr>
<td>Website</td>
<td>38</td>
<td>54</td>
<td>11.0%</td>
</tr>
<tr>
<td>News and Targeted Communication</td>
<td>16</td>
<td>56</td>
<td>4.0%</td>
</tr>
<tr>
<td>Member Statements</td>
<td>48</td>
<td>56</td>
<td>6.0%</td>
</tr>
<tr>
<td>Disability</td>
<td>0</td>
<td>34</td>
<td>4.0%</td>
</tr>
<tr>
<td>Red Tape</td>
<td>80</td>
<td>54</td>
<td>4.0%</td>
</tr>
<tr>
<td>Satisfaction Surveying</td>
<td>0</td>
<td>20</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

| Total Service Score               | 51  | 61           | 100.0%  |
| Total Service Score - Median      |     | 64           |         |
Your service score for pension inceptions was 29 out of 100. This compares to a peer average of 40.
### Pension Inception Details (cont’d)

<table>
<thead>
<tr>
<th>1. Scoring Method</th>
<th>Your Data</th>
<th>Your Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cashflow Interruptions</strong></td>
<td>25.0%</td>
<td>21.3</td>
</tr>
<tr>
<td>+ 85 85 x percent of inceptions that occur within 1 month of final pay check (0% is assumed if unknown)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Survivor Pensions</strong></td>
<td>50.0%</td>
<td>7.5</td>
</tr>
<tr>
<td>+ 15 15 x percent of pensions paid without interruption to survivors (0% is assumed if unknown)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Score</strong></td>
<td></td>
<td>28.8</td>
</tr>
</tbody>
</table>

### 2. Rationale for the scoring method

Cashflow interruptions can cause hardships and irritation for members. In case of a survivor pension this potential hardship comes at a difficult time. A perfect score requires that you can incept a pension or survivor benefit without an interruption of cashflow.
You used 14% more FTE to serve your members in comparison to the peer average.
An alternative way of comparing costs is as a percentage of total assets. Your cost of 8.0 bps was below the peer average of 13.1 bps.
CEM Service Ongoing Participation

• **Benchmarking Service** – moving to continuous, online
• **Annual Conference** – 2018 included sessions on INPRS iPad retirement application, KPERS new employee mobile app, member driven customer experience design, fraud prevention, behavioral science applications in pension administration
• **Research** – Performance Dashboard Case Studies, Social Media Best Practices
• **Communities of Practice**
• **Peer-to-peer Network** – online discussion forums
SCERS Strategic Management Program

PERFORMANCE MEASUREMENT
What Data is Available Today?

- 10 years of tracking data (status and dates of some processes that are manually entered in MS Access)
  - Service Retirement
  - Disability Retirement
  - Service Purchase
  - Terminations
- MBASE participant status codes and change history
- Combine available data with some manual process
- Can export to reporting tools such as Power Business Intelligence (Power BI) and create web pages with limited / secure access
Retirement Metrics: 2017 by Month
Payroll Start vs. Retirement Date Example

[Chart showing application processing duration with bar and pie charts for different months, indicating the percentage of applications processed within 45 days and greater than 45 days.]
Next Steps

- **May - July**
  - Choose key performance indicators from available data
  - Analyze historical performance and set target performance
  - Define and test analytics processes
- **June-September**
  - Pilot analysis and reporting processes
  - Refine measures, reports, and processes
- **July**
  - Present Strategic Management Program and 2018-19 Plan to Board
- **October**
  - Begin quarterly benefits administration performance reporting