## Finnish pension fund Defined benefit administration – Benchmarking analysis 2011 by CEM Benchmarking Inc.

### Preface

Finland has a pension system that, in a unique way, combines a compulsory legislative basis, similar benefits for all, partial funding and private organization of the pension provision. It is a hybrid, fulfilling the functions of first and second pillar pensions within the same scheme. The main pension scheme is a legislated and compulsory earnings-related scheme, which is supplemented by the residence-based, flat-rate pension scheme.

In order to get a fresh international view of the Finnish pension system, the Finnish Centre for Pensions decided in 2011 to commission an independent evaluation study of the Finnish pension scheme. The purpose of the evaluation was to get a forward-looking external view of the Finnish pension system from an international perspective, including recommendations.

The evaluation focuses on the following issues:

- 1. The adequacy of pensions and the financial sustainability of the system:
  - the roles of the earnings-related pension and the residence-based flat-rate pension, and the interplay of these
  - the functioning of the economic and actuarial incentives of the pension system.
- 2. The policy design of the Finnish earnings-related pension scheme:
  - how does the Finnish pension system look from the point of view of risk-sharing and social insurance?
  - the impact of the pension system on the economy, the labour markets (incentives to work and to retire), and society in general
  - the roles of the state, labour market organizations and other interest groups in the decision-making (pension legislation).
- 3. Governance issues in the earnings-related pension scheme:
  - the functioning of the organization of pension provision (the roles and relations of various actors in pension provision, including the administrative structures of these organizations)
  - the roles of co-operation and competition between pension providers
  - the administrative efficiency and cost-efficiency of the earnings-related pension system.

We were very lucky that two distinguished experts agreed to undertake this ambitious task. Professor Nicholas Barr from the London School of Economics agreed to evaluate the first two sets of issues outlined above (adequacy and sustainability issues and policy design), and Professor Keith Ambachtsheer, who is Director of the Rotman International Centre for Pension Management, Rotman School of Management, University of Toronto, to evaluate the governance issues. Both Barr and Ambachtsheer are internationally well-known and highly regarded experts in the pension field, and their services are frequently utilized internationally.

These two evaluations are the first ones of their kind made of the Finnish pension system. They comprise sharp analyses, which deserve broad attention in the public debate as well as among

politicians and decision-makers. They emphasize that Finland has a pension system with many strengths deserving appreciation. They also provide suggestions for possibly making the system even better. The Finnish Centre for Pensions wishes to extend very warm thanks to Keith Ambachtsheer and Nicholas Barr for accepting our invitation, and for having provided thoughtful and fresh ideas to fertilize the pension policy discussion in Finland.

In connection with the evaluation reports by Keith Ambachtsheer and Nicholas Barr, three background papers will also be published. The key results of these three studies are utilized in Ambachtsheer's evaluation, and we wanted to make the results of the studies available in greater detail and hence decided to publish them.

Two of the studies are based on reports provided by CEM Benchmarking Inc. CEM is specialized in providing benchmarking information for pension investment and administration operations. Its clients are pension providers all over the world, who want to benchmark their own performance to the best pension providers in the world. The Finnish Centre for Pensions asked CEM to conduct a comparison of the Finnish pension providers with pension providers using CEM's databases and services. These studies focus on administrative costs and service levels, as well as investment costs.

We wish to thank Mike Heale from CEM Benchmarking Inc. for managing this assignment for us with high professional expertise. Eight Finnish pension providers participated in these studies, and we wish to thank them for being part of the project.

In CEM's analysis, eight Finnish pension providers were combined into a single entity, 'the Finnish Pension Fund', which is compared to individual pension providers. This analysis gives insight into the costs and service levels in Finland compared with those of the peer group chosen from the database of CEM. The report is not meant to describe the costs at the national level, including all first and second pillar pension providers. In order to achieve this broader view, the Finnish Centre for Pensions conducted a comparative study of the administrative costs of first and second pillar pensions in Denmark, Germany, Finland, the Netherlands, Norway, Sweden and Switzerland. This study, based mainly on publicly available information, was carried out by Antti Mielonen, Eeva Puuperä, Hannu Ramberg and Mika Vidlund from the Finnish Centre for Pensions. We wish to thank them for this essential contribution to the evaluation.

Jukka Rantala Managing Director

Hannu Uusitalo Director, Professor

Defined Benefit Administration Benchmarking Analysis FY 2011

Finnish Pension Fund - Final October 26, 2012

CEM Benchmarking Inc. 372 Bay Street, Suite 1000, Toronto, ON, M5H 2W9 Tel: 416-369-0568 Fax: 416-369-0879 www.cembenchmarking.com



Copyright 2012 by CEM Benchmarking Inc. Although the information in this report has been based upon and obtained from sources we believe to be reliable, CEM does not guarantee its accuracy or completeness. The information contained herein is proprietary and confidential and may not be disclosed to third parties without the express written mutual consent of both CEM and the Finnish Pension Centre.

### Introduction

This report has been prepared by CEM Benchmarking Inc. (CEM) on behalf of the Finnish Center for Pensions (FCP). It provides a comparative analysis and evaluation of pension administration costs, cost drivers, and member service levels for the Finnish pension system for the 2011 fiscal year. To prepare the report, CEM collected standardized pension administration data from the eight participating Finnish pension funds listed below and an international peer group of large pension administrators. CEM aggregated the data received from the eight Finnish funds to create the 'Finnish Pension Fund' which serves as a proxy for the entire Finnish pension system. Finnish Pension Fund was then compared to its international peer group on key pension administration performance metrics.

#### Funds that comprise the Finnish Pension Fund

Eläke-Fennia Etera Ilmarinen Keva OP Tapiola Varma\* Veritas

\* Varma did not complete the CEM pension administration data survey. Their data was created by CEM from a variety of sources including: FCP, Varma 2011 Annual Report, and CEM (using data from other Finnish funds).

#### **Overview of Data Treatment and Analysis**

Membership volumes, costs, and transaction volumes for Finnish Pension Fund represent the sum of these data elements for the eight underlying funds.

Each component of the summary service score represents the average service score compiled from the eight Finnish funds. Thus, these scores are not weighted by size: A small fund contributes as much as a large one. There is no correlation between service and size. Weighting service score by membership in an attempt to better reflect the experience of each member should have no appreciable effect on results and would add complexity to the analysis.

#### Interpretation of Key Results and Comments on Comparability Issues

The data elements and analysis in CEM's pension administration benchmarking reports have been developed over the past 13 years through our experience working with international pension clients. These funds mainly administer defined benefit pensions and perform many of the same pension administration activities. These similarities make it possible to standardize the data elements and compare funds across countries. However, pension legislation and regulatory rules are not uniform across countries. Some of these differences can have a material impact on pension administration complexity, costs, and service levels. Below are a summary of your key results and a discussion of the comparability issues that we believe have a material impact.

### Introduction

(cont'd)

Finnish Pension Fund's pension administration cost was €107.20 per active member and annuitant. This was €47.66 above the peer average of €59.55. Reasons for this cost differential include the following factors:

• The Finnish funds reported 346,946 employers versus a peer average of 45,413. The Finnish funds have many more small employers and individual entrepreneurs then do peers. We expect that this creates extra work and costs for Finnish funds compared to your international peer group, which has 'captive' employer and member groups and can also be expected to have lower employer service costs, but CEM cannot reasonably estimate this effect. The Finnish pension funds reported that 55% of total administration costs were related to employers versus 10% for the peer group.

In the private Finnish pension system, the insurers compete commercially to attract employers to their administration platforms. Your peers have no 'sales and marketing' costs. Employer costs included sales and marketing costs in the CEM survey. We were not provided with the details, but from anecdotal evidence we estimate these costs to be in the range of 25% of total administration costs.

• Economy of scale is a key driver of cost differences. In our analysis, Finnish Pension Fund is assumed to have an economy of scale advantage of €3 per member relative to the peer group average. In reality, not only does this scale advantage not exist, there is a scale diseconomy effect. Finnish Pension Fund is an aggregation of 8 smaller administration operations rather than one very large operation. We estimate this scale disadvantage as €30 per member relative to the peer group.

The linear regression model used for our scale analysis is based on the world universe data from the prior fiscal year. Total pension cost is fitted against total number of members and annuitants. The intercept of that regression line is the base cost. In our regular methodology, the economies of scale advantage/ disadvantage is the average difference between the base cost per member for the fund in question and its peers base costs per member. Since the Finnish Pension Fund is an aggregate fund, simply adding the total pension cost and total number of members would result in erroneous economies of scale advantage. The methodology is modified to take into account the fact that the Finnish Pension Fund is composed of 8 smaller operations. The economies of scale is calculated for each of the 8 Finnish funds. The average of those 8 values is then the estimated economies of scale disadvantage for the aggregate Finnish Pension Fund.

• Weighted transaction volumes or 'workloads' are another key driver of cost differences. Higher weighted transaction volumes mean higher costs. Your weighted transaction volumes were 39% above the peer average. The difference compared to the peer group is the highest for the disability application volumes. The estimated cost impact was €11 per member relative to the peer group.

### Introduction

(cont'd)

• A key element in the administration of Finnish pension schemes is the principle of last institution (PLI). PLI means that the fund where a person's last employment contract or self employment period is insured must calculate and pay the whole pension entitlement. The necessary data is kept in joint registers and the FCP is responsible for data accuracy, its availability to all funds and members, as well as the clearing of money flows. The PLI infrastructure is unique in the CEM database. Finnish pension funds finance the operations of the FCP by a levy based on the payroll insured in the funds. The costs of the FCP are about 8% of total costs and are included.

Finnish Pension Fund's total member service score of 70 was below the peer average of 75. This service score does not include measures for employer service. CEM participants have historically been very interested in member service measures but only marginally interested in employer service measures. The commercial dynamic whereby Finnish funds compete for employers likely impacts their relative emphasis on employer and member service delivery. PLI may provide better service for the members, but CEM cannot quantify the effect in the service score. The high importance placed on employer service by Finnish funds was clear from our discussions with them.

## Your peer group consists of the following 12 peers:

			Membership	
Peers	Country	Active	Annuitant	Total
Finnish Pension Fund	Finland	2,460,272	1,642,883	4,103,155
АТР	Denmark	3,038,954	838,223	3,877,177
ABP	The Netherlands	1,185,642	772,504	1,958,146
PFZW	The Netherlands	1,245,800	324,500	1,570,300
TRS of Texas	United States	847,847	625,360	1,473,207
NYSLRS	United States	544,751	770,062	1,314,813
CalSTRS	United States	429,600	507,258	936,858
PWGSC	Canada	316,206	486,000	802,206
Virginia RS	United States	339,740	312,330	652,070
Wisconsin DETF	United States	266,629	311,550	578,179
Washington State DRS	United States	293,580	277,538	571,118
BC Pension Corporation	Canada	290,360	273,234	563,594
Peer Average		938,282	595,120	1,533,402

## Your pension administration cost was €107.20 per active member and annuitant. This was €47.66 above the peer average of €59.55.



1. All foreign currency amounts have been converted to EURs using Purchasing Power Parity figures as per the OECD (see Appendix B). The same exchange rate was used for both the current and prior years. The benefit of using the same exchange rate for prior years is that changes in costs reflect fluctuations in your peers' costs and not fluctuations in foreign exchange.

Your cost per member calculation is based on total pension administration cost of €439.9 million.

# Factor breakdown explaining why your total cost was €48 higher than the peer average:

Reason	C	Comparison		Impact
		Peer	More/	€s per
	You	average	Less	member
	<u>FTE per 10,00</u>			
A. Using 23% more FTE to serve members	5.7	4.7	23%	€12
B. Paying less in total per FTE for:	Cost pe	er FTE		
Salaries & benefits	€66,272	€72,370	-8%	
Building expenses	<u>€3,208</u>	<u>€6,779</u>	-53%	
	€69,480	€79,149	-12%	-€6
		-		
C. Paying more per member in total for:	<u>€s per m</u>	nember		
Professional Fees <sup>1</sup>	€37	€23	63%	
Amortization	€1	€1	52%	
Charges from sister organizations	€12	€1	1100%	
Other administration expenses	€18	€1	1100%	
	€67	€26	160%	€41
Total				€48

<sup>1</sup> These include actuarial, legal, audit, consulting, outsourced IT etc.

### Economies of scale and transaction volumes are key cost drivers.



In aggregate, your larger size gives you an economies of scale advantage of €3 per member. In reality, however, this scale advantage does not exist: Finnish Pension Fund is an aggregate of 8 smaller pension administration operations which for the most part have a large economies of scale disadvantage. Considered this way, the Finnish Pension Fund has an economies of scale disadvantage of €30 per member. \*



Your weighted transaction volume was 39% above the peer average. This suggests that you do more transactions and/or have a more costly mix of transactions per active member and annuitant. The difference compared to the peer group is the highest for the disability application volumes. The estimated cost impact of your higher weighted transaction volumes was €11 per member.

The next page shows you where you are doing more or less transactions in comparison with your peers.

\* The linear regression model used for our scale analysis is based on the world universe data from the prior fiscal year. Total pension cost is fitted against total number of members and annuitants. The intercept of that regression line is the base cost. In our regular methodology, the economies of scale advantage/ disadvantage is the average difference between the base cost per member for the fund in question and its peers base costs per member. Since the Finnish Pension Fund is an aggregate fund, simply adding the total pension cost and total number of members would result in erroneous economies of scale advantage. The methodology is modified to take into account the fact that the Finnish Pension Fund is composed of 8 smaller operations. The economies of scale is calculated for each of the 8 Finnish funds. The average of those 8 values is then the estimated economies of scale disadvantage for the aggregate Finnish Pension Fund.

> © 2012 CEM Benchmarking Inc. Executive Summary - Page 1-7

Where are you doin	g more/fewer t	transactions	than your	peers?
--------------------	----------------	--------------	-----------	--------

Where are	Where are you doing more/fewer transactions than your peers?									
			Volum	<u>e per 1000</u>	<u>active</u>					
			<u>memb</u>	ers & annu	<u>itants</u>					
	Activity volume	Your			More/					
Activity	description	Volume	You	Peer Avg	-less					
1. Member Transactions										
A. Pension Payments	annuitants	1,642,883	400.4	447.0	-10%					
B. Pension Inceptions	service & survivor inceptions	92,951	22.7	18.1	25%					
C. Disability	disability applications	60,218	14.7	2.7	444%					
2. Member Communication										
A. Member Calls	calls & emails	1,177,472	287.0	426.1	-33%					
B. Mail Room	incoming letters	276,000	67.3	198.0	-66%					
C. Pension Estimates	written estimates	34,969	8.5	18.4	-54%					
D. 1-on-1 Counseling	counseling sessions	12,816	3.1	11.3	-72%					
E. Presentations	presentations	1,193	0.3	0.6	-50%					
F. Mass Communication	active members, annuitants	4,103,155	1,000.0	1,000.0	0%					
3. Collections and Data Main	tenance									
A. Employer data	active members	2,460,272	599.6	553.0	8%					
B. Service to Employers	active members	2,460,272	599.6	553.0	8%					
C. Non-employer data	annuitants, deferreds	7,051,113	1,718.5	767.1	124%					
Weighted Total <sup>1</sup> per active m	ember & annuitant		32.9	23.6	39%					

1. The weights used for each transaction type are equal to the 2011 fiscal year World PABS participant median. See section 5 for more details.

# Separating member and employer costs per member provides further insights into your relative costs.

In the private Finnish pension system, the insurers compete commercially to attract employers to their administration platforms. The Finnish funds reported 346,946 employers versus a peer average of 45,413. We expect that this creates extra work and costs for Finnish funds compared to your international peer group, which has 'captive' employer and member groups and can also be expected to have lower employer service costs. Your peers have no 'sales and marketing' costs. Employer costs included sales and marketing costs in the CEM survey. The Finnish pension funds reported that 55% of total administration costs were related to employers versus 10% for the peer group.



Your member administration cost per active member and annuitant of €48 was below the peer average of €51.



Your employer administration cost per active member and annuitant of €59 was above the peer average of €8.

Your total member service score was 70 out of 100. This was below the peer average of 75.



Service is defined as 'Anything a member would like, before considering costs'. Generally speaking this means faster is better, and more services and more availability is better. The Total Service Score is a weighted average of the service scores for each activity. The following pages provide an overview of the key service measure included in your Service Score.

### Examples of key service measures included in your Service Score:

Select Key Service Metrics	You	Peer Avg
Member Contacts	22 5055	02 coss
• Average total wait time including time negotiating auto attendants, etc.	52 Secs	93 Secs
Will you provide benefit estimates over the telephone?	50% yes	54% yes
How many nours per week can members can service representatives?	42	50
<u>Website</u>		
<ul> <li>Can members access their own data in a secure environment?</li> </ul>	88% yes	91% yes
<ul> <li>Do you have an online calculator linked to member data?</li> </ul>	88% yes	74% yes
<ul> <li># of other website tools offered such as changing address information,</li> </ul>		
registering for counseling sessions and/or workshops, viewing or printing		
tax receipts, etc.	5	4
<ul> <li>Member Statements</li> <li>How current is the data in member statements when mailed?</li> <li>Do statements provide an estimate of the future pension entitlement?</li> </ul>	5 mos 100% yes	3 mos 92% yes
<ul> <li>Pension Inceptions</li> <li>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?</li> </ul>	68%	92%
<ul> <li><u>1-on-1 counseling</u></li> <li>% of your active membership that attended a 1-on-1 counseling session</li> </ul>	0.5%	2.4%

### **Key Takeaways:**

- Your pension administration cost was €107.20 per active member and annuitant. This was €47.66 above the peer average of €59.55.
- Your higher than average cost reflects:

-The larger number of small employers and individual entrepreneurs the Finnish pension system consists of compared to the peer group.

- Using 23% more FTE to serve members

- Paying more per member for professional fees, charges from sister organizations and other costs
- An estimated economies of scale disadvantage of €30 per member

- 39% higher weighted transaction volumes. One of the factors contributing to the difference is higher disability application volumes. The estimated impact of the weighted transaction volumes was €11 per member.

• Your total member service score was 70 out of 100. This was below the peer average of 75.

- 67.8% of pension inceptions to retiring active members were paid without an interruption of cash flow greater than 1 months between the final pay check and first pension check, compared to a peer average of 92.4%

Members counseled 1-on-1 as a % of active members was 0.5% compared to a peer average of 2.4%
The principle of last institution (PLI) may provide better services to the members, but CEM cannot quantify the effect on the member service score.

## Your peer group consists of 12 peers.

Custom Peer Group for Finnish Pension Fund												
				Assets	#	# pension						
	Actives	Annuitants	Total	€ millions	employers	admin. FTEs						
Finnish Pension Fund	2,460,272	1,642,883	4,103,155	113,030	346,946	2,350						
АТР	3,038,954	838,223	3,877,177	79,225	162,225	143						
ABP	1,185,642	772,504	1,958,146	268,000	3,910	802						
PFZW	1,245,800	324,500	1,570,300	110,700	21,184	390						
TRS of Texas	847,847	625,360	1,473,207	104,709	1,360	272						
NYSLRS	544,751	770,062	1,314,813	119,314	3,040	860						
CalSTRS	429,600	507,258	936,858	124,230	1,614	726						
PWGSC	316,206	486,000	802,206	88,308	43	788						
Virginia RS	339,740	312,330	652,070	43,655	829	215						
Wisconsin DETF	266,629	311,550	578,179	60,495	1,474	201						
Washington State DRS	293,580	277,538	571,118	52,195	1,325	197						
BC Pension Corporation	290,360	273,234	563,594	42,824	1,006	408						
Peer Average	938,282	595,120	1,533,402	100,557	45,413	613						

### Graphical comparison of peer characteristics







## Profiles of the 54 benchmarking participants

page 1 of 2

Participant	Member	s by Type	(000s)		Me	emk	ber	Gro	oup	s		Plan Type			es	\$			
	Active Members	Annuitants	Inactive Members	City or County Only State/ County Employees	Jeachers	School	Police and/or Fire	Participating Local Employers	Other (judges etc)	Corporate	Industry	DB	Cash Balance	DB/ Cash Balance	DB/ Money Match	Drop	DC	Hybrid DB/ DC	Administer Retiree Healthcare
Canada																			
APS	195	77	41	X	(	Х	Х	Х	Х			X							
BC Pension Corporation	290	273	65	X	Х	Х	Х	Х	Х	Х	Х	X		Х				Х	
Canada Post	59	25	1	X	(					Х		X							
Defence Canada	94	220	1						Х			X							
НООРР	173	73	22	Х	(			Х			Х	X							
LAPP	143	46	25	Х	(	Х	Х	Х				X							
OMERS	263	118	38			Х	Х	Х	Х	Х		X							
Ontario Pension Board	43	35	4	X	(		Х		Х			X							
Ontario Teachers	180	120	69	X	Х	Х						X							
OPTrust	51	27	6	X	(							X							
PWGSC	316	486	6	X	(		Х					X							Х
RCMP	23	32	0																
Denmark																			
АТР	3039	838	857	X	(														
Finland																			
Finnish Pension Fund	2460	1643	5408								Х	X							
The Netherlands																			
ABN AMRO Pensioenfonds	24	19	35							Х		X							
ABP	1186	773	904	X	Х	Х	Х		Х		Х	X							
bpfBOUW	209	246	385	X	(						Х	X							
Pensioenfonds Horeca en Catering	236	31	687	X	(						Х	X							
Pensioenfonds Metaal en Techniek	404	181	658	Х	(						Х	X							
Pensioenfonds van de Metalektro	142	151	317	Х	(						Х	X							
PFZW	1246	325	842								Х	X							
Rabobank Pensioenfonds	46	11	38							Х		X							
Stichting Algemeen Pensioenfonds KLM	15	10	8							Х		X							
Stichting Shell Pensioenfonds	11	20	7							Х		Х							

## Profiles of the 54 benchmarking participants

page 2 of 2

Participant	Member	s by Type	(000s)	Member Groups					Plan Types											
	Active Members	Annuitants	Inactive Members	City or County Only	State/ County Employees	Teachers	School	Police and/or Fire	Participating Local Employers	Other (judges etc)	Corporate	Industry	DB	Cash Balance	DB/ Cash Balance	DB/ Money Match	Drop	DC	Hybrid DB/ DC	Administer Retiree Healthcare
United States																				
Arizona SRS	209	225	209		Х	Х	Х		Х	Х			Х						Х	X
CalSTRS	430	507	174			Х							Х		Х				Х	
Colorado PERA	229	98	180		Х	Х	Х		Х	Х			Х					Х	Х	X
Delaware PERS	43	49	1		Х	Х	Х	Х	Х	Х			Х							
Idaho PERS	66	71	25		Х	Х	Х	Х	Х	Х									Х	
Illinois MRF	176	99	112				Х	Х	Х				Х							
Indiana PRS	261	244	100		Х		Х	Х	Х	Х			Х				Х	Х	Х	X
Iowa PERS	164	197	66		Х	Х	Х	Х	Х	Х			Х							
LACERA	92	113	12	X				Х		Х			Х							X
Maine PERS	54	69	50		Х	Х	Х	Х	Х	Х			Х							
Michigan ORS	264	255	529		Х	Х	Х	Х		Х			Х				Х			X
Montana PERA	35	21	10		Х		Х	Х	Х	Х			Х				Х			
MOSERS	52	73	18		Х		Х	Х		Х			Х							
MPERS	8	8	2		Х				Х	Х			Х							X
Nevada PERS	101	92	13		Х	Х	Х	Х		Х			Х							
New Mexico ERB	62	71	33		Х	Х	Х						Х					Х		
NYC TRS	117	150	21	X		Х	Х						Х						Х	
NYSLRS	545	770	128		Х		Х	Х	Х	Х			Х							
Ohio PERS	349	182	451		Х			Х		Х			Х	Х					Х	X
Ohio SERS	131	133	105				Х						Х							X
Oklahoma PERS	41	59	6		Х				Х	Х			Х						Х	
Orange County ERS	21	13	4	X	Х			Х	Х				Х							
Oregon PERS	194	240	39		Х	Х	Х	Х	Х	Х						Х			Х	X
STRS Ohio	203	276	136			Х							Х					Х	Х	X
TRS Louisiana	93	132	20			Х							Х				Х	Х		
TRS of Texas	848	625	156			Х	Х						Х							X
Utah RS	105	48	37		Х	Х	Х	Х	Х	Х			Х					Х	Х	
Virginia RS	340	312	105		Х	Х	Х	Х	Х	Х			Х							
Washington State DRS	294	278	213		Х	Х	Х	Х	Х	Х			Х						Х	
Wisconsin DETF	267	312	150		Х	Х	Х	Х	Х	Х					Х				Х	X

## **Service Levels**

This section:

- 1. Analyzes your current service levels relative to your peers, to identify what you do and how it compares to others.
- 2. Identifies areas where you may be able to improve, or reduce, your service levels.
- 3. Provides details of the methodology and criteria we used to evaluate your service levels.

Your total member service score was 70 out of 100. This was below the peer average of 75.



#### Interpreting your Service Results

Higher service scores are not necessarily better. This is because:

- Service is defined as: 'Anything a member would like, before considering costs'. As this definition does not consider costs, high service may not always be cost effective or optimal. For example, it is higher service to have a call center open 24 hours a day but few systems would be able to justify the cost.
- Our 'weights' are an approximation of the importance of an individual service element. These weights will not always reflect the relative importance that you or your members attach to an individual service element.

The service measures are most useful for identifying what you are doing differently than your peers. Understanding these differences can give you ideas on how you may want to improve, *or reduce*, the service you provide to your members.

# Service scores by activity and the weights used to determine the total service score

Service Scores by Activity										
		Peer								
Activity	You <sup>1</sup>	Average	Weights							
Paying Pensions	100	99	20.8%							
Pension Inceptions	62	90	7.3%							
Benefit Estimates	73	75	5.2%							
1-on-1 Counseling	37	68	7.3%							
Member Presentations	51	75	6.3%							
Member Contacts	70	57	20.8%							
Website	61	63	9.4%							
Newsletters and Welcome Kits	58	74	5.2%							
Member Statements	79	79	7.3%							
Disability	95	77	5.2%							
Satisfaction Surveying	20	44	5.2%							
Total Service Score	70	75	100.0%							
Total Service Score - Median		74								

<sup>1</sup> The service score for each activity is the average score for the 8 Finnish pension systems that responded to the Pension Administration Benchmarking Survey. As such, some of the service score components may not be directly calculated from the average responses.

### How did we determine the weights for each activity?

CEM considered the following 8 criteria to determine the weights used to calculate your Total Service Score:

#### 1. Feedback from Participants

The weights reflect feedback from participants solicited at on-site meetings, symposiums and peer conferences.

#### 2. Relative Cost of Each Activity

The average CEM participant spends 9.9% of its annual budget for Member Contacts (calls, emails, letters) versus 2.8% for 1-on-1 Counseling. Thus, based solely on relative cost, Member Contacts is 3.5 times more important than 1-on-1 Counseling.

#### 3. Relative Volume of Each Activity (i.e., How many times does the service 'touch' a member?) The average CEM participant initiates 23 pensions and receives 987 calls for every 1,000 active members and annuitants. Thus, based solely on relative volume, Calls are 43 times more important than Pension Inceptions.

#### 4. Expectations Based on External Experience

Members have external comparisons for receiving payments, telephone calls and annual statements, but they have no direct experience with the pension inception process. Thus, based solely on external experience, paying pensions and member contacts are more important than pension inceptions.

#### 5. Personalized Human Contact

Research shows that the points of human contact provide the greatest opportunity for generating customer satisfaction. Thus, based solely on personalized human contact, Counseling and Calls are much more important than 'no contact' activities such as the Website or Paying Annuity Pensions.

#### 6. About Members' Money

Nothing gets a member's attention faster than his or her own money. So, based solely on this criteria, activities such as Benefit Calculators Linked to Member Data, Member Statements and Paying Annuity Pensions are much more important than newsletters or brochures.

#### 7. Mission Critical

Paying pensions is mission critical. Providing counseling is not.

#### 8. Stability

We have been told that keeping the weights stable is more important than continually perfecting them. Clients want to measure their progress against a stable metric. Your service score for paying pensions was 100 out of 100. This compares to a peer average of 99.



Calculation	on of your paying pensions service score*	Your	Your
		Data	Score
+ 100	If none of your pension payrolls were late vis-à-vis your normal payment cycle, otherwise 100 - 10 x numbers of late payrolls x average number of		
	days late.	0	100
	Total Score		100

\* 'Your Score' is the average score obtained from the eight participating Finnish funds. As such, 'Your Score' may not be directly calculated from 'Your Data' which is the average response of the same eight participating Finnish funds.

Interpreting the Scoring Formula

Paying the pension payroll on the due date is a critical service requirement for retirement systems. Therefore, almost all systems get a perfect score for this measure, except in the event of a business interruption. A perfect score requires that all regular pension payrolls are paid on their due date.

Question	is used to determine your paying pensions service score	You	Peer
Q22	Were any of your pension payrolls late vis-à-vis your normal payment cycle? [For example, a payroll might be late because of system problems,		
	etc.]	0% Yes	8% Yes
	a) If yes, how many payrolls were late?	0	1
	b) On average, how many days late were they?	0	1 day

Your service score for pension inceptions was 62 out of 100. This compares to a peer average of 90.



Calculatio	on of your pension inceptions service score*	Your	Your
		Data	Score
+ 85	<u>Cashflow Interruptions</u> 85 x percent of inceptions that occur within 1 month of final pay check (0% is assumed if unknown).	67.8%	57.6
+ 15	Survivor Pensions 15 x percent of pensions paid without interruption to survivors (0% is assumed if unknown).	27.6%	4.1
	Total Score		61.8

\* 'Your Score' is the average score obtained from the eight participating Finnish funds. As such, 'Your Score' may not be directly calculated from 'Your Data' which is the average response of the same eight participating Finnish funds.

#### Interpreting the Scoring Formula

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.

Questions used t	o determine your pension inceptions service score	You	Peer
Q23 What s withou final p	% of pension inceptions to retiring active members were paid ut an interruption of cash flow greater than 1 month between the ay check and the first pension check?	67.8%	92.4%
Q24 What S cash fl first pe	% of survivor pension inceptions are paid without an interruption of ow between the pensioner's final pension check and the survivor's ension check?	27.6%	76.2%

## Your service score for benefit estimates was 73 out of 100. This compares to a peer average of 75.



Calculatio	on of your benefit estimates service score*	Your	Your
		Data	Score
+ 38	<u>Speed of Turnaround</u> if estimate is mailed in 3 days or less, otherwise 38 minus 1 per day over		
	3 days to provide a written estimate (30 days is assumed if unknown)	6.2 days	33.9
- 4	if you do not regularly measure the time to provide an estimate	50% Yes	-2.0
	<u>Content</u>		
+ 4	if you discuss the effects of social security	13% Yes	0.5
+ 3	if you discuss alternative scenarios that could improve benefit	100% Yes	3.0
+ 11	if you model alternative retirement options	13% Yes	1.4
+ 44	Alternative Channels if you also offer estimates via member statement, website and call	2.4	
	center, otherwise, 31 if you offer 2 alternatives, 18 if you offer 1, 0 if you	2.4	
	offer none	channels	35.9
	Total Score		72.6

\* 'Your Score' is the average score obtained from the eight participating Finnish funds. As such, 'Your Score' may not be directly calculated from 'Your Data' which is the average response of the same eight participating Finnish funds.

#### Interpreting the Scoring Formula

A perfect score requires that you can turnaround an estimate within three days of the request. The more members understand how their pension benefit is affected by inflation, social security, etc. the better they can plan for retirement. A perfect score requires that you provide all this information on a written estimate. More channel choices in obtaining a pension estimate provide greater access and convenience for your members.

Questions	s used to determine your benefit estimates service score	You	Peer
Q12	Indicate whether the following capabilities are offered on your website and provide volumes (if available): a) Benefit calculator in non-secure area?	38% Yes	70% Yes
	<ul><li>b) Benefit calculator in secure area not linked to member data?</li><li>c) Benefit calculator in secure area linked to member's salary and service data?</li></ul>	13% Yes 88% Yes	9% Yes 74% Yes
Q18	Can and will you provide the following information on an immediate real- time basis to members over the phone: [If you do not have real-time access to the information or if your policy is not to give the information over the phone because of security or other concerns then your answer should be 'no'.]		
	a) Estimates of benefits at retirement?	50% Yes	54% Yes
Q25	On average, how many business days did it take to provide a formal written estimate from the time of initial request from a member? [Do not include time in the mail.] a) Is this a number you regularly measure and track? [versus being an	6.2	13
	estimate]	50% Yes	96% Yes
Q26	Do your written annuity pension estimates: [including cover letters etc. sent with the estimate] a) If your pension is coordinated with or reduced by social security is the		
	impact explained? b) Discuss alternative scenarios that could improve the benefit such as	13% Yes	41% Yes
	purchasing service credit or working longer?	100% Yes	92% Yes
	c) Model alternative retirement payment options?	13% Yes	76% Yes
Q32	Do your member statements for active members include: e) An estimate of the future pension entitlement based on age scenario modeling or assuming the member continues to work until earliest possible retirement?	100% Yes	92% Yes

# Your service score for 1-on-1 counseling was 37 out of 100. This compares to a peer average of 68.



Calculation of your 1-on-1 counseling service score*		Your	Your
		Data	Score
+ 100	<u>Availability</u> if members counseled 1-on-1 as a % of your active membership is more than 1%, otherwise 100 x members counseled 1-on-1 per 10,000 active members (+ 25 if unknown)	0.5%	36.7
	Total Score		36.7

\* 'Your Score' is the average score obtained from the eight participating Finnish funds. As such, 'Your Score' may not be directly calculated from 'Your Data' which is the average response of the same eight participating Finnish funds.

#### Interpreting the Scoring Formula

Higher volumes imply greater availability, value and greater communication of availability.

Qu	estions	s used to determine your 1-on-1 counseling service score	You	Peer
	Q2	a) Active members	2,460,272	938,282
	Q10	j) Members counseled 1-on-1?	12,816	12,985
		Members counseled 1-on-1 as a % of active members (Q10/ Q2)	0.5%	2.4%

# Your service score for member presentations was 51 out of 100. This compares to a peer average of 75.



Calculati	on of your member presentations service score*	Your	Your
		Data	Score
+ 75	<u>Availability</u> if attendees as a percent of active members is greater than 2.5%, otherwise 30 x attendees as percent of active members (+ 25 if unknown)	1.0%	30.7
+ 25	<u>Group Size</u> if average of 20 attendees or fewer per presentation, otherwise 35 - average number of attendees per group presentation / 2 (+ 15 if unknown)	28	19.9
	Total Score		50.7

\* 'Your Score' is the average score obtained from the eight participating Finnish funds. As such, 'Your Score' may not be directly calculated from 'Your Data' which is the average response of the same eight participating Finnish funds.

#### Interpreting the Scoring Formula

Higher volumes imply greater availability and value. Smaller groups are preferred to larger groups. They provide more opportunities for individual attention.

Question	s used to determine your member presentations service score	You	Peer
Q2	a) Active members	2,460,272	938,282
Q10	What were your volumes for:		
	k) Presentations to members?	1,193	586
	I) How many members in total attended these presentations?	24,725	16,678
	Attendees as a % of active members	1.0%	3.2%
	Attendees per presentation	28	84

# Your service score for member contacts was 70 out of 100. This compares to a peer average of 57.



Calculatio	on of your member contacts service score*	Your	Your
		Data	Score
+ 10	<u>Availability</u> if your call center is open more than 50 hours per week, otherwise 10 x total weekly operating hours / 50 (subject to a minimum of zero)	41.6 hours	8.3
+ 36	less time in seconds to reach a knowledgeable person / 5 (if you cannot provide accurate wait times or if you do not have a queue then you receive 11 points as a default)	31.8	25.0
+ 26	if no menu layers: + 24 if one menu layer on average or less; + 16 if two menu layers on average or less; + 6 if three menu layers on average or less; 0 otherwise.	1	25.5
- 8	if a receptionist is the first point of contact	25% Yes	-2.0
+ 13	<u>Capability</u> if you provide benefit estimates over the phone	50% Yes	6.5
+ 6	if estimates are based on a calculator linked to member account data	50% Yes	3.0
+ 3	if members can change their address over the phone	100% Yes	3.0
+ 3	if members can change their beneficiary over the phone	13% Yes	0.4
+ 3	if members can change their payment instructions over the phone	25% Yes	0.8
	Total Score		70.4

\* 'Your Score' is the average score obtained from the eight participating Finnish funds. As such, 'Your Score' may not be directly calculated from 'Your Data' which is the average response of the same eight participating Finnish funds.

#### Interpreting the Scoring Formula

- A perfect score requires callers to reach a knowledgeable person with no wait time.
- Members prefer to get through immediately to a knowledgeable person who can answer their questions.
- Irritation increases rapidly with the number of menu layers.
- Receptionists are often more irritating than a menu layer because of the need to explain your needs twice, incorrect redirection, etc.
- You can serve your members better if you have real time access to all of their records and have tools which will enable you to provide immediate, informed and accurate answers to their questions.
- Your ability to serve members is greatly reduced if your capabilities or policies prevent you from answering questions over the phone.

Questions	used to determine your member contacts service score	You	Peer
Q14	When a member calls in, is the first point of human contact usually a receptionist?	25% Yes	2% Yes
Q15	Do callers wait in a queue for service representatives?	88% Yes	99% Yes
	a) If yes, what is the average wait time? [in seconds]	31.8	93
Q16	Do members have to navigate a phone menu before speaking to a service representative?	25% Yes	69% Yes
	a) What is the minimum number of menu layers that must be navigated before a caller can speak to a live person? [Count each and every time a caller must select a menu option by pressing a button on the phone as a menu layer. Use the volume-weighted average number of menu layers if there are different menu-tree branches.]	1	2
Q18	Can and will you provide the following information on an immediate real- time basis to members over the phone: [If you do not have real-time access to the information or if your policy is not to give the information over the phone because of security or other concerns then your answer should be 'no'.]		
	<ul><li>a) Estimates of benefits at retirement?</li><li>a1) If yes, is the estimate based on an interactive benefit calculator linked</li></ul>	50% Yes	54% Yes
	to the member's actual account data?	50% Yes	93% Yes
Q19	Can members calling in effect the following transactions over the phone:	40004	
	a) Change address?	100% Yes	70% Yes
	<ul><li>c) Change beneficiary?</li><li>c) Change payment instructions? [i.e., bank account]</li></ul>	13% Yes 25% Yes	1% Yes
Q20	How many hours per week can members call service representatives?	41.6	50

# Your service score for website was 61 out of 100. This compares to a peer average of 63.



Calculatio	on of your website service score*	Your	Your
		Data	50010
	Benefit Calculators		
+ 25	if you have an interactive calculator on your website	88% Yes	21.9
+ 15	if the calculator is linked to a member's salary and service data	88% Yes	13.1
	Salary and Service Credit		
+ 5	if you offer secure access to both salary and service credit data	63% Yes	3.1
+ 5	if salary & service credit data is up-to-date to the most recent pay period	25% Yes	1.3
+ 1	if a complete annual history of salary and service credit data is available	50% Yes	0.5
	Other Transactions and Tools		
+ 42	if you offer all of the following 12 tools, otherwise 3.5 per tool offered		15.8
	register for counseling sessions and/or workshops	13% Yes	
	change address information	75% Yes	
	change beneficiaries	0% Yes	
	change family status	0% Yes	
	change annuity deposit banking information	38% Yes	
	change tax withholding amount	38% Yes	
	view or print tax receipts	25% Yes	
	view payment stubs	50% Yes	
	apply for retirement online	88% Yes	
	check status of disability application	13% Yes	
	view correspondence in a "secure mailbox"	63% Yes	
	download member statement	50% Yes	
	Design of Secure Member Area		
+ 4	if you send new registrants their first password via email	100% Email	4.0
+ 3	if you greet member by name upon log-in	38% Yes	1.1
- 4	if you force members to acknowledge a disclaimer every time they log-in or use the calculator	0% Yes	0.0
	Total Score		60.8

\* 'Your Score' is the average score obtained from the eight participating Finnish funds. As such, 'Your Score' may not be directly calculated from 'Your Data' which is the average response of the same eight participating Finnish funds.

#### Interpreting the Scoring Formula

• Members visit your website looking for information. The more you can provide, the more tailored and customized to the member, and the easier it is to get online, the better.

Question	s used to determine your website service score	You	Peer
Q12	Indicate whether the following capabilities are offered on your website		
	and provide volumes (if available):		
	a) Benefit calculator in non-secure area?	38% Yes	70% Yes
	b) Benefit calculator in secure area not linked to member data?	13% Yes	9% Yes
	c) Benefit calculator in secure area linked to member's salary and service		
	data?	88% Yes	74% Yes
	d) Register for counseling sessions or presentations?	13% Yes	65% Yes
	e) Change address?	75% Yes	31% Yes
	f) Change beneficiary?	0% Yes	20% Yes
	g) Change family information? [i.e., marital status, partner, dependents]		
		0% Yes	0% Yes
	h) Change banking information for direct deposit?	38% Yes	14% Yes
	i) Change tax withholding amount?	38% Yes	28% Yes
	j) Download or print duplicate tax receipts? [i.e., 1099s in the U.S.]	25% Yes	60% Yes
	<ul><li>k) View annuity payment details? [i.e., gross amounts, deductions]</li></ul>	50% Yes	71% Yes
	<ol> <li>Apply for retirement?</li> </ol>	88% Yes	24% Yes
	m) View status of disability application?	13% Yes	1% Yes
	n) Secure mailbox?	63% Yes	47% Yes
	<ul><li>o) Download member statement? [i.e., Adobe format]</li></ul>	50% Yes	79% Yes
	<ul><li>p) View pensionable earnings and/or service without downloading?</li><li>If yes:</li></ul>	63% Yes	80% Yes
	1) Are both salary and service data available?	63% Yes	86% Yes
	2) Is online data up-to-date to the most recent pay period?	25% Yes	73% Yes
	3) Is a complete history from the beginning of employment available?	50% Yes	55% Yes
Q13	Does your website have a secure member area where members can		
	access their own data?	88% Yes	91% Yes
	If yes:		
	c) When members register for the first time, do you send their first		
	password via email, regular mail, phone or other?	100% Email	100% Email
	d) Do you welcome the member by name on the home page of the secure		
	member area?	38% Yes	85% Yes
	e) Are users required to acknowledge a disclaimer every time they log in		
	or before they can generate a pension estimate?	0% Yes	18% Yes

# Your service score for newsletters and welcome kits was 58 out of 100. This compares to a peer average of 74.



Calculatio	on of your newsletters & welcome kits service score*	Your	Your
		Data	Score
	Active Members		
+ 30	if you send newsletters 4 or more times per year, 27 if 3 times, 25 if 2 times or 20 if 1 time	1.16667	23.1
+ 5	if you send active member newsletters directly to members home	75% Yes	3.8
+ 30	<u>Retirees</u> if you send newsletters to retired members 4 or more times per year, 27 if 3 times, 25 if 2 times, 20 if 1 time	1.14	21.9
+ 10	Inactive Members if you send a newsletter to inactives at least annually	1	2.5
+ 10	<u>Target</u> if you have a separate newsletter targeted to active and retired members	50% Yes	5.0
+ 5	<u>Electronic</u> if you can deliver electronically	13% Yes	0.6
+ 10	if you issue a 'welcome' kit to new members	13% Yes	1.3
	Total Score		58.1

\* 'Your Score' is the average score obtained from the eight participating Finnish funds. As such, 'Your Score' may not be directly calculated from 'Your Data' which is the average response of the same eight participating Finnish funds.

#### Interpreting the Scoring Formula

- Communicating more frequently by newsletter is higher service.
- Communicating by newsletter to active members and annuitants is equally important. Inactive members are less important.
- Allowing members to choose whether they receive newsletters at home or through their employer is highest service. Alternatively, sending newsletters directly to active members' homes or email rather than through employers is higher service because the newsletters are less likely to get lost.
- Providing the choice of paper or electronic delivery is higher service.
- Milestone events, such as joining the system, are good opportunities to communicate the value of the benefit.

Questions	used to determine your newsletters & welcome kits service score	You	Peer
Q27	Do you send newsletters, and if yes how frequently to:		
	a) Active members?	1.16667	6
	b) Retired members?	1.14	4
	c) All inactive members?	1	2
Q28	How do you direct newsletters to active members:		
	b) Mail to their home?	75% Yes	23% Yes
	c) Email to the member?	13% Yes	59% Yes
Q29	Do you have a different newsletter for active and retired members?	50% Yes	63% Yes
Q34	Are new members issued a 'welcome' kit describing their benefits?	13% Yes	76% Yes
Your service score for member statements was 79 out of 100. This compares to a peer average of 79.



Calculatio	on of your member statements service score*	Your	Your
		Data	Score
+ 20	if data is current to 1 month, otherwise 22 - 2 x number of months out of		
	date	5.1	11.8
+ 10	if sent to a member's home	100% Yes	10.0
+ 5	if sent to inactive members annually or more frequently, otherwise 5 X	88%	
	times per year on average	Annually	4.4
	<u>Content</u>		
+ 10	if summarizes service credit	50% Yes	5.0
+ 10	if provides pensionable earnings	100% Yes	10.0
+ 5	if provides a historical summary of salary and service credit earned each	75% Yes	3.8
	year		
+ 10	if shows refund value if you left at the statement date	38% Yes	3.8
+ 30	if shows estimate of future pension entitlement	100% Yes	30.0
	Total Score		78.6

\* 'Your Score' is the average score obtained from the eight participating Finnish funds. As such, 'Your Score' may not be directly calculated from 'Your Data' which is the average response of the same eight participating Finnish funds.

#### Interpreting the Scoring Formula

• Up-to-date, accurate member statements provide one of your best opportunities to communicate the value of the benefit to members.

• Showing an estimate of the future pension entitlement is more important than showing the refund value because the pension entitlement is potentially much more valuable.

• Allowing members to choose whether they receive member statements at home, by email link or through employer is highest service. Alternatively, sending member statements directly to active members' homes or via email link rather than through employers is higher service because the statements are less likely to get lost.

Question	s used to determine your member statements service score	You	Peer
Q30	How do you send member statements to active members: b) Mail to their home?	100% Yes	83% Yes
Q31	On average, how current was an active member's data when their member statement was mailed to them (in months)?	5.1	3.5
Q32	Do your member statements for active members include:		
	a) Total accumulated service credit?	50% Yes	79% Yes
	b) Pensionable earnings?	100% Yes	75% Yes
	c) A historical summary of salary and service credit earned each year?	75% Yes	23% Yes
	d) The refund value if you left at the statement date?	38% Yes	78% Yes
	e) An estimate of the future pension entitlement based on age scenario modeling or assuming the member continues to work until earliest		
	possible retirement?	100% Yes	92% Yes
Q33	How frequently do you send member statements to inactive members? (e.g., never, annually, every 2 years, etc.)	88% Annually	75% Annually

# Your service score for disability was 95 out of 100. This compares to a peer average of 77.



Calculation	on of your disability service score*	Your	Your
		Data	Score
+ 100	<u>Timeliness</u> if you return a decision on a disability application in 1 month or less,		
	otherwise 110 - 10 x number of months to reach a decision	1.5	95
	Total Score		95

\* 'Your Score' is the average score obtained from the eight participating Finnish funds. As such, 'Your Score' may not be directly calculated from 'Your Data' which is the average response of the same eight participating Finnish funds.

#### Interpreting the Scoring Formula

From a member perspective, faster is higher service.

Question	ns used to determine your disability service score	You	Peer
Q35	Do you administer disability? a) If yes: how many months, on average, does it take to return a decision on a disability application from the day of the initial receipt to a decision?		
		1.5	3

# Your service score for satisfaction surveying was 20 out of 100. This compares to a peer average of 44.



Calculatio	n of your satisfaction surveying service score*	Your	Your
		Data	Score
+ 9	<u>Calls</u> if survey focuses primarily on member telephone calls if the longest longth of time between the survey and telephone call is 14	50% Yes	2.3
+ 17	days or less if surveys are continuous or more than 26 times per year, otherwise + 7.2	160 Days	2.1
	(80%) if monthly, + 5.4 (60%) if quarterly, + 1.8 (20%) if once per year	1.5 Per Year	0.5
+ 4 + 7	if survey focuses primarily on member presentations if the longest length of time between the survey and member attending a	38% Yes	0.5
+ 4	presentation is 14 days or less if surveys are continuous or more than 26 times per year, otherwise + 3.2	182 Days	0.9
	(80%) if monthly, + 2.4 (60%) if quarterly, +0.8 (20%) if once per year	1.7 Per Year	0.1
+ 4	if survey focuses primarily on member counseling	50% Yes	1.0
+ 4	was counseled is less than 14 days if surveys are continuous or more than 26 times per year, otherwise + 3.2	137 Days	1.8
	(80%) if monthly, + 2.4 (60%) if quarterly, +0.8 (20%) if once per year	1.5 Per Year	0.2
+ 9 + 17	if survey focuses only on the annuity pension inception process if the longest length of time between the survey and pension inception is	50% Yes	3.4
	14 days or less	47 Days	6.4
+9	(80%) if monthly, + 5.4 (60%) if quarterly, +2.3 (25%) if once per year	1 Per Year	0.7
	Total Score		19.7

\* 'Your Score' is the average score obtained from the eight participating Finnish funds. As such, 'Your Score' may not be directly calculated from 'Your Data' which is the average response of the same eight participating Finnish funds.

#### Interpreting the Scoring Formula

Best practice satisfaction surveying is single activity focused, sent only to members who have recently received the service, can be summarized by the person that did the work, is performed on a frequent random-sample basis and results are communicated widely. If you measure satisfaction, we assume you do a better job of managing and improving it.

Questions used to determine your satisfaction surveying service score									
							<u>Pen</u>	<u>sion</u>	
							Ince	Inception	
	<u>Ca</u>	<u>alls</u>	<b>Presentations</b>		<b>Counseling</b>		Process		
Q37 Satisfaction Surveying	You	Peer	You	Peer	You	Peer	You	Peer	
Did you survey member satisfaction with									
regard to the activity (per the column									
headings) in your most recently completed									
fiscal year? (yes/ no)	50% Yes	63% Yes	38% Yes	94% Yes	50% Yes	75% Yes	50% Yes	41% Yes	
If yes:									
a) Did the survey focus primarily on the single									
activity (per the column heading) of was it part	50%	81%	33%	94%	50%	94%	75%	95%	
activity/multiple)	Single	Single	Single	Single	Single	Single	Single	Single	
	Activity	Activity	Activity	Activity	Activity	Activity	Activity	Activity	
c) What was the longest possible length of time									
between the activity and the survey? (in days)									
[i.e., if you sent a survey to a sample of									
members that had called sometime in the past									
year, then the answer is 365 days]	160	68	182	30	137	33	47	83	
d) How many times did you survey member									
satisfaction with regard to the activity in your									
most recently completed fiscal year? (once,	1.5 Per	96 Per	1.7 Per	182 Per	1.5 Per	219 Per	1.3 Per	3 Per	
quarterly, monthly, on a continuous basis such	Year	Year	Year	Year	Year	Year	Year	Year	
as every 10th refund, etc.)									

### Graphical comparison of key service measures

This page shows a sample of key service metrics that we have weighted highly because we believe they are particularly important service measures from a member's perspective.



Most peers get a perfect score for this critical measure.











1 of the peers with a queue could not provide wait times.

You Peer --- Peer Avg

© 2012 CEM Benchmarking Inc. Service Levels - Page 3-22

### Graphical comparison of key service measures (continued)











© 2012 CEM Benchmarking Inc. Service Levels - Page 3-23

## **Cost Analysis**

This section:

- Compares your total costs per member.
- Shows how differences in FTE, salaries, professional fees and building costs impact your costs.
- Compares other factors that impact costs such as workloads, productivity, economies of scale, cost environment, and major projects.

Your total pension administration cost per the survey was €439.9 million or €107 per active member and annuitant.

	In €000s		as a % c	as a % of total	
		Peer		Peer	
Cost Category	You	Average	You	Average	
Salaries and benefits	155,753	42,899	35%	54%	
Professional fees (actuarial, legal, audit, consulting,	150 200		2.40/	260/	
	150,309	35,854	54%	30%	
Building expenses (rent, depreciation, leasehold					
amortization, utilities, facility services)	7,539	3,564	2%	5%	
Amortization and depreciation (non-building)	5,948	1,922	1%	3%	
Cross charges paid to sister organizations	48,107	4,009	11%	1%	
Other administrative expenses	72,213	6,018	16%	1%	
Total administration cost (A)	€439,869	€94,266	100%	100%	
Active members and annuitants (B)	4,103,155	1,533,402			
€ per active member and annuitant (A X 1000/B)	€107.20	€59.55			

Your pension administration cost was €107.20 per active member and annuitant. This was €47.66 above the peer average of €59.55.



Your total pension administration cost per the survey was €439.9 million or €107 per active member and annuitant.



Total Pension Cost	
Total cost related to employers € 20	9,146,984
Total cost related to members € 25	7,547,686
Less: Total investment administration cost (€ 2	6,826,400)
Total pension administrative expenses € 43	9,868,538
Total per member and annuitant	€ 107

# Factor breakdown explaining why your total cost was €48 higher than the peer average:

Reason	Comparison				
		Peer	More/	€s per	
	You	average	Less	member	
A. Using 23% more FTE to serve members	<u>FTE per 10,</u> 5.7	<u>000 members</u> 4.7	23%	€11.72	
B. Paying less in total per FTE for:	<u>Cost</u>	per FTE			
<ul> <li>Salaries &amp; benefits</li> </ul>	€66,272	€72,370	-8%		
<ul> <li>Building expenses</li> </ul>	<u>€3,208</u>	<u>€6,779</u>	-53%		
	€69,480	€79,149	-12%	-€5.54	
C. Paying more per member in total for:	<u>€s per</u>	<u>member</u>			
Professional Fees <sup>1</sup>	€37	€23	63%		
Amortization	€1	€1	52%		
<ul> <li>Charges to sister organizations</li> </ul>	€12	€1	1100%		
<ul> <li>Other administration expenses</li> </ul>	<u>€18</u>	<u>€1</u>	1100%		
	€67	€26	160%	€41.48	
Total	1			€47.66	

<sup>1</sup> These include actuarial, legal, audit, consulting, outsourced IT etc.

You used 23% more FTE to serve your members in comparison to the peer average.



Using more FTE increases your cost relative to the peer average by an estimated €11.72 per member.

Key reasons for differences in FTE per member include differences in workloads and differences in productivity.

• Workloads. Your weighted transaction volume was 39% above the peer average. This suggests that you do more transactions and/or have a more costly mix of transactions per active member and annuitant. The difference compared to the peer group is the highest for the disability application volumes. The estimated cost

• Productivity. Your weighted-transaction score per FTE was 37% lower than the peer average. Differences in productivity are caused by differences in staff capabilities, IT capability, service levels, economies of scale, organizational processes, complexity, projects and outsourcing (i.e., using consultants instead of internal staff will increase productivity per internal FTE)

• The Finnish funds have many more small employers and individual entrepreneurs than do peers. We expect that this creates extra work and costs for Finnish funds compared to your international peer group.

Refer to section 5 Transaction Volumes for more insight into workloads and productivity.

### Graphical comparisons - Where do you pay more/less?









You Peer --- Peer Avg

### Economies of scale impacts costs

Size is a key driver of costs. A greater number of total members relative to other systems allows you to spread your costs over a larger base and benefit from lower per unit costs.



Inactive members are excluded from the Total Membership because they are much less costly to administer than either active members or annuitants. Inactive members are also excluded from the denominator when determining Total Cost per Member.

In aggregate, your larger size gives you an economies of scale advantage of €3 per member. In reality, however, this scale advantage does not exist: Finnish Pension Fund is an aggregate of 8 smaller pension administration operations which for the most part have a large economies of scale disadvantage. Considered this way, the Finnish Pension Fund has an economies of scale disadvantage of €30 per member.

The linear regression model used for our scale analysis is based on the world universe data from the prior fiscal year. Total pension cost is fitted against total number of members and annuitants. The intercept of that regression line is the base cost. In our regular methodology, the economies of scale advantage/ disadvantage is the average difference between the base cost per member for the fund in question and its peers base costs per member. Since the Finnish Pension Fund is an aggregate fund, simply adding the total pension cost and total number of members would result in erroneous economies of scale advantage. The methodology is modified to take into account the fact that the Finnish Pension Fund is composed of 8 smaller operations. The economies of scale is calculated for each of the 8 Finnish funds. The average of those 8 values is then the estimated economies of scale disadvantage for the aggregate Finnish Pension Fund.

You spent 7% of your total administration cost on major projects. This was below the peer average of 13%.



Differences in investment in major projects can have a very large impact on relative cost performance.

### Alternative cost comparisons 1. Member versus employer cost

In the private Finnish pension system, the insurers compete commercially to attract employers to their administration platforms. The Finnish funds reported 346,946 employers versus a peer average of 45,413. We expect that this creates extra work and costs for Finnish funds compared to your international peer group, which has 'captive' employer and member groups and can also be expected to have lower employer service costs. Your peers have no 'sales and marketing' costs. Employer costs included sales and marketing costs in the CEM survey. The Finnish pension funds reported that 55% of total administration costs were related to employers versus 10% for the peer group.



Your member administration cost per active member and annuitant of €48 was below the peer average of €51.



Your employer administration cost per active member and annuitant of €59 was above the peer average of €8.

### 2. Administration cost as a percentage of total assets

An alternative way of comparing costs is as a percentage of total assets. Your cost of 38.9 bps was above the peer average of 8.9 bps.



The above calculation uses your net pension administration cost. These exclude any healthcare or investment management related costs. If healthcare and investment management related costs are included in this calculation, your cost was 43.7 bps compared to a peer average of 10.6.



© 2012 CEM Benchmarking Inc. Cost Analysis - Page 4-11

## **Transaction Volumes**

This section contains:

- Comparisons of the most important pension administration transaction volumes. Transactions are a major driver of costs. It is higher cost to have higher transaction volumes per member.
- The calculation of your weighted transaction volume score per member. It shows whether your transaction volumes are more or less costly in aggregate.
- Comparisons of online transaction volumes.

### Your weighted transaction volume was 39% higher than the peer average.



The weighted transaction volume shows whether your transaction volumes are more or less costly in aggregate.

Differences in volume per member reflect differences in:

- Activities that you administer. For example, some plans do not administer disability.
- Services provided. For example, some plans do not offer counseling.
- Online self-service. For example, self-service can reduce call volumes.
- Membership mix. Active members cause more transaction volumes than annuitants.
- Member demographics. Some member types demand more services than others.

Your weighted transaction volume equals the cost weighted average of 12 key activity volumes.

Calculation of your Weighte	d Transaction Volume per N	/lember		
			Weight =	
			World PABS	
		Your	Cost per	Weighted
	Activity volume	Volume	Unit	Volume
Activity	description	(A)	(B)	(A x B)
a				
1. Member Transactions				
A. Pension Payments	annuitants	1,642,883	8.20	13,4/1,641
B. Pension Inceptions	service and survivor inception	92,951	115.28	10,715,391
C. Disability	disability applications	60,218	845.00	50,884,210
2. Member Communication				
A. Member Calls	calls and emails	1,177,472	6.08	7,159,030
B. Mail Room	incoming letters	276,000	3.90	1,076,400
C. Pension Estimates	written estimates	34,969	70.48	2,464,615
D. 1-on-1 Counseling	counseling sessions	12,816	65.98	845,600
E. Member Presentations	presentations	1,193	938.59	1,119,738
F. Mass Communication	active members, annuitants	4,103,155	5.39	22,116,005
3. Collections and Data Mainte	nance			
A. Employer data & money	active members	2,460,272	5.69	13,998,948
B. Service to Employers	active members	2,460,272	2.11	5,191,174
C. Non-employer data	annuitants, deferreds	7,051,113	0.82	5,781,913
Total				134.824.664
Total per active member & ann	uitant			33

The weights used are the peer median cost per transaction for all participants in CEM's global pension administration benchmarking with fiscal 2011 year ends. These weights enable us to normalize for the substantial differences in time and effort expended on each type of task. For example, the work effort in responding to a disability application is much higher than answering a telephone call.

For some activities, we have used members as a proxy for the activity's transactions. For example, active members is used as a proxy for the transactions of employer data and money. The implicit assumption is that data maintenance transactions (such as new hires, leaves, exits, changes in family status, address changes, etc) will occur at similar ratios of members for all schemes.

### Where are you doing more/fewer transactions than your peers?

Where are you doing more/fewer transactions than your peers?								
			Volume per 1000 active			<u>Cost-</u>		
			<u>membe</u>	ers & anni	uitants	<u>impact</u>		
	Activity volume	Your		Peer	More/	You vs.		
Activity	description	Volume	You	Avg	-less	Peers		
1. Member Transactions								
A. Pension Payments	annuitants	1,642,883	400.4	447.0	-10%	decreasing		
B. Pension Inceptions	service & survivor inceptions	92,951	22.7	18.1	25%	increasing		
C. Disability	disability applications	60,218	14.7	2.7	444%	increasing		
2. Member Communication								
A. Member Calls	calls & emails	1,177,472	287.0	426.1	-33%	decreasing		
B. Mail Room	incoming letters	276,000	67.3	198.0	-66%	decreasing		
C. Pension Estimates	written estimates	34,969	8.5	18.4	-54%	decreasing		
D. 1-on-1 Counseling	counseling sessions	12,816	3.1	11.3	-72%	decreasing		
E. Presentations	presentations	1,193	0.3	0.6	-50%	decreasing		
F. Mass Communication	active members, annuitants	4,103,155	1,000.0	1,000.0	0%	neutral		
3. Collections and Data Main	tenance							
A. Employer data	active members	2,460,272	599.6	553.0	8%	increasing		
B. Service to Employers	active members	2,460,272	599.6	553.0	8%	increasing		
C. Non-employer data	annuitants, deferreds	7,051,113	1,718.5	767.1	124%	increasing		
Weighted Total			32,859	23,563	39%	increasing		

All volumes in the above table are compared on a 'per 1,000 active members and annuitants', even if both member groups do not always cause the volume. This is because active members & annuitants is the divisor used to determine cost per member. Therefore, if you want to know how volumes impact your relative cost performance, they need to be compared on the same basis.

### Membership mix impacts transaction volumes

Active members cause more transactions than annuitants. For your system, active members represented 60% of the divisor used to determine cost per member (i.e., active members and annuitants). This was more than the peer average of 55%. Having more active members increases your relative volumes and costs.



Deferred members cause the fewest transactions. Therefore they are excluded from membership volumes when determining cost per member. But they still cause some transactions (i.e., withdrawals, service retirements, calls). So having more deferred members increases your relative volumes and costs. Your system had more. Deferred members represented 132% of the divisor used to determine cost per member (i.e., active members and annuitants) which was more than the peer average of 32%.



### Member transactions per 1,000 members: Graphical comparison







### Communication transactions per 1,000 members: Graphical comparison













You Peer --- Peer Avg

### Collections and data transactions per 1000 members: Graphical comparison







### **Online Transactions**

Online Tool	Do you offer?		Volumes per 1000 memb		mbers
			Member		Peer
	You	Peers	Definition	You	Average
Benefit Calculators					
<ul> <li>linked to salary and service data</li> </ul>	88% Yes	74% Yes	actives	88	455
- in non-secure area	38% Yes	70% Yes	actives	0	430
View salary or service without downloading	63% Yes	80% Yes	actives	47	185
Download member statement (i.e., Adobe format)	50% Yes	79% Yes	actives	4	161
Register for counseling sessions or presentations	13% Yes	65% Yes	actives	0	27
Change beneficiary	0% Yes	20% Yes	actives	n/a	6
Apply for retirement	88% Yes	24% Yes	actives	5	8
View status of disability application	13% Yes	1% Yes	actives	0	0
Change marital status or dependents	0% Yes	0% Yes	actives	0	0
Change address	75% Yes	31% Yes	actives & annuitants	1	31
Secure mailbox	63% Yes	47% Yes	actives & annuitants	0	112
Download duplicate tax receipts	25% Yes	60% Yes	retirees	0	21
View annuity payment details	50% Yes	71% Yes	retirees	35	137
Change banking information for direct deposit	38% Yes	14% Yes	retirees	2	6

## Appendices

Appendix A - Survey Responses

Appendix B - Foreign currency conversion

### Appendix A - Finnish Pension Fund Survey Responses

Su	rvey Question	Your Data	Peers 20		L		Peers 2011		
	•	2011	Max. Median	Min.	Avg	Count			
	Membership								
2	Provide the breakdown of total members between:								
	End of most recent fiscal year								
	a) Active members	2,460,272							
	b) Deferred members	5,408,230							
	c) Annuitants - Service retirees	1,181,902							
	d) Annuitants - Survivor, partner, ex-partner, dependents	202,723							
	e) Annuitants - Disability retirees	258,258							
	End of prior fiscal year								
	a) Active members	2,518,192							
	b) Deferred members	5,353,475							
	c) Annuitants - Service retirees	987,620							
	d) Annuitants - Survivor, partner, ex-partner, dependents	190,128							
	e) Annuitants - Disability retirees	232,795							
	Administration Costs								
3	Total administrative expenses related to members:	€209,147.0							
	Total administrative expenses related to employers:	€257,547.7							
	Total administrative expenses	€466,694.7							
	Subtract, if included:								
	a) Investment administration costs	€26,826.4							
	Add, if not included:								
	b) Amortization and depreciation of administrative assets	€0.0							
	c) Actuarial and all other professional fees relating to pension administration	€0.0							
	Net pension administration costs	€439,868.3							
4	Provide the breakdown of your net pension administrative costs from question 3 above:								
	a) Salaries and benefits	€155,753.4							
	b) Professional fees (actuarial, legal, audit, consulting, outsourced IT, etc.)	€150,308.6							
	c) Building expenses (rent, depreciation, utilities, facility services, amortization of lease holds)	€7,538.6							
	d) Amortization and depreciation (non-building)	€5,948.5							
	e) Cross charges paid to sister organizations (do not include building expense cross charges,								
	they belong in 'c' above)	€48,106.6							
	f) Other administrative expenses	€72,212.9							
	Net pension administration costs	€439,868.3							
5	Are any of the following services provided free of charge, or at a subsidised cost, by a sister								
	organisation (cost should be included under 7e above):								
	Provided by sister org.?								
	a) Building?	25% Yes, 75% No, 0% n/a	2% Yes, 98% No, 0% n/a			12			
	© 2012 CEIVI BE								

Survey Question	Your Data	Peers 2011				
	2011	Max.	Median	Min.	Avg	Count
b) IT services?	38% Yes, 63% No, 0% n/a	3% Yes, 97%	6 No, 0% n/a			12
c) Actuarial services?	0% Yes, 100% No, 0% n/a	0% Yes, 100	% No, 0% n/a			12
d) Pension payroll?	0% Yes, 100% No, 0% n/a	0% Yes, 100	0% Yes, 100% No, 0% n/a			12
e) Member data maintenance?	13% Yes, 88% No, 0% n/a	% n/a 1% Yes, 99% No, 0% n/a				12
f) Other? Please describe below:	50% Yes, 50% No, 0% n/a	4% Yes, 96%	6 No, 0% n/a			12
Free of charge?						
a) Building?	0% Yes, 25% No, 75% n/a	0% Yes, 8%	No, 92% n/a			1
b) IT services?	0% Yes, 38% No, 63% n/a	0% Yes, 8%	No, 92% n/a			1
c) Actuarial services?	0% Yes, 0% No, 100% n/a	0% Yes, 0%	No, 100% n/a			0
d) Pension payroll?	0% Yes, 0% No, 100% n/a	0% Yes, 0%	No, 100% n/a			0
e) Member data maintenance?	0% Yes, 13% No, 88% n/a	0% Yes, 8%	No, 92% n/a			1
f) Other? Please describe below:	0% Yes, 50% No, 50% n/a	0% Yes, 8%	No, 92% n/a			1
6 Provide the number of full-time equivalent ("FTE") of all staff whose compensation is included in 7a above. (i.e. the full time equivalent of all administrative staff, less health care, non- pension and optional benefit, and investment administration staff, less staff whose salaries						
were capitalized). Include the FTEs who are under contract, part-time and non-permanent. For						
example, a person who works 3 days a week counts as 0.6 FTE. Do not include the FTE of						
unfilled positions.	2,350.2	2,350.2	399.2	143.5	612.6	12
<ul><li>7 Did you capitalize any pension administration related costs last year?</li><li>a) If yes, total amount capitalized?</li></ul>	50% Yes, 50% No, 0% n/a €21,446.2	38% Yes, 63	% No, 0% n/a			12
8 Did vou have any major project costs that were not capitalized?	13% Yes, 88% No, 0% n/a	76% Yes, 24	% No, 0% n/a			12
a) If yes, what were your total non-capitalized major project costs?	€7,736.8	,	, , .			
9 What was your total asset value in \$ millions at the end of the calendar year?	€113,029.5					
Transaction Volumes						
10 What were your volumes for:						
Change-in-Member-Status Volumes						
a) Service retirement inceptions?	47,897	76,754	16,427	8,247	23,282	12
b) Inceptions to survivors, partners, ex-partners or dependents?	14,371	14,371	1,773	0	3,740	12
c) Disability retirement inceptions?	30,683	30,683	369	0	2,878	12
d) Disability retirement applications?	60,218	60,218	867	26	8,324	8
e) Deaths of annuitants?	58,443	58,443	4,108	0	8,881	12
f) New active members?	537,941	537,941	27,270	15,125	82,038	12
g) Active members exiting employment? (exclude service and disability retirements)	321,390	321,390	20,110	0	64,777	12
Communication Volumes						
h) Incoming calls, both from members and employers?	982,124	1,641,275	291,361	107,725	483,203	12
i) Written pension estimates mailed per member request? (Do not include estimates on	, , , , , , , , , , , , , , , , , , ,				-	
annual statements, or given over the phone, or generated through your website)	34,969	38,431	19,396	1,253	19,061	12
j) Members counseled 1-on-1?	12,816	58,502	6,447	0	12,985	12
k) Presentations to members?	1,193	1,193	566	4	586	12

Survey Question	Your Data	Peers 201		Peers 2011		
	2011	Max.	Median	Min.	Avg	Count
I) How many members in total attended these presentations?	24,725	27,900	17,538	2,500	16,678	12
m) Responses to email queries from members?	195,348	195,348	24,606	0	40,038	12
n) Correspondence received from members? [Include all correspondence from members even						
if the correspondence did not require action.]	276,000	310,334	194,968	8,500	163,550	10
11 How many employers do you have?	346,946 346,946 1,544 43 45,41		45,413	12		
Website Capabilities						
12 Indicate whether the following capabilities are offered on your website and provide volumes						
(if available):						
a) Benefit calculator in non-secure area?	38% Yes, 63% No, 0% n/a	70% Yes, 30	9% No, 0% n/a			12
b) Benefit calculator in secure area not linked to member data?	13% Yes, 88% No, 0% n/a	9% Yes, 91%	% No, 0% n/a			12
c) Benefit calculator in secure area linked to member's salary and service data?	88% Yes, 13% No, 0% n/a	74% Yes, 26	i% No, 0% n/a			12
d) Register for counseling sessions or presentations?	13% Yes, 88% No, 0% n/a	59% Yes, 32	.% No, 8% n/a			11
e) Change address?	75% Yes, 25% No, 0% n/a	28% Yes, 63	% No, 10% n/a			9
f) Change beneficiary?	0% Yes, 88% No, 13% n/a	20% Yes, 80	9% No, 0% n/a			10
g) Change family information? [i.e., marital status, partner, dependents]	0% Yes, 88% No, 13% n/a	0% Yes, 100	1% No, 0% n/a			10
h) Change banking information for direct deposit?	38% Yes, 63% No, 0% n/a	14% Yes, 86	i% No, 0% n/a			10
i) Change tax withholding amount?	38% Yes, 50% No, 13% n/a	a 28% Yes, 72% No, 0% n/a			12	
j) Download or print duplicate tax receipts? [i.e., 1099s in the U.S.]	25% Yes, 75% No, 0% n/a	60% Yes, 40% No, 0% n/a			12	
k) View annuity payment details? [i.e., gross amounts, deductions]	50% Yes, 50% No, 0% n/a	71% Yes, 29% No, 0% n/a			12	
I) Apply for retirement?	88% Yes, 13% No, 0% n/a	24% Yes, 76% No, 0% n/a				12
m) View status of disability application?	13% Yes, 88% No, 0% n/a	a 1% Yes, 99% No, 0% n/a			12	
n) Secure mailbox?	63% Yes, 38% No, 0% n/a	47% Yes, 53% No, 0% n/a				12
<ul> <li>o) Download member statement? [i.e., Adobe format]</li> </ul>	50% Yes, 50% No, 0% n/a	a 79% Yes, 21% No, 0% n/a			12	
p) View pensionable earnings and/or service without downloading?	63% Yes, 38% No, 0% n/a	80% Yes, 20	1% No, 0% n/a			12
If ves:						
1) Are both salary and service data available?	63% Yes, 0% No, 38% n/a	72% Yes, 11	.% No, 17% n/a			10
2) Is online data up-to-date to the most recent pay period?	25% Yes, 38% No, 38% n/a	60% Yes, 23	% No, 17% n/a			10
3) Is a complete history from the beginning of employment available?	50% Yes, 13% No, 38% n/a	46% Yes, 38	% No, 17% n/a			10
If yes volume						
a) # Benefit calculator in non-secure area?	780	531 394	166 375	780	177 928	q
b) # Benefit calculator in secure area not linked to member data?	1 211	1 181	2 696	1 211	2 696	2
c) # Benefit calculator in secure area linked to member's salary and service data?	215 567	593 15/	2,050	27.646	2,050	9
d) # Register for counseling sessions or presentations?	215,507	47 676	227,303	0	10/190	7
a) # Change address?	5 004	47,806	18 281	5 004	23 697	2
f) # Change beneficiary?	5,004	8 625	6 031	0,004	1 885	3
g) # Change family information? [i.e. marital status partner dependents]	Ũ	0,025	0,051	0	4,005	1
b) # Change banking information for direct denosit?	6 098	6 098	5 1/18	0 // 107	5 1/18	2
i) # Change tax withholding amount?	5 882	7 001	J,148 4 507	72	3,148	2
i) # Download or print dunlicate tax receipts? [i.e. 1000s in the U.S.]	3,882	60,000	4,507	215	4,022	4 Q
j) # Download of print auplicate tax receipts: [i.e., 10335 in the 0.3.] k) # View appuity payment datails? [i.e., gross appoints, doductions]	87 0 V0 212	720 000	-,030 22 600	6 028	133 201	0
N π view annuity payment details: [i.e., gross diffounds, deductions]	0 <del>4</del> ,340 10 000	20,000	12 022	0,020 00	11 / 00	9
1) # Apply for refirence of disability application?	12,055 07	22,341 87	12,033 87	90 8 <b>2</b>	11,400 87	2 1
n) # Secure mailbox?	02 1 277		28 520	1 227	332 048	2
© 2012 CEM Be	nchmarking Inc.	11,000,000	20,330	1,527	552,040	0

Appendix - Page 6-4

Survey Question	Your Data	Peers 2011		L		
	2011	Max. Median Min.		Min.	Avg	Count
<ul><li>o) # Download member statement? [i.e., Adobe format]</li></ul>	10,598	274,557	32,681	8,716	83,151	9
p) # View pensionable earnings and/or service without downloading?	116,127	254,878	92,000	11,564	105,019	9
13 Does your website have a secure member area where members can access their own data?	88% Yes, 13% No, 0% n/a	91% Yes, 9	% No, 0% n/a			12
If yes:						
a) How many unique members accessed the secure member area? [Count a member only						
once even if he/she visited multiple times.]	252,476	326,655	138,605	20,260	170,134	11
b) How many visits in total were there by members to the secure member area? [Count each	452.500	1 201 464	200 575	40 520	420.454	
visit even if the same member visits multiple times.]	452,568	1,201,461	388,575	40,520	420,154	11
c) when members register for the first time, do you send their first password via email,	88% Email 0% Pegular Mail 0% Other 13% p/a	100% Ema	il 0% Regular M	ail 0% Other	0% n/a	12
d) Do you welcome the member by name on the home page of the secure member area?	38% Yes. 50% No. 13% n/a	78% Yes. 1	4% No. 8% n/a	un, ovo otner,	0/01/1	11
e) Are users required to acknowledge a disclaimer every time they log in or before they can		,				
generate a pension estimate?	0% Yes, 88% No, 13% n/a	17% Yes, 7	'5% No, 8% n/a			11
Member Calls						
14. When a member calls in is the first point of human contact usually a recentionist?	25% Yes 75% No 0% n/a	2% Yes 98	% No 0% n/a			12
15 De cellere weit is a succe foncer instructure restaurit and in the instructure instructure in the instructure in	25% Yes, 12% No. 0% n/a	2/0103,50				12
a) If yes, what is the average wait time? [in seconds]	88% FeS, 13% NO, 0% N/a	236	58 NO, U% N/a	13	93	12
b) What is the percentage abandoned calls [i.e. caller hangs-up] while in queue or on hold or	52	230	50	15	55	
in menu?	8.1%	8.1%	8.1%	8.1%	8.1%	1
16. Do members have to navigate a phone menu before speaking to a service representative?	25% Yes. 75% No. 0% n/a	69% Yes. 3	1% No. 0% n/a			12
If ves:						
a) What is the minimum number of menu layers that must be navigated before a caller can						
speak to a live person? [Count each and every time a caller must select a menu option by						
pressing a button on the phone as a menu layer. Use the volume-weighted average number of						
menu lavers if there are different menu-tree branches.1	1	4	2	1	2	9
17 When a member calls in, do you have immediate computer access to the member's data? [i.e.,						
salary history, service history, beneficiary information]	88% Yes, 13% No, 0% n/a	7% Yes, 93	% No, 0% n/a			12
18 Can and will you provide the following information on an immediate real-time basis to						
members over the phone: [If you do not have real-time access to the information or if your						
policy is not to give the information over the phone because of security or other concerns then						
vour answer should be 'no'.]	50% Voc 50% No 0% n/o	E 49/ Voc 4	6% No 0% n/a			12
a) If yes, is the estimate based on an interactive benefit calculator linked to the member's	50% 123, 50% 100, 0% 11/4	5470 165, 4	076 NO, 076 N/a			12
actual account data?	50% Yes, 0% No, 50% n/a	54% Yes, 4	% No, 42% n/a			7
19. Can members calling in effect the following transactions over the phone:						
a) Change address?	100% Yes, 0% No, 0% n/a	70% Yes, 3	0% No, 0% n/a			10
b) Change beneficiary?	13% Yes, 75% No, 13% n/a	1% Yes, 99	% No, 0% n/a			10
c) Change payment instructions? [i.e., bank account]	25% Yes, 75% No, 0% n/a	13% Yes, 8	8% No, 0% n/a			10
20 How many hours per week can members call service representatives?	42	65	49	42	50	12
21 Do your service representatives have real time access to a workflow system that lets them						
know the status of open items?	88% Yes, 13% No, 0% n/a	91% Yes, 9	% No, 0% n/a			12
© 2012 CEM Be	enchmarking Inc.					

Survey Question	Your Data	Peers 2011						
	2011	Max.	Median	Min.	Avg	Count		
Service Measures								
<ul> <li>22 Were any of your pension payrolls late vis-à-vis your normal payment cycle? [For example, a payroll might be late because of system problems, etc.]</li> <li>a) If yes, how many payrolls were late?</li> <li>b) On average, how many days late were they?</li> </ul>	0% Yes, 100% No, 0% n/a 0 0	8% Yes, 9 1 1	2% No, 0% n/a 1 1	0 0	1 1	12 2 2		
23 What % of pension inceptions to retiring active members were paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	67.8%	100.0%	98.8%	67.8%	92.4%	12		
24 What % of survivor pension inceptions are paid without an interruption of cash flow between the pensioner's final pension check and the survivor's first pension check?	27.6%	100.0%	89.2%	23.0%	76.2%	12		
<ul><li>25 On average, how many business days did it take to provide a formal written estimate from the time of initial request from a member? [Do not include time in the mail.]</li><li>a) Is this a number you regularly measure and track? [versus being an estimate]</li></ul>	6 70 50% Yes, 50% No, 0% n/a 96%		70 6 96% Yes, 4% No, 0% n/a		70 6 96% Yes, 4% No, 0% n/a		13	12 12
<ul> <li>26 Do your written annuity pension estimates: [including cover letters etc. sent with the estimate]</li> <li>a) If your pension is coordinated with or reduced by social security is the impact explained?</li> <li>b) Discuss alternative scenarios that could improve the benefit such as purchasing service credit or working longer?</li> <li>c) Model alternative retirement payment options?</li> </ul>	13% Yes, 50% No, 38% n/a 100% Yes, 0% No, 0% n/a 13% Yes, 63% No, 25% n/a	41% Yes, 2 92% Yes, 2 76% Yes, 2	29% No, 30% n/a 8% No, 0% n/a 24% No, 0% n/a	I		7 12 12		
<ul> <li>27 Do you send newsletters, and if yes how frequently to:</li> <li>a) Active members?</li> <li>b) Retired members?</li> <li>c) All inactive members?</li> </ul>	75% Yes, 25% No, 0% n/a 88% Yes, 13% No, 0% n/a 25% Yes, 75% No, 0% n/a	90% Yes, 1 91% Yes, 1 27% Yes, 1	10% No, 0% n/a 9% No, 0% n/a 73% No, 0% n/a			12 12 12		
If yes, # times per year a) Active members? b) Retired members? c) All inactive members?	1 1 1 1	18 14 3	3 2 2	1 1 1	6 4 2	11 11 4		
<ul><li>28 How do you direct newsletters to active members:</li><li>a) Forward through employer?</li><li>b) Mail to their home?</li><li>c) Email to the member?</li></ul>	0% Yes, 100% No, 0% n/a 75% Yes, 25% No, 0% n/a 13% Yes, 88% No, 0% n/a	33% Yes, 23% Yes, 59% Yes,	67% No, 0% n/a 77% No, 0% n/a 41% No, 0% n/a			12 12 12		
29 Do you have a different newsletter for active and retired members?	50% Yes, 50% No, 0% n/a	63% Yes,	38% No, 0% n/a			12		
<ul><li>30 How do you send member statements to active members:</li><li>a) Forward through employer?</li><li>b) Mail to their home?</li></ul>	0% Yes, 100% No, 0% n/a 100% Yes, 0% No, 0% n/a	33% Yes, 83% Yes,	67% No, 0% n/a 17% No, 0% n/a			12 12		
<ul> <li>31 On average, how current was an active member's data when their member statement was mailed to them?</li> <li>[For example, if statements with data current to December 31st are mailed in a staggered mailing beginning May 1st and finishing June 30th, then the members are receiving data that is between 4 and 6 months old, or 5 months old on average.]</li> <li>32 Do your member statements for active members include:</li> </ul>	5	5	4	1	3	12		

Survey Question	Your Data			Peers 2011				
	2011	Max.	Median	Min.	Avg	Count		
a) Total accumulated service credit?	50% Yes, 38% No, 13% n/a	79% Yes,	13% No, 8% n/a			11		
b) Pensionable earnings?	100% Yes, 0% No, 0% n/a	75% Yes, 2	25% No, 0% n/a			12		
c) A historical summary of salary and service credit earned each year?	75% Yes, 25% No, 0% n/a	23% Yes, 1	77% No, 0% n/a			12		
d) The refund value if you left at the statement date?	38% Yes, 50% No, 13% n/a	78% Yes, 22% No, 0% n/a			12			
e) An estimate of the future pension entitlement based on age scenario modeling or assuming								
the member continues to work until earliest possible retirement?	100% Yes, 0% No, 0% n/a	92% Yes, 8	8% No, 0% n/a			12		
33 How frequently do you send member statements to inactive members? (e.g., never, annually,								
every 2 years, etc.)	1	1	1	0	1	11		
34 Are new members issued a 'welcome' kit describing their benefits?	13% Yes, 88% No, 0% n/a	76% Yes, 2	24% No, 0% n/a			12		
35 Do you administer disability?	100% Yes, 0% No, 0% n/a	80% Yes, 2	20% No, 0% n/a			10		
a) If yes: how many months, on average, does it take to return a decision on a disability								
application from the day of the initial receipt to a decision?	1	10	3	1	3	8		
36 Do you require a birth or marriage certificate before incepting a pension?	0% Yes, 100% No, 0% n/a	50% Yes,	50% No, 0% n/a			10		
Satisfaction Surveying								
37 Satisfaction Surveying								
<u>Calls</u>								
Did you survey member satisfaction with regard to the activity (per the column headings) in								
your most recently completed fiscal year? (yes/ no)	50% Yes, 50% No, 0% n/a	63% Yes,	38% No, 0% n/a			12		
If yes:								
a) Did the survey focus primarily on the single activity (per the column heading) or was it part								
of a wider survey on multiple activities? (single activity/ multiple)	25% Single Activity, 25% Multiple, 50% n/a	a 54% Single Activity, 13% Multiple, 33% n/a		/a	8			
b) Was the survey only issued to those members who experienced the activity (per the column								
heading)? [As opposed to being issued to all or a cross section of members who may or may								
not have experienced the activity. For example, for the first column, was the survey only issued								
to members that had called?] (ves/ no)	38% Yes, 13% No, 50% n/a	6% Yes, 94% No, 0% n/a			12			
c) What was the longest possible length of time between the activity and the survey? (in days)								
[i.e., if you sent a survey to a sample of members that had called sometime in the past year,	1.00	205	10	0	60	0		
then the answer is 365 days]	160	285	16	0	68	8		
d) How many times did you survey member satisfaction with regard to the activity in your								
most recently completed fiscal year? (once, quarterly, monthly, on a continuous basis such as	2	250	0	1	96	0		
every 10th refund, etc.)	Σ	230	0	T	50	0		
Presentations								
Did you survey member satisfaction with regard to the activity (per the column headings) in								
your most recently completed fiscal year? (yes/ no)	38% Yes, 63% No, 0% n/a	86% Yes, 1	5% No, 8% n/a			11		
If yes:								
a) Did the survey focus primarily on the single activity (per the column heading) or was it part								
of a wider survey on multiple activities? (single activity/ multiple)	13% Single Activity, 25% Multiple, 63% n/a	86% Singl	e Activity, 6% Mu	itiple, 8% n/a		11		
b) was the survey only issued to those members who experienced the activity (per the column								
neading)? [As opposed to being issued to all or a cross section of members who may or may								
not have experienced the activity. For example, for the first column, was the survey only issued	25% Voc 12% No 62% ~/-	60/ Voc 0	19/ No. 09/ -/-			10		
to members that had called?I (ves/ no)	23/0 TES, 13/0 INU, 05/0 II/d	0% res, 94	4/0 NU, U% II/d			12		
© 2012 CEM Be	nchmarking Inc							

Survey Question	Your Data			Peers 201	1	
	2011	Max.	Median	Min.	. Avg	Count
c) What was the longest possible length of time between the activity and the survey? (in days) [i.e., if you sent a survey to a sample of members that had called sometime in the past year,						
then the answer is 365 davs] d) How many times did you survey member satisfaction with regard to the activity in your	182	182	0	0	30	11
most recently completed fiscal year? (once, quarterly, monthly, on a continuous basis such as every 10th refund, etc.)	2	250	250	1	182	11
Counseling						
Did you survey member satisfaction with regard to the activity (per the column headings) in						
your most recently completed fiscal year? (yes/ no) If yes:	50% Yes, 50% No, 0% n/a	63% Yes,	63% Yes, 21% No, 17% n/a			10
<ul> <li>a) Did the survey focus primarily on the single activity (per the column heading) or was it part of a wider survey on multiple activities? (single activity/ multiple)</li> <li>b) Was the survey only issued to those members who experienced the activity (per the column heading)? [As opposed to being issued to all or a cross section of members who may or may</li> </ul>	25% Single Activity, 25% Multiple, 50% n/a	63% Single Activity, 4% Multiple, 33% n/a 6% Yes, 94% No, 0% n/a			n/a	8
not have experienced the activity. For example, for the first column, was the survey only issued to members that had called?! (ves/ no) c) What was the longest possible length of time between the activity and the survey? (in days)	38% Yes, 13% No, 50% n/a					12
[i.e., if you sent a survey to a sample of members that had called sometime in the past year, then the answer is 365 days] d) How many times did you survey member satisfaction with regard to the activity in your	137	137	4	0	33	8
most recently completed fiscal year? (once, quarterly, monthly, on a continuous basis such as every 10th refund, etc.)	2	250	250	2	219	8
Pension Inception Process						
Did you survey member satisfaction with regard to the activity (per the column headings) in your most recently completed fiscal year? (yes/ no) If yes:	50% Yes, 50% No, 0% n/a	38% Yes,	54% No, 8% n/a			11
<ul> <li>a) Did the survey focus primarily on the single activity (per the column heading) or was it part of a wider survey on multiple activities? (single activity/ multiple)</li> <li>b) Was the survey only issued to those members who experienced the activity (per the column heading)? [As opposed to being issued to all or a cross section of members who may or may</li> </ul>	38% Single Activity, 13% Multiple, 50% n/a	40% Singl	e Activity, 2% Mu	ltiple, 58% n	n/a	5
not have experienced the activity. For example, for the first column, was the survey only issued to members that had called?! (ves/ no) c) What was the longest possible length of time between the activity and the survey? (in days)	50% Yes, 0% No, 50% n/a	8% Yes, 9	2% No, 0% n/a			12
[i.e., if you sent a survey to a sample of members that had called sometime in the past year, then the answer is 365 davs] d) How many times did you survey member satisfaction with regard to the activity in your	47	285	47	10	83	5
most recently completed fiscal year? (once, quarterly, monthly, on a continuous basis such as every 10th refund, etc.)	1	12	1	1	3	5

### **Appendix B - Foreign currency conversion**

All currency amounts have been converted to Euro using Purchasing Power Parity figures per the OECD. The table below shows the foreign exchange rates for the past 4 years.

Purchasing Power Parity <sup>1</sup>									
Currency	2011	2010	2009	2008					
United States Dollars - USD	0.798	0.799	0.853	0.850					
Canada Dollars - CAD	0.649	0.656	0.716	0.695					
Euro - EUR	1.000	1.000	1.000	1.000					
Denmark Kroner - DKK	0.102	0.098	0.101	0.098					
Sweden Kronor - SEK	0.089	0.089	0.091	0.092					
Australia Dollars - AUD	0.512	0.525	0.583	0.576					

1. Source OECD Website, February 2012.