



May 14, 2012

Dear Idaho Lawmaker:

Last year, I shared with you the 2010 CEM Benchmarking analysis that compared PERSI to other public pension systems of similar size. The 2011 report has taken the analysis a step further by also comparing the activities of all participating systems in North America. PERSI participates in this annual analysis because we believe in the philosophy first popularized by influential business thinker Peter Drucker who believed, “what gets measured gets managed” and “what gets measured gets done.” At PERSI we added one additional idea to his philosophy: we measure, manage, get it done, and *then repeat*.

Pages from the 2011 CEM report are enclosed. I’m proud to say PERSI stacks up very well against its peers and the larger systems. The report analyzed administration costs, service levels, and best practices. It will be used to support business decisions and develop performance standards and goals for PERSI.

DATA SNAPSHOT

In terms of size, PERSI falls in the middle of the pack. The largest of our peer group has 117,000 active members and the smallest has 43,000; PERSI comes in at 66,000. PERSI’s administrative cost per active and annuitant was \$54, compared to the peer average of \$103; the total average for all systems was \$117. Our total cost per annuitant fell by 1.1% between 2008 and 2011, demonstrating PERSI’s ability to do more with less; the cost of our peers did not change. PERSI’s overall cost per FTE (full time equivalent worker) was lower than our peers. The peer average for FTE totaled \$105,576; whereas PERSI was \$65,040...this meant a \$30.46 per member lower FTE cost relative to the peer average. (Some of the difference is attributed to the overall lower cost environment we enjoy in Idaho.) Another area where PERSI was lower was in third-party costs in front-office (member) services. Our cost per member was \$5.25, which is 14% below the peer average of \$6.08. We also paid less for back-office activities (those not directly related to member services; i.e., IT, Legal, Fiscal). Our total cost per member came in at \$28.75, while the peer average was \$39.43. PERSI’s total service score was 81 out of a possible 100...this is the same score we achieved in 2010. This score put PERSI above the peer median of 74 and North American median of 76. The measurement standards were fast turnaround times, more availability, more choices, and higher quality.

KEY TAKEAWAYS:

- Total administrative cost of \$54 per active & annuitant is in the lower quartile of all North American systems -- \$49 less than peers and \$63 less than North American average.
- Lower than average costs
 - Lower FTE costs/Lower cost environment
 - Higher productivity per FTE
 - Lower back-office costs
- Total score of 81 is in top quartile of all North American systems
- Service scores were equal to or higher than the peer median in 12 of 15 activities measured
- The PERSI website capabilities score (online services) was 79, well above the peer average of 61

I hope you find the 2011 CEM report as useful as I did in assessing PERSI’s performance. It affirms that we are among the top public pension systems in the country.

Best regards,
Don Drum
Executive Director
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