



Office of
Financial Management
STATE OF WASHINGTON

Budget Activity Assessment

Department of Retirement Systems

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Executive Summary

For the most part, the budget activities and associated measures appear to be in good shape. There are a few changes that would improve the portfolio:

- Budget activity A006 – One-Time Projects is not associated with any performance measure.
- Most of the measures reported are focused on process perspectives. Budget/Policy development audiences are primarily interested in results (outcomes). Input, process, and output measures tend to be more relevant to these external audiences if they can be related to an outcome through a logic model.
 - For example: Rather than counting the number of new Deferred Compensation participants, the measure could be changed to report the percent of eligible members who were actively participating in Deferred Compensation.
- The titles and footnotes of some of the measures should be rewritten for clarity and understanding.

Budget Activity Measure Qualitative Evaluation Summary

Budget Activity Number & Title	Evaluation Criteria						
	Relevance	Understandability	Comparability	Timeliness	Consistency	Reliability	Performance
A001 - Administration	Yellow	Red	Green	Yellow	Green	Green	Yellow
A002 – Deferred Compensation Management for Public Employees	Green	Green	Green	Yellow	Green	Yellow	Yellow
A004 – Member Data services	Green	Green	Red	Yellow	Green	Green	Yellow
A006 – One-Time Projects	Red	Red	Red	Red	Red	Red	Red
A007 – Retirement Customer Services	Green	Yellow	Green	Yellow	Green	Green	Green
A008 – Retirement Information Systems	Green	Green	Green	Yellow	Green	Green	Green
A009 – Trust Fund Accounting	Red	Yellow	Green	Yellow	Green	Red	Yellow

Meets or Exceeds OFM Expectations

Marginally meets OFM Expectations

Needs Improvement to Meet OFM Expectations

Evaluation Criteria Definitions	
Relevance	Useful to a budget/policy development audience in assessing the level of accomplishment
Understandability	Clear, concise, and easy for a non-expert to understand
Comparability	Do the data, targets, and footnotes provide the reader with enough context to tell whether performance is getting better, worse, or staying the same?
Timeliness	Is the data current and reported frequently enough to be of value in assessing accountability and making decisions?
Consistency	Is the data collection method standardized and is the operational definition for data calculations adhered to?
Reliability	Is the information verifiable, free from bias, and a faithful representation of what it purports to represent?
Performance	Is actual performance in reference to the stated targets getting better, worse, or staying the same over time?

Budget History by Activity

Department of Retirement Systems Funding History (2003-05 to 2007-09)



Agency Comments and Reactions

- Activity A006 – One-Time Projects: This activity was established to isolate the one-time cost of projects required to implement legislative changes to pension law. This helps minimize fluctuations in the remaining “base” activities. Our primary internal measure for these projects is that they will be implemented on time and within appropriation as benefit changes must be available to members/beneficiaries per the effective date in statute.
- We agree that most of our measures are focused on process but that is due to DRS’ role in the state’s pension system. As the state’s public pension administrator, more of our performance measures will be output and efficiency measures than outcome measures.
- Activity A002 – Deferred Compensation Program (DCP): We will look into whether or not DCP has the data to track the percent of eligible participants as suggested.
- It shouldn’t be an issue to amend some of the performance measure titles and footnotes as recommended.

Specific Opportunities for Improvement

Budget Activity Number and Title	Measures	Improvement Suggestions
A001 - Administration	7700 – Percent that DRS' per-member cost is below public sector peer group	Consider rewriting the footnote to explain why 10% lower is better than the past performance of +/-25% lower. Is this a measure of agency performance or legislative funding?
A002 – Deferred Compensation Management for Public Employees	3300 – Number of new deferred compensation participants	This measure would be made more relevant if it tracked the percent of eligible members actively participating in the Deferred Compensation Program.
A004 – Member Data Services	7900 – Percent of benefit estimates completed properly from available information	This is a good subject for a performance measure. It just needs more data be able to describe agency performance over time.
A006 – One-Time Projects	None	There is no detailed critique associated with this budget activity, because there are no performance measures.
A007 – Retirement Customer Services	3240 – Average number of minutes after arrival that members visiting DRS without an appointment will receive knowledgeable staff service 3250 – Percent of incoming phone calls to DRS, via an automated call distributor, answered within 30 seconds	The titles of these two measures should be cleaned up by moving explanatory comments into the footnotes. If the agency wanted to increase emphasis continuous improvement in the incoming phone call process, measure #3250 could be converted to report the actual median time it takes to answer a call.
A008 – Retirement Information Systems	3220 – Average number of days to complete requests for retirement estimates	None
A009 – Trust Fund Accounting	7300 – Benefits paid annually in dollars (annuitants, withdrawals, Deferred Compensation, and Dependent Care)	The current measure of payouts is only informational. The connection to agency performance is too remote to consider. The agency should continue to search for a better way to measure actual performance over parameters it controls or influences.

Budget Activity and Measure Critique

Budget Activity Number & Title: A001 - Administration

Summary of Expected Results: Comply with federal and state statutes, as well as fiduciary responsibilities. Maintain administrative costs at an amount that is lower than those for most other public pension systems in the United States; given complexity and service levels.

Related Performance Measures

Number & Title	Type	Analysis Comments
7700 – Percent that DRS' per-member cost is below public sector peer group	Outcome	Almost enough data for some trend analysis, although it appears that the actual percent is decreasing over time.

OFM Assessor Comments: There is something counterintuitive about this measure. One would think that higher differences in per-member costs would be desirable, but the target decreasing to 10% implies that less is better. The published footnotes explain the data calculation method, but does not explain why less is more or the significance of the 10% target.

Agency Contextual Comments:

Please explain:

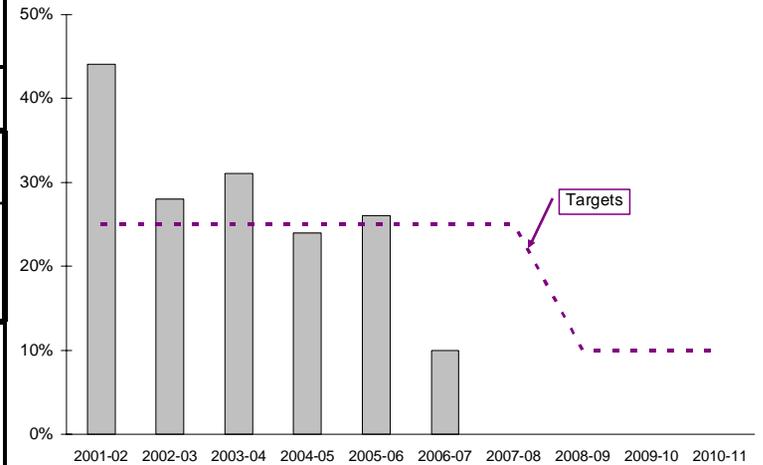
• Why is less better on this measure, or is this more an estimate than a target?

Less isn't better, it's the result of the benchmarking firm continuing to refine their regression analysis. Each year they analyze the different items that drive cost to come up with the combination that has the strongest statistical relationship. In FY 07 they adjusted their formula to minimize a factor that was becoming weaker so it appeared that 10% would be a realistic target for DRS in the future. The recently received report on FY 08 data, however, showed that DRS was 39% below the public sector peer group.

• Why is 10% ideal?

10% is not ideal, it's intended to be a reasonable target for the future, considering all of the variables that go into the measure (e.g., the peer group of public pension administrators changes each year and the benchmarking firm adjusts a very complex formula each year).

7700 - Percent that DRS' per-member cost is below public sector peer group



Budget Activity and Measure Critique

Budget Activity Number & Title: A002 – Deferred Compensation Management for Public Employees

Summary of Expected Results: Increase participation in the program. Implement program changes necessitated by changes in federal law. Maintain low administrative fees. Maintain high participant satisfaction. Maintain industry standard record keeping. Maintain program compliance with federal law.

Related Performance Measures

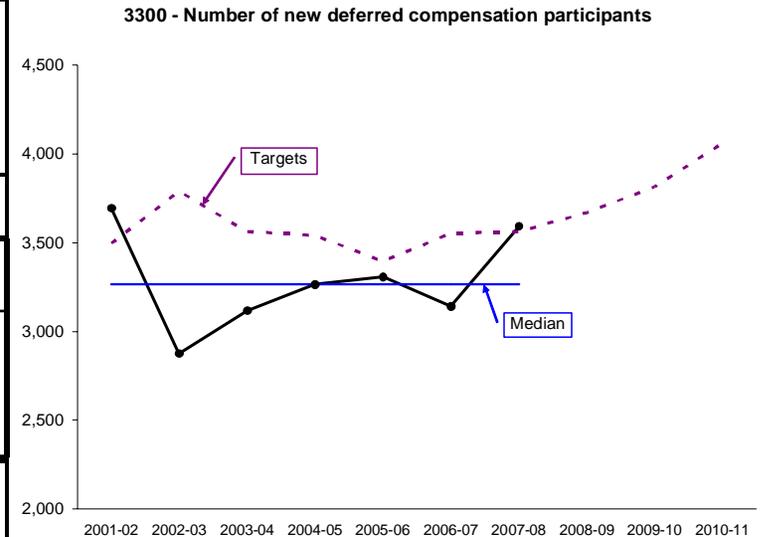
Number & Title	Type	Analysis Comments
3300 – Number of new deferred compensation participants	Input - Workload	Variation patterns appear to be stable and predictable. Future results should be similar to current performance levels.

OFM Assessor Comments: Actual performance is not capable of regularly meeting the performance target levels. Usually, that means the targets need to be adjusted to lower levels, or the agency is planning to fundamentally change something in the underlying process to achieve those targets performance levels.

This measure could be made more relevant if it tracked the percent of eligible members actively participating in the Deferred Compensation Program.

Agency Contextual Comments: The agency continues to look at (and implement) different marketing strategies but what we've seen over the years is that enrollment in this discretionary program has a strong relationship to conditions in the stock market.

As for the suggestion to pursue a more relevant measure, program staff are looking into the availability of the data required to produce the new measure.



Budget Activity and Measure Critique

Budget Activity Number & Title: A004 – Member Data Services

Summary of Expected Results: Obtain timely and accurate member contribution and service credit information from employers. Maintain high satisfaction ratings from employers.

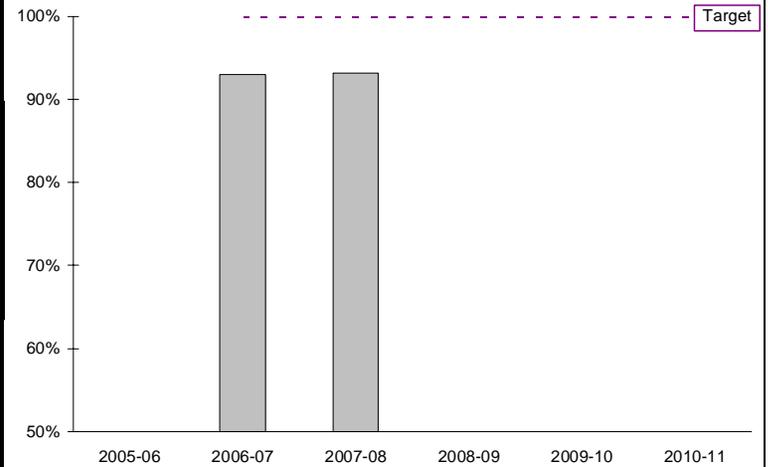
Related Performance Measures

Number & Title	Type	Analysis Comments
7900 – Percent of benefit estimates completed properly from available information	Process	Not enough data for any analysis, but actual data does not appear to be capable of regularly achieving the 100% target.

OFM Assessor Comments: 100% targets are difficult from a management perspective. Because of normal variation, it is almost impossible to regularly hit the target, and if the process can hit 100% all the time, it is probably time to measure something else.

Agency Contextual Comments: The 100% target is what we expect and, in this case, it actually measures two components: 1) did staff calculate a precise benefit estimate and 2) did they follow the processes they've been trained to perform. If we don't hit 100%, tracking and analyzing the few remaining instances enables us to identify any issues that need attention (e.g., additional training for staff on complex processes, editing the operations manual or modifying our automated systems).

7900 - Percent of benefit estimates completed properly from available information



Budget Activity and Measure Critique

Budget Activity Number & Title: A007 – Retirement Customer Services

Summary of Expected Results: Provide benefit services that are a constitutionally-guaranteed contract between members and the state. Provide prompt service to members, as measured by responsiveness to: walk-in customers, phone calls, and correspondence. Maintain high member satisfaction.

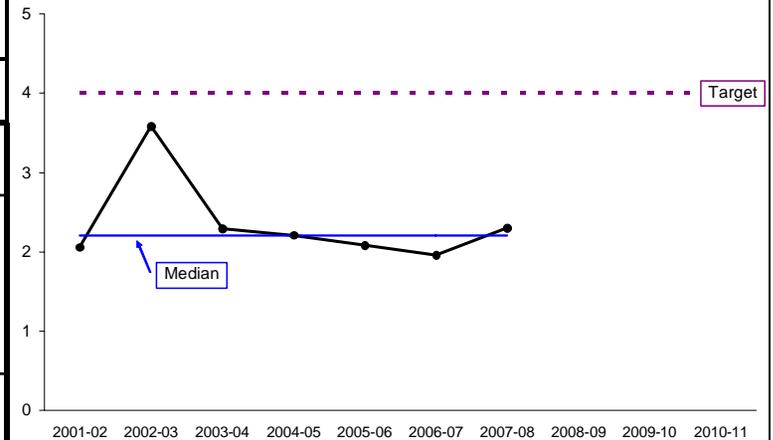
Related Performance Measures

Number & Title	Type	Analysis Comments
3240 – Average number of minutes after arrival that members visiting DRS without an appointment will receive knowledgeable staff service	Process	Stable and predictable – Future results should be similar to current performance levels. Appears to be 100% capable of staying below the 4 minute threshold.
3250 – Percent of incoming phone calls to DRS, via an automated call distributor, answered within 30 seconds	Process	Stable and predictable – Future results should be similar to current performance levels. Appears to be 100% capable of staying above the 90% target.

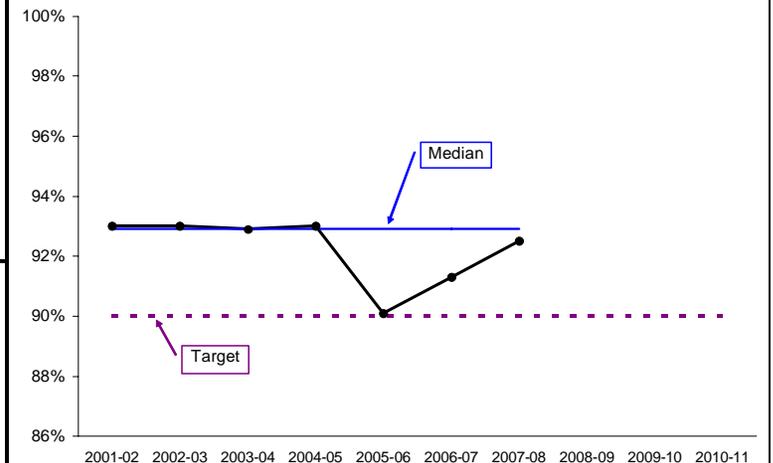
OFM Assessor Comments: The phrase, "...via an automated call distributor" should be removed from the title of measure #3250 and placed in the footnotes. If the agency wanted to support a more aggressive continuous improvement effort, measure #3250 could be converted to report the actual median time it takes to answer the calls, instead of the percentage of calls that are answered within 30 seconds. The title of measure #3240 should be simplified by placing some of the conditional statements like "after arrival and without an appointment" in the footnotes.

Agency Contextual Comments: Moving text to the footnotes shouldn't be an issue. As for the targets, we haven't adjusted them for a couple of reasons: 1) they'll become more challenging as workload (but not staffing) increases and 2) the benchmarking study we participate in consistently identifies that we're more responsive than other public pension administrators on these measures.

3240 - Average number of minutes after arrival that members visiting the Department of Retirement Systems without an appointment will receive knowledgeable staff service



3250 - Percent of incoming phone calls to DRS, via an automated call distributor, answered within 30 seconds



Budget Activity and Measure Critique

Budget Activity Number & Title: A008 – Retirement Information Systems

Summary of Expected Results: Maintain accurate and efficient pension systems. Secure member information and data. Complete timely and accurate programming associated with legislatively mandated benefit changes, and implementation of new plans.

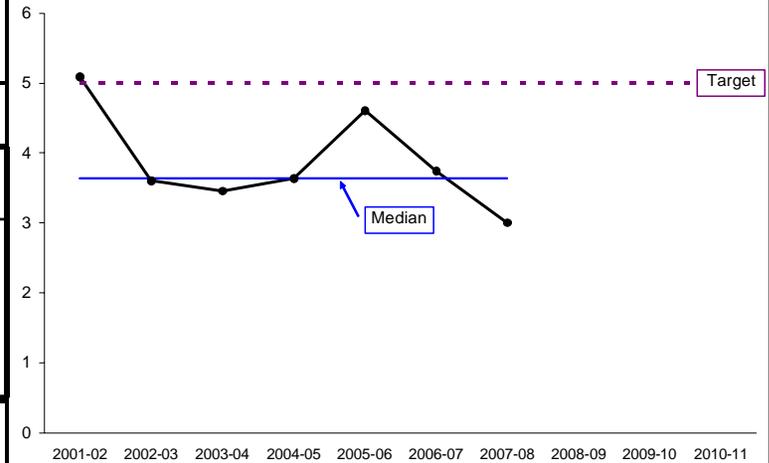
Related Performance Measures

Number & Title	Type	Analysis Comments
3220 – Average number of days to complete requests for retirement estimates	Process	Stable and predictable – Future results should be similar to current levels of performance. Actual data are also capable of not exceeding the 5-day performance threshold.

OFM Assessor Comments: None

Agency Contextual Comments:

3220 - Average number of days to complete requests for retirement estimates



Budget Activity and Measure Critique

Budget Activity Number & Title: A009 – Trust Fund Accounting

Summary of Expected Results: Provide timely and accurate pension payments to retirees, and accurate reporting to the IRS. Maintain industry standard record keeping for members participating in Public Employees' School Employees' and Teachers Retirement Systems Plan 3's.

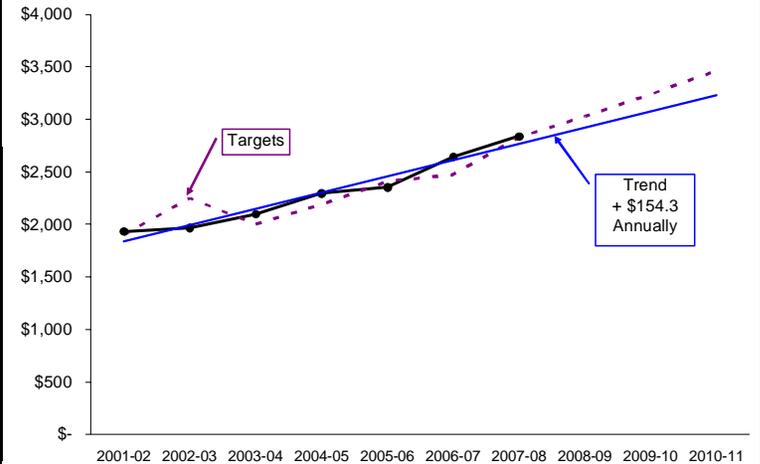
Related Performance Measures

Number & Title	Type	Analysis Comments
7300 – Benefits paid annually in dollars (annuitants, withdrawals, Deferred Compensation, and Dependent Care)	Output	Actual data appears to be trending upward in a stable and predictable way. Future results should follow the trend line's average rate of increase. Actual performance seems to be increasing at an average rate that is slightly less than the targets.

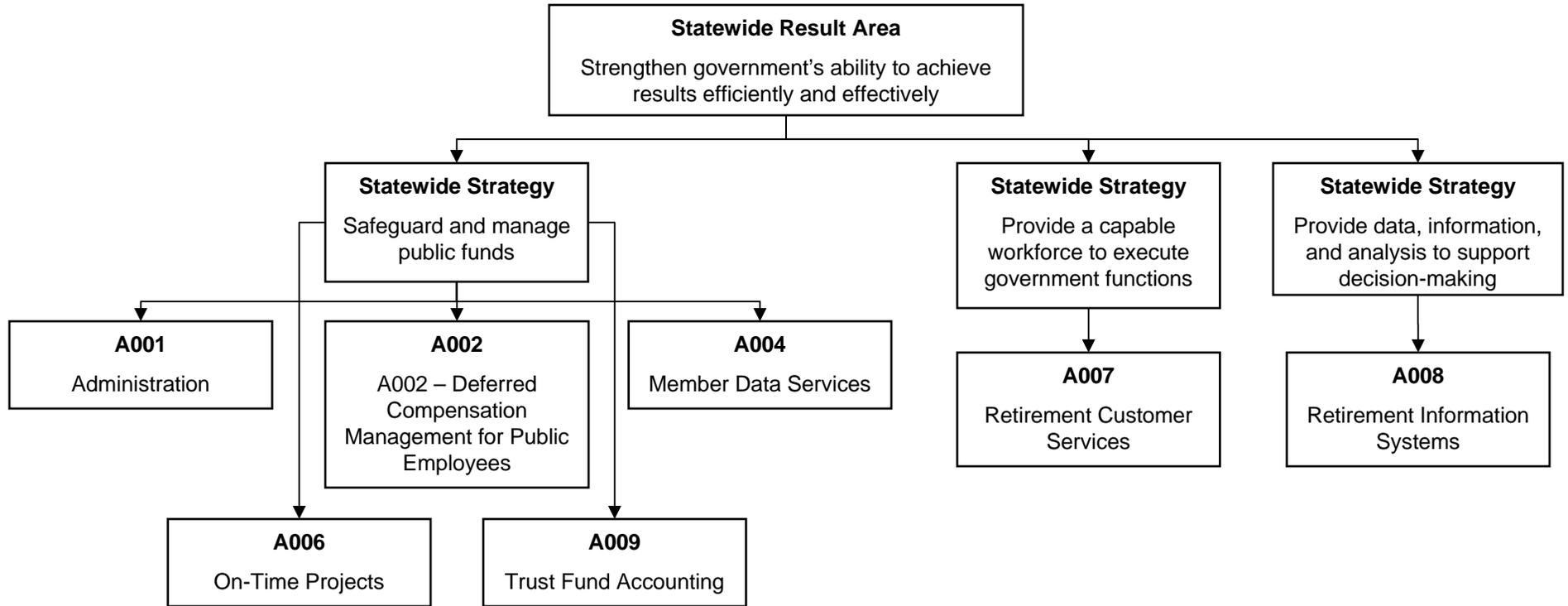
OFM Assessor Comments: While it is interesting at some point to know that the amount of benefits paid out is increasing at a steady rate, this is a more of a measure of salary inflation and is more informational, since the agency has little or no control over this subject.

Agency Contextual Comments: We provide the benefits paid information as a "measure of magnitude," to show that DRS' disburses billions of dollars into the economy each year to retirees and beneficiaries.

7300 - Benefits paid annually in dollars (annuities, withdrawals, Deferred Compensation, and Dependent Care) in millions



Alignment Overview – Budget Activity Structure



Process/Efficiency Measures

7900 – Percent of benefit estimates completed properly from available information

3240 – Average number of minutes after arrival that members visiting the Department of Retirement Systems without an appointment will receive knowledgeable staff service
Percent of incoming phone calls to DRS, via an automated call distributor, answered within 30 seconds

3220 – Average number of days to complete requests for retirement estimates

Output Measures

7300 – Benefits paid annually in dollars (annuities, withdrawals, Deferred Compensation and Dependent Care)

Outcome Measures

3300 – Number of new deferred compensation participants

7700 – Percent that DRS' per-member cost is below public sector peer group

Input/Workload Measures

None

Alignment Overview – Agency Strategic Plan Structure

