



## Pension & Health Benefits Committee

California Public Employees' Retirement System

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### Agenda Item 10

August 14, 2012

**ITEM NAME:** Online Retirement Estimate Calculator and Service Credit Cost Estimator

**PROGRAM:** Customer Services and Support

**ITEM TYPE:** Information

#### **EXECUTIVE SUMMARY**

In an effort to improve customer service and reduce member wait times, unit workloads and backlogs, the Benefit Services Division (BNSD) Retirement Estimates Unit and the Customer Account Services Division (CASD) Costing and Elections Units are making changes to certain member-related processes. BNSD's Retirement Estimates Unit will be limiting retirement estimate requests to those who have a retirement date no longer than one year in the future, while also limiting the number of estimate requests a member may make to two per year. CASD's Costing and Elections Units will direct members to use the online costing estimator tool before submitting a service credit purchase costing request. These changes will ensure:

- members are utilizing the services offered on the CalPERS On-Line website; and,
- members receive timely and accurate information to make informed decisions.

The CalPERS On-Line website offers tools for members to complete estimates of their future retirement benefits, as well as cost estimates for many service credit purchase types. The changes will become effective September 1, 2012.

#### **BACKGROUND**

##### Retirement Estimates

The Retirement Estimates Unit processes retirement estimate requests for members inquiring about their future retirement allowance. The Unit processes estimates for all types of retirements offered by CalPERS: Service, Disability, Industrial Disability, Community Property, all types of Option 4 calculations, and emergency retirement requests for members whose death is imminent.

Over the past five years, retirement estimate requests received per month have steadily increased. In the 2010/2011 fiscal year, the Unit received an average of 11,300 per month. Approximately 30 percent of the estimates requested are for multiple retirement dates (in excess of two estimate requests per year).

Nearly 25 percent of all estimate requests are for retirement dates one or more years in the future. The further out an estimated retirement date is, the less accurate it will be. Staff must project service credit and use the last posted pay rate to determine final compensation. Any special compensation, potential pay increases and changes in time base cannot be accurately projected for retirement dates a year or longer in advance. The result is a retirement estimate that is not a true reflection of what the member will receive for a retirement allowance.

Limiting the number of requests which can be made each year to two will reduce the overall volume of estimate requests received, thereby enhancing this area's service delivery. In addition, limiting retirement estimate requests to those members that are within a year of retirement will greatly improve the accuracy of the retirement estimates provided.

#### Service Credit Purchase Requests

There are approximately 52 different types of service credit available for CalPERS members to purchase. The largest volume of requests are for: 1) Additional Retirement Service Credit (ARSC); 2) Service Prior to Membership (SPM); 3) Redeposit of Withdrawn Contributions (Redeposit); and, 4) State and Schools Military Active (Military). For the fiscal year 2010/2011, CASD processed 24,157 service credit purchase costing requests. However, only 10,737 elections to purchase were made and returned to CalPERS, which equates to a 44 percent election rate. The high volumes of service credit costing requests could be reduced if members are required to utilize the CalPERS On-Line Service Credit Cost Estimator. The estimator is designed to provide the member with a better understanding of the cost associated with the service credit purchase before they make a formal costing request to CalPERS.

CalPERS provides members with the option to go online prior to submitting their request to estimate the potential cost to purchase the additional service credit. The CalPERS On-Line Service Credit Cost Estimator is available for calculating the following types of service credit purchases:

- ARSC
- SPM
- Redeposit
- Military
- Alternate Retirement Program (ARP) service
- Maternity/Paternity Leave of Absence
- Peace Corps/Vista
- Sabbatical Leave of Absence

ARSC requests are currently the largest revolving workload in the CASD. While preparing for the implementation of ARSC in late 2003, it was concluded that approximately 100,000 member requests would be submitted for cost information to purchase the new service credit type. Given the cost to purchase ARSC would be calculated at the "present value" method (the member would pay the full cost of the increase in the benefit resulting in the purchase: no employer liability), it was expected a majority of members would not elect the service credit once they learned the cost. Staff implemented a new requirement directing members to go online and use the CalPERS On-Line Service Credit Cost Estimator (available on the CalPERS web site), prior to submitting a request. Therefore, once the members have completed the estimate, the members could make an informed decision regarding the potential cost versus the potential benefit and decide if they want to submit a request to receive an election package. This process helped eliminate a large quantity of member requests to purchase the service credit after receiving the formal costing amount, due to the high cost.

Given the benefits and success of the ARSC practices, we are now looking to adopt this process for the other types of service credit estimates previously mentioned.

## **ANALYSIS**

### **Retirement Estimates**

Since members can utilize the online Retirement Estimate Calculator, staff-generated retirement estimate requests will be limited to:

- requests with projected retirement dates no more than one year in the future; and,
- two retirement estimates per year, per member.

By no longer processing retirement estimate requests with dates more than one year in the future, staff will be able to focus on member requests that are closer to retirement. This also will ensure members are receiving the most up-to-date information they will need to make their retirement decisions. Members will still be able to receive retirement estimates for retirement dates more than one year in advance by visiting the CalPERS web site and using the Retirement Estimate Calculator. Staff believes members with an uncertain retirement date will benefit from utilizing the self-service online Retirement Estimate Calculator to experiment with potential retirement dates.

The most recent Cost-Effectiveness Measurement (CEM) Benchmark report, released in 2010, included a survey of the best practices of other retirement systems. CalPERS provides nearly twice as many written estimates per 1,000 active members than any other retirement system.

The survey also showed an average of 30 percent of other retirement systems limits the number of official retirement estimate requests by either the member's proximity to the retirement date or by the number of retirement estimates previously provided. A key component to a customer's perspective of better customer service is receiving a requested retirement estimate in a timely manner. Directing members to the online Retirement Estimate Calculator, whenever possible, serves to provide members with instantaneous results, thereby providing better customer service.

#### Service Credit Purchase Requests

In order to reduce the revolving workloads and multiple requests received for the majority of service credit purchase requests, including, ARSC, SPM, Redeposit, and Military, members will be directed to use the online cost estimator prior to submitting a formal service credit purchase request. Furthermore, the request forms will only be available for download once the member has generated an online cost estimate (the link to download the request forms will be available only on the cost estimator results page).

This new process will ensure members complete their online cost estimate prior to submitting a request. The member will have more information relating to the cost of the service. This will ultimately reduce the number of service credit costing requests submitted, save members valuable retirement and financial planning time, and will allow staff to focus on the ability to deliver quality customer service for the members intending to make the purchase.

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