

oppaga

Special Review

November 2003



Report No. 03-61

Outsourcing Pension Plan's Outreach Services Would Not Be Cost-Effective

at a glance

The Florida Legislature directed OPPAGA to examine the potential benefit and cost-effectiveness of outsourcing specific participant outreach functions currently performed by the Division of Retirement for the Florida Retirement System Pension (FRS) Plan. Among other activities, the division performs participant outreach by answering telephone calls and conducting educational seminars. These services have been outsourced for the FRS Investment Plan, which is administered by the State Board of Administration.

Outsourcing these specific Pension Plan outreach services would not be cost-effective. The state would not be able to take full advantage of a private company's service potential and infrastructure across various types of functions, and it would not produce substantial reductions of division costs.

However, a broader approach to outsourcing the full range of division activities may be feasible and should be explored. The division should also expand its call hours and enhance its ability to track statistical information on call operations.

Purpose

Chapter 2003-397, *Laws of Florida*, directed the Office of Program Policy Analysis and Government Accountability (OPPAGA) to determine whether it would be desirable to outsource the Florida Retirement System (FRS) employee-retiree outreach call center and member seminar functions currently operated by the Division of Retirement. In conducting this review, we considered two questions.

- Would outsourcing reduce the state's cost to administer the Pension Plan?
- Would outsourcing enhance the current level of service provided to participants?

Background

The Florida Retirement System serves over 800 participating government employers, including all state and county government agencies, school boards, state universities and community colleges, and many cities and special districts. As of June 30, 2003, the FRS had approximately 649,000 active (employed) members, 210,000 retired members, and 65,000 terminated vested members.

FRS members may join one of two retirement benefit options—the defined benefit plan (Pension Plan) or the defined contribution plan (Investment Plan).¹

¹ Division of Retirement and State Board of Administration employees have begun to call the traditional FRS retirement benefit option the Pension Plan and the newer defined contribution plan option the Investment Plan. For ease of discussion, we will use these terms in this report.

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The **FRS Pension Plan** is a defined benefit plan, meaning that employer contributions to employees' retirement benefits are invested by the employer.² The employer guarantees a certain level of benefit payment and bears the risk that investment returns will not support that level of benefits.³ Participants' retirement benefits are based upon a formula taking into account factors such as their salary levels, years of service, compensation, and FRS membership class.

The **FRS Investment Plan**, or Public Employee Optional Retirement Program (PEORP), is a defined contribution plan. In a defined contribution plan, participants are guaranteed a certain level of contributions from their employers and the participants select how these funds will be invested from a list of authorized investment accounts. Participants bear the risk of poor investment returns, but after meeting certain requirements, participants can take their retirement accounts with them if they no longer work with an employer participating in the FRS.

FRS members were required to choose whether to stay in the Pension Plan or join the Investment Plan through February 2003.⁴ Now that the choice period has closed, members have one additional chance to switch their choice of plan, known as the "second election." New state employees must make their initial choice of plan by the end of the fifth month following the date upon which they were hired. Exhibit 1 shows the FRS plan options in which employees were placed as of June 30, 2003. Most employees (96%) are in the Pension Plan.

The Division of Retirement administers the traditional Pension Plan and the State Board of Administration administers the Investment Plan.⁵

**Exhibit 1
As of June 30, 2003, Most Employees
Are in the FRS Pension Plan**

State and Local Government Employee Participants	Pension Plan	Investment Plan	Hybrid Plan ¹	Total
	Active Employees	595,378	26,063	654
DROP Participants	26,720	0	0	26,720
Total	622,098	26,063	654	648,815
Percentage	95.9%	4%	0.1%	100%

¹ The hybrid option lets FRS members participate in the Investment Plan for all future employer contributions and keep current accrued pension plan benefits frozen in that plan.

Source: Information from the Division of Retirement.

The **Division of Retirement** is assigned to the Department of Management Services. The division's primary responsibility is administration of the Florida Retirement System Pension Plan. The division also administers eight smaller retirement programs, as well as the Retiree Health Insurance Subsidy Program.⁶

The division distributes benefit payments to retirees and beneficiaries; determines eligibility for retirement system membership and disability benefits; enrolls members and employers; maintains records for active, inactive, and retired members; and processes requests for benefit estimates. The division also processes retirement and Deferred Retirement Option Program (DROP) applications, and provides information and technical assistance to participating employers and employees through publications,

² The State Board of Administration invests FRS Pension Plan contributions on behalf of FRS employers.

³ The FRS Pension Plan is subject to an annual actuarial valuation. Contribution rates are adjusted as appropriate to reflect investment or other experience.

⁴ The 2000 legislation that created the Investment Plan option established various choice periods for different classes of current employees, during which they were to choose whether to stay in the Pension Plan or join the Investment Plan. Employees who did not make a choice remained in the Pension Plan by default. The choice period for state workers was June 1, 2002, through August 31, 2002. Education employees' choice period was September 1, 2002, to November 30, 2002, and local government employees' choice period was December 1, 2002, to February 28, 2003.

⁵ This report is not intended to provide an exhaustive list of SBA's activities but rather a high level overview of its FRS outreach responsibilities as they relate to those of the Division of Retirement. For example, SBA also administers the plan choice process for both plans and provides retirement and financial planning support as well as certain communications with employers.

⁶ The division also has both oversight and monitoring responsibilities for local government retirement systems that are not a part of the FRS, such as those established for firefighters and police officers. The division monitors their actuarial soundness, reviews the actuarial impact of system changes, and approves the distribution of insurance premium tax revenues.

web-based communications, seminars, and counseling in person or by telephone.

For Fiscal Year 2003-04, the division was appropriated an operating budget of \$16.8 million and 199 employees (see Exhibit 2). The division is funded by an appropriation from the Florida Retirement System Pension Plan Trust Fund.⁷

Exhibit 2
The Division of Retirement and SBA Had Operating Budgets of \$17 Million to Provide Services for the Florida Retirement System in Fiscal Year 2003-04

Revenue Source	Division of Retirement ¹	State Board of Administration ²
Trust funds	\$16,830,115	\$17,059,556
FTEs	199	8

¹ Includes funding and FTEs to provide administrative services for other state retirement systems and to oversee local retirement systems.

² Does not include SBA funding and FTEs for investment management activities.

Source: Chapter 2003-397, *Laws of Florida*, and SBA Budget for Fiscal Year 2003-2004.

The State Board of Administration (SBA) is responsible for managing state and other funds, including the assets of the Florida Retirement System Trust Fund. The SBA also manages debt service accounts for Florida bond issues. It is responsible for the Investment Plan, and has contracted with private sector vendors to provide plan services.

The Governor, Chief Financial Officer, and Attorney General serve as the Board of Trustees of the State Board of Administration. The SBA does not receive legislative appropriations for its activities. Its expenses for managing assets are paid by fees assessed against those assets. However, the board’s costs for providing administrative services for the FRS Investment Plan, recording plan elections, educating members, and providing financial planning services are funded by an allocation of 0.10% of employer payroll for FRS Pension Plan and Investment Plan members.⁸ These funds are used to pay private vendors and for SBA’s costs

⁷ The division also received a General Revenue appropriation of \$10 million, but these monies are used to pay benefits for some small closed pension systems.

⁸ Chapter 2003-260, *Laws of Florida*, lowered the amount of administrative assessment from 0.15% to 0.10% of FRS contributions.

to administer their contracts. In Fiscal Year 2003-04, the SBA budgeted \$17 million to administer the Investment Plan, which includes funding for 8 FTEs and \$15.8 million to pay contractors (see Exhibit 2).⁹

FRS outreach services

The Division of Retirement and the State Board of Administration are responsible for providing FRS members with information on the two retirement plans. Both entities offer a variety of outreach services including answering telephone inquiries (call centers), holding educational seminars, and providing educational materials on their websites. Appendix A summarizes the various FRS participant outreach services.

Call Centers. Members can obtain information on either plan by calling a toll free number (866-446-9377). Participants select the type of information they want from recorded options. Based on their selection, callers are routed to division staff or one of the vendors with which SBA contracts to provide financial and administrative services.¹⁰ Requests for detailed Pension Plan information are directed to division staff, while requests for financial guidance, detailed Investment Plan information, and plan choice information are directed to one of SBA’s vendors.¹¹

The Division of Retirement assigns employees on a rotating basis to answer inquiries from employers, employees, and other interested parties regarding the Pension Plan. These employees answer the questions as part of their overall work administering various retirement plans, and are provided on the job training before they are allowed to staff the phones.¹²

⁹ The SBA’s payments to contractors include approximately \$900,000 paid to the Division of Retirement since Fiscal Year 2000-01 to upgrade its servers.

¹⁰ The recorded options are designed to assist active or terminated vested members. They do not include the types of questions that might be asked by retirees.

¹¹ The division also answers questions about service credit; questions about the Health Insurance Subsidy; retiree calls; and employer calls regarding reporting, compensation, plan determinations, and other issues.

¹² The division’s telephone system assigns an incoming call to the next available employee on call duty. During times of heavier call volume, more benefit specialists are added to the rotation. When the benefit specialists on call duty are not speaking to a caller, they are performing their regular work, so as to minimize unproductive time.

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The division received an estimated 262,000 telephone calls from participants during Fiscal Year 2002-03. (See Exhibit 3.) These calls had an average length of 6.7 minutes.

Exhibit 3

The Division Receives Approximately 262,000 Calls from Participants Each Year

Division of Retirement	Estimated Volume
Number of Calls (excluding calls from employers) ¹	262,000
Average Call Length ²	6.7 minutes

¹ The division does not maintain statistics on call volume for all of its bureaus. For bureaus without this data, employees tallied phone calls during May 2003 and we annualized the figures to obtain an estimate. This number excludes calls from employers, which are not the focus of this review.

² The division does not maintain data on call length. Division managers in each bureau estimated the average call length for each organizational unit, which ranged from 3 to 10 minutes. We then calculated a composite average call length of 6.7 minutes.

Source: OPPAGA analysis based on information from the Division of Retirement.

The State Board of Administration has contracted with private vendors to provide information about plan choice and the FRS Investment Plan. SBA has contracted with Ernst & Young to operate a telephone call center, the Financial Guidance Line. The Ernst & Young employees who staff the call center provide information on the Pension Plan to newly hired employees and FRS members who want to compare the two plan options, as well as detailed information on Investment Plan features. Members also can seek financial and retirement planning assistance from Financial Guidance Line employees. ¹³

During Fiscal Year 2002-03, the Financial Guidance Line received 107,925 calls from participants. Call volume decreased after the

¹³ SBA has contracted with Ernst & Young to provide financial advice related to retirement planning to all FRS members, regardless of whether they are in the Investment Plan or the Pension Plan. Examples of potential topics for discussion are Investment Plan accounts, Pension Plan benefits, DROP, second election, and social security. At no charge to participants, Ernst & Young financial planners can also use Financial Engines software to provide recommendations on one tax-deferred investment account (Investment Plan members receive advice on their Investment Plan accounts and Pension Plan members receive advice on one non-FRS tax deferred account). For an additional charge of \$15 annually payable to Financial Engines, participants can also obtain recommendations on other tax-deferred retirement accounts.

employee choice period was completed—the financial guidance line received 20,025 calls during the last quarter of Fiscal Year 2002-03. These calls lasted an average of 24 minutes. Assuming that this is representative of the present call volume, the Financial Guidance Line will receive approximately 80,000 calls this year (see Exhibit 4).

Exhibit 4

Financial Guidance Line Will Handle Approximately 80,000 Calls from Participants Annually

Ernst & Young Financial Guidance Line	Estimated Volume
Number of Calls	80,000
Average Call Length	24 minutes

Source: OPPAGA analysis based on information from the State Board of Administration.

SBA also contracts with CitiStreet to administer the Investment Plan. As the plan administrator, CitiStreet operates a call center, accessible through the main toll free number, to register members' plan choice and, for Investment Plan members, the investment vehicles they have selected for the contributions made by their employers. ¹⁴ CitiStreet is also responsible for routing payroll contributions to members' investment accounts and redirecting funds to other investments if so instructed by members. ¹⁵

Educational Seminars. Both the division and SBA vendors conduct educational seminars at the request of employers. Division of Retirement managers hold seminars at the request of FRS participating employers throughout the state. The division conducted 178 seminar sessions in Fiscal Year 2001-02 and 131 in 2002-03. Each two-hour session covers the Pension Plan in detail.

Members can also receive educational services through Ernst & Young retirement and financial planning seminars. These seminars are held at

¹⁴ This is not intended to be an exhaustive list of the FRS services provided by CitiStreet.

¹⁵ Recent CitiStreet call volume would result in receiving an average of 30,000 calls a year. Average call length for July through August 2003 was approximately four minutes. As the calls CitiStreet receives deal with subjects not comparable to those that the division receives, CitiStreet calls were not included in this report's analysis.

the request of employers, last two hours, and primarily cover investing and planning for retirement. In addition, the retirement seminars provide information on both the Investment Plan and the Pension Plan. During the plan choice period, Ernst & Young also conducted choice seminars to assist employees in deciding between the Pension Plan and the Investment Plan. In Fiscal Year 2002-03, Ernst & Young conducted 1,611 initial choice workshops and 363 retirement and financial planning seminar sessions. During the first quarter of Fiscal Year 2003-04, Ernst & Young conducted 54 retirement and financial planning seminar sessions.

Websites. Participants can also obtain information from the *MyFRS* website administered by SBA through vendor contract and from the Division of Retirement website.¹⁶ The *MyFRS* website includes a number of different features to assist members in making the initial choice between the Pension Plan and Investment Plan or in obtaining financial planning advice. SBA contracts with Financial Engines to provide the software to power online advisor services that participants can use to make plan choice and investment decisions and calculate possible retirement income under various scenarios.¹⁷ The Division of Retirement’s website provides detailed information about the Pension Plan and allows program participants to estimate the amount of Pension Plan benefit they can expect at retirement.¹⁸

Questions and Answers —

Our review of the feasibility of outsourcing the Division of Retirement’s outreach services considered two questions.

- Would outsourcing reduce the state’s cost to administer the Pension Plan?
- Would outsourcing enhance the current level of service provided to participants?

¹⁶ The *MyFRS* website can be accessed at <http://www.myfrs.com/>. The Division of Retirement’s website can be accessed at <http://www.frs.state.fl.us/>.

¹⁷ SBA contracts with a different vendor, Enterpulse, to administer the website.

¹⁸ The division’s website and services are also accessible through the *MyFRS* website.

Would outsourcing reduce the state’s cost to administer the Pension Plan?

Outsourcing the Division of Retirement’s call answering and seminar services would not reduce the state’s cost to administer the Pension Plan. We compared the division’s costs to those of private sector vendors and then evaluated the extent to which division costs could be eliminated if a private vendor took over this work. As shown in Exhibit 5, the division’s costs are lower than the informal quotes we received from private vendors for what they would charge to take over the division’s call answering responsibilities.¹⁹ All vendors quoted prices that were higher than the division’s costs, and most were significantly higher.²⁰

Exhibit 5 Division Costs to Handle Telephone Calls Are Lower Than Private Vendor Estimates

Entity Answering Calls	Estimated Annual Cost ¹
Division of Retirement ²	\$ 714,000
Private sector – lowest estimate	1,077,013
Private sector – highest estimate ³	5,000,000

¹ Vendors’ estimates assumed that they would answer all calls. However, several noted that some complex calls would likely have to be routed back to the division.

² Division costs include salary and benefits, telephone lines, and miscellaneous employee-related expenses such as rent, postage, office supplies, and the state personnel assessment.

³ The vendor submitting this quote actually gave a cost range of \$5 to \$10 million.

Source: OPPAGA analysis of information from the Division of Retirement and private sector call center vendors.

The division’s costs to conduct seminars were also lower than those of private vendors. As shown in Exhibit 6, we estimated the division’s costs to be approximately \$300 to \$369 per session, compared to costs ranging from \$1,600 to \$3,500 for a private vendor.

¹⁹ We instructed vendors that we were not formally seeking bids.

²⁰ We obtained informal quotes from five vendors who provide retirement plan call center services.

**Exhibit 6
Division Costs to Conduct Educational Seminars
Are Lower Than Private Vendor Estimates**

Entity Providing Seminar	Estimated Cost
Division of Retirement ¹	\$300 to \$369 per session
Private sector – lowest estimate ²	\$1,600 for one session per day
Private sector – highest estimate ³	\$3,500 flat fee for 1 to 4 sessions per day

¹ Costs include travel and estimated salary and benefit cost. The division tracks the travel cost associated with seminars but not salary and benefit cost. We estimated these costs for each seminar based on the salary and benefit cost for the employee who held the seminar, seminar length, and an estimate of the travel time from Tallahassee.

² Cost includes travel.

³ Cost does not include travel.

Source: OPPAGA analysis based on information from the Division of Retirement and private sector seminar vendors.

These cost estimates do not include expenses for monitoring the quality of information provided by potential private vendors. Division staff would need to spend time monitoring service quality, which would add to the state’s costs if these services were outsourced.

It is also questionable whether the division would be able to substantially reduce its own costs if the state were to outsource the division’s call answering and seminar functions because the division would need to retain staff to answer technical questions from employers and employees, as well as calls transferred from the private sector vendor requiring the division’s particular expertise.²¹ Similarly, the division employees who conduct seminars are experienced employees with other job duties. On average, conducting seminars requires only 10% of each presenter’s work time.

Would outsourcing enhance the level of service provided to participants?

It is not clear that outsourcing would improve member outreach services, although some service enhancements should be considered regardless of whether outsourcing is pursued.

²¹ The extent to which calls would be routed back to the division is unknown and would have to be determined after implementing use of a private provider. This figure would be influenced by the amount of control over member accounts given to the private vendor, the training given to its employees, and whether the vendor hires persons with expertise in the FRS Pension Plan to assist its employees in answering technical questions.

Surveys show that participants are highly satisfied with the level of service they currently receive from the division. In 2002, 95.9% of active members responding to a division survey stated that they were satisfied with the division’s information and 95.0% were satisfied with its service; 95.0% of recent retirees were satisfied with the division’s information and 95.8% were satisfied with its service.

One reason for the high level of member satisfaction is that participants have direct access to the division’s hands-on expertise in pension plan matters. For example, the division employees who answer calls about the calculation of retirement benefits, membership enrollment, and retiree payroll are also responsible for calculating retirement benefits, enrolling members, and paying retirees. Thus, members speak directly to a person who can answer their questions as well as address any problems or fulfill requests. When newer employees provide services to members, the division maintains the quality of its services by using experienced division employees to exercise quality control over the work performed by less experienced employees.

We identified two changes to services that should be considered. These could be attained by either contracting with a private vendor to provide call center services for the Pension Plan, or by requiring the division to enhance its in-house services.²²

First, the state could obtain access to better telephone and statistical capabilities. The Division of Retirement currently lacks complete information on its call volume, the length of calls, how quickly calls are answered, and the topics discussed during calls. This information is useful in evaluating services provided by call centers, and would likely be tracked under outsourcing. However, the division could develop these capabilities by making an investment in its telephone and computer systems.

Second, a private vendor could expand the hours of call operations. SBA’s vendors are available to talk to members during evening

²² We did not identify any compelling benefits to participants of outsourcing the division’s seminar services.

hours, as participants may call the Ernst & Young or CitiStreet call centers from 9:00 a.m. until 8:00 p.m.²³ In contrast, division staff are available only from 8:00 a.m. until 5:00 p.m. However, the division could use flextime to expand its hours of call operations and thus provide a similar level of service to that of private vendors with little additional cost. We believe the division should consider these steps regardless of whether outsourcing is pursued.

Conclusions

It is not clear that outsourcing the member outreach services currently provided by the Division of Retirement would produce cost savings or service level improvements. However, regardless of whether outsourcing is pursued, the division should explore tracking additional statistical information on its call operations and expanding call hours.

While outsourcing FRS participant outreach services in isolation does not appear to be desirable, a broader outsourcing approach may produce benefits. It is possible that outsourcing a larger or a different portion of the division's activities could result in an enhanced level of service at lower cost by taking greater advantage of the potential economies of scale of a private company's service potential and infrastructure across various types of functions. OPPAGA previously examined the possible outsourcing of division activities and outlined the process that should be followed if the Legislature wishes to pursue outsourcing in Report No. 01-12, *Special*

Review: Feasibility of Outsourcing Florida's Statewide Retirement Systems, published in February 2001.

Regardless of whether outsourcing is pursued, the Division of Retirement should consider making two changes. First, the division should examine its capability to track statistical information on calls. If current telephone and computer systems are not capable of better tracking, the division should evaluate the cost and benefit of upgrading this equipment and request funding for an upgrade if warranted.

Second, to enhance the level of service at minimal cost, the Division of Retirement should consider expanding the hours during which division employees are available to answer calls. The division could use flextime to have employees available to answer calls during evening hours. Later hours may be warranted only for the bureaus with heavier call volume.²⁴ The division could conduct a pilot project to explore the feasibility of using flextime to expand its hours of call operations and to determine if customer demand would justify continuing with expanded hours.

Agency Response

In accordance with the provisions of s. 11. 51(5), *Florida Statutes*, a draft of our report was submitted to the Secretary of the Department of Management Services for his review and response. The Secretary's written response is included in Appendix B.

²³ All are open weekdays only and operate on Eastern Standard Time.

²⁴ The Bureau of Calculations and the Bureau of Benefit Payments receive most of the division's calls from participants. Calls to these bureaus account for an estimated 96% of the bureau's participant calls.

Appendix A

FRS Participant Outreach Services

Activity	Division of Retirement	State Board of Administration
Pension Plan information	<ul style="list-style-type: none"> ▪ Division employees provide an overview of Pension Plan features as well as individualized information over the telephone. Division employees can be contacted by using the toll-free financial guidance line or by calling the division's central office directly. ▪ The division's website provides participants with general or individualized information, or participants can e-mail, write, or visit the division's offices with their inquiries. ▪ The division offers educational seminars on the Pension Plan (which also cover general plan choice and second election issues), periodic newsletters, and annual benefit statements. 	<ul style="list-style-type: none"> ▪ Financial planners who staff the Ernst & Young toll-free financial guidance line can provide information on Pension Plan features and basic information on members' Pension Plan accounts but transfer requests for detailed information on individual accounts to the Division of Retirement. ▪ Ernst & Young financial planners who conduct seminars on retirement or investment planning also provide information on Pension Plan features.
Investment Plan information	<p>Division employees refer requests for Investment Plan information to the financial guidance line.</p>	<ul style="list-style-type: none"> ▪ Financial planners who staff the Ernst & Young financial guidance line provide general and individualized information on the Investment Plan, but transfer requests to make changes in Investment Plan accounts to the CitiStreet call center. ▪ Participants can obtain general and individualized Investment Plan information through the <i>MyFRS</i> website. ▪ Participants can join the Investment Plan, obtain information on the allocation of their Investment Plan assets, and make changes in these investments through CitiStreet. CitiStreet sends quarterly account statements. ▪ Ernst & Young offers educational seminars.
Plan Choice	<p>Division employees refer requests for plan choice information to the financial guidance line.</p>	<ul style="list-style-type: none"> ▪ Financial planners who staff the Ernst & Young financial guidance line provide plan choice assistance, but must transfer requests for plan election to the CitiStreet call center. ▪ Participants can obtain general and individualized plan choice assistance through the <i>MyFRS</i> website, including online advisor services powered by Financial Engines software (Choice Service and Second Election Choice Service). ▪ Ernst & Young offers plan choice educational seminars
Financial Planning	<p>The division does not provide investment advice.</p>	<ul style="list-style-type: none"> ▪ Ernst & Young financial advisors will discuss issues pertaining to any FRS member's financial, investment, or retirement situation, and help the participant develop alternatives. ▪ Participants can use the <i>MyFRS</i> website investment tools, including an online advisor service powered by Financial Engines software (Advisor Service), to make investment decisions and calculate possible retirement income under various scenarios.

Source: OPPAGA analysis of information provided by the Division of Retirement and State Board of Administration.

Appendix B



**FLORIDA DEPARTMENT OF
MANAGEMENT SERVICES**



JEB BUSH
Governor

WILLIAM S. SIMON
Secretary

November 6, 2003

Gary VanLandingham, Interim Director
Office of Program Policy Analysis
And Government Accountability
Claude Pepper Building, Room 312
111 West Madison Street
Tallahassee, Florida 32199-1475

Dear Mr. VanLandingham:

Pursuant to Section 11.51(5), Florida Statutes, this is our response to the recommendations included in your preliminary special review dated October 23, 2003; Outsourcing Pension Plan's Outreach Services Would Not Be Cost-Effective. Our response corresponds with the order of your conclusions and recommendations.

Conclusion and Recommendation 1:

The division should examine its capability to track statistical information on calls. If current telephone and computer systems are not capable of better tracking, the division should evaluate the cost and benefit of upgrading this equipment and request funding for an upgrade if warranted.

Department Response:

We agree with the recommendation. The Division is currently exploring the reporting capabilities of the existing phone system. Should the existing phone system be capable of tracking and reporting the required statistical information at little or no additional costs, the Division will take steps to ensure that such information is captured and analyzed.

If it is determined that the current phone system is not capable of tracking statistical information on calls, the Division will evaluate the cost and benefit of upgrading the system if warranted. To enhance or purchase a new system would take budgetary dollars that are currently not available. The 2004-2005

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budget request has already been submitted and does not include funds for a new or updated phone system. Any budget request for a new or updated phone system would have to be included in the 2005-2006 budget request. Any evaluation performed by the Division will consider the benefit to members and retirees in relation to the costs of upgrading the phone system.

Conclusion and Recommendation 2:

To enhance the level of service at minimal cost, the Division of Retirement should consider expanding the hours during which division employees are available to answer calls. The division could use flextime to have employees available to answer calls during evening hours. Later hours may only be warranted for the bureaus with heavier call volume. The division could conduct a pilot project to explore the feasibility of using flextime to expand its hours of call operations and to determine if customer demand would justify continuing with expanded hours.

Department Response:

The Department agrees to perform a review of other call center operations, to include the Ernst&Young call center operation for the State Board of Administration. Based on the information and statistics obtained from other call center operations, the Department will determine whether expanding the hours of call operations would be practical and beneficial.

If further information concerning our response is needed, please contact Steve Rumph, Inspector General, or John Davis, Audit Director, at 488-5285.

Sincerely,

/s/
William S. Simon
Secretary

WS/kc

cc: Terry Shofstall, Staff Director
Joint Legislative Auditing Committee

Robert Hosay, Deputy Secretary
Department of Management Services

Sarabeth Snuggs, Director
Division of Retirement

The Florida Legislature

Office of Program Policy Analysis and Government Accountability



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- [OPPAGA publications and contracted reviews](#), such as policy analyses and performance reviews, assess the efficiency and effectiveness of state policies and programs and recommend improvements for Florida government.
- [Performance-based program budgeting \(PB²\) reports and information](#) offer a variety of tools. Program evaluation and justification reviews assess state programs operating under performance-based program budgeting. Also offered are performance measures information and our assessments of measures.
- [Florida Government Accountability Report \(FGAR\)](#) is an Internet encyclopedia of Florida state government. FGAR offers concise information about state programs, policy issues, and performance.
- [Best Financial Management Practices Reviews of Florida school districts](#). In accordance with the *Sharpening the Pencil Act*, OPPAGA and the Auditor General jointly conduct reviews to determine if a school district is using best financial management practices to help school districts meet the challenge of educating their students in a cost-efficient manner.

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OPPAGA provides objective, independent, professional analyses of state policies and services to assist the Florida Legislature in decision making, to ensure government accountability, and to recommend the best use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475).

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