

April 22, 2022

Ms. Bethany Rhodes, Director
Ohio Retirement Study Council
88 E. Broad St., Suite 1175
Columbus, OH 43215



**STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO**

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Dear Ms. Rhodes:

In accordance with Section 3307.041, Revised Code, STRS Ohio is submitting its proposed fiscal 2023 budgets. The attached information is composed of the following:

- Page 1 is a statement of planned operating expenditures, including comparisons to the fiscal 2022 budget.
- Page 2 is a statement of capital expenditures, including comparisons to the fiscal 2022 budget and summary of investment assets and related management costs for fiscal 2021 including comparisons to fiscal 2020.
- Page 3 is a schedule of retirement board-related expenses for the last 10 years and a 10-year trend chart.
- Page 4 is a summary of staff training and travel expenses, including comparisons to the fiscal 2022 budget.
- Page 5 is supplementary statistical information for fiscal years 2017–2021.

The proposed operating budget for the fiscal year ended June 30, 2023, reflects an increase of 4.9% from the current year budget. This includes an increase in personnel costs due to fiscal 2023 having 27-pay periods (which occurs approximately every 10–11 years), 3% merit increases (including promotions) and incentive compensation for eligible investment associates to reflect expected higher relative performance. There are 521 full-time equivalent associates (FTE's) included in the proposed budget, a decrease of nine from 530 FTE's in fiscal 2022. Custodial banking fees are higher due to projected higher asset values and new required regulatory changes. Computer technology reflects increased multi-factor authentication usage by members and employers and expanded Microsoft tools and services. The proposed budget reflects a decrease in Ohio Retirement Study Council expenses due to fiduciary and actuarial audit costs budgeted in fiscal 2022.

The proposed capital budget is \$7.9 million in fiscal 2023 compared to \$9.1 million in fiscal 2022 and reflects a decrease of \$1.2 million or 13.7%. The capital budget provides financial support for major planned initiatives including the cloud-based investment portfolio management system and human resource and finance system, as well as building improvements and maintenance.

Overall, the proposed budgets continue to provide the resources we need to pay timely and accurate pension benefits and provide health care to members, successfully manage investment assets and ensure we meet all fiduciary responsibilities and legal requirements. Additionally, the proposed budgets comply with all Retirement Board policies and demonstrate to members that STRS Ohio is managing operating and capital expenditures prudently.

These proposed fiscal year 2023 budgets were provided to the Retirement Board this month to review. Please feel free to contact me if you want additional information.

Sincerely,

A handwritten signature in black ink that reads 'William J. Neville'.

William J. Neville
Executive Director

State Teachers Retirement System of Ohio
2023 ORSC Budget Presentation

FY2022 to FY2023 Operating Budget and Increases (Decreases)

Budget Category	Fiscal 2023 Budget	Fiscal 2022 Budget	Fiscal 2022 Estimated Actual	Fiscal 2023 Increase (Decrease)	Percent Increase/ Decrease
Personnel	\$ 86,443,800	\$ 81,617,700	\$ 81,774,300	\$ 4,829,800	5.9%
Salaries and Wages	67,379,300	63,565,400	63,550,400	3,813,900	6.0%
OPERS Contributions	9,109,700	8,529,800	8,521,300	579,900	6.8%
Health Insurance	8,816,300	8,445,300	8,617,700	371,000	4.4%
Miscellaneous Expenses	1,142,200	1,077,200	1,084,900	65,000	6.0%
Professional Services	12,386,700	11,803,600	11,660,200	583,100	4.9%
Actuarial	282,000	347,000	456,100	(65,000)	-18.7%
Audit	266,300	164,700	184,600	101,600	61.7%
Custodial Banking Fees	2,500,000	2,200,000	2,297,300	300,000	13.6%
Investment Consulting	6,792,000	6,726,300	6,623,600	65,700	1.0%
Other Consulting	2,316,400	2,150,600	1,874,800	165,800	7.7%
Banking Expense	230,000	215,000	223,800	15,000	7.0%
Communications Expense	1,992,800	1,883,200	1,834,400	109,600	5.8%
Printing and Postage	1,461,100	1,420,100	1,421,900	41,000	2.9%
Telecommunications	440,000	390,000	411,100	50,000	12.8%
Member/Employer Education	91,700	73,100	1,400	18,600	25.4%
Other Operating Expense	9,252,700	9,599,100	8,794,000	(346,400)	-3.6%
Conferences and Education	352,900	324,600	213,000	28,300	8.7%
Travel	580,500	549,100	115,700	31,400	5.7%
Computer Technology	5,736,000	5,493,100	5,313,400	242,900	4.4%
Other Operating	2,210,300	1,969,300	1,979,900	241,000	12.2%
Ohio Retirement Study Council	300,000	1,200,000	1,110,300	(900,000)	-75.0%
Treasury of State Warrant Clearing Charges	3,000	3,000	1,700	0	0.0%
Attorney General Charges	70,000	60,000	60,000	10,000	16.7%
Net Building Expense	2,430,000	2,373,500	2,433,400	56,500	2.4%
Total Operating Budget	\$ 112,509,700	\$ 107,277,100	\$ 106,496,300	\$ 5,232,600	4.9%
Full-time Equivalent (FTE) Associates	521	530			

State Teachers Retirement System of Ohio
2023 ORSC Budget Presentation

FY2022 to FY2023 Capital Budget

	Fiscal 2023 Budget (Does not include carryover from previous years)	Fiscal 2022 Budget (Does not include carryover from previous years)	Fiscal 2022 Projected Actual (Does not include payments for carryover from previous years)
Total Capital Budget	\$ 7,851,500	\$ 9,096,900	\$ 5,441,000
Building Improvements	431,300	2,585,000	1,028,800
Building Maintenance Equipment	1,887,700	517,000	334,500
Infrastructure and Upgrades	5,488,500	5,898,000	4,056,600
General Capital	44,000	96,900	21,100

Investment Expenses

	Fiscal 2021 Actual	Fiscal 2020 Actual	Percent Change 2020 to 2021
Total Investment Assets*	\$ 96,033,002,000	\$ 77,713,332,000	23.6%
Total Internally Managed Assets	\$ 66,408,164,000	\$ 54,269,522,000	22.4%
Total Externally Managed Assets	\$ 29,624,838,000	\$ 23,443,810,000	26.4%
Total Investment Expenses	\$ 311,928,400	\$ 296,551,000	5.2%
Total Internal Investment Expenses	\$ 38,595,100	\$ 38,904,400	-0.8%
Total External Investment Expenses	\$ 250,228,000	\$ 234,979,300	6.5%
Investment Consulting	\$ 760,500	\$ 760,600	0.0%
Brokerage/Commissions - Internal	\$ 14,690,600	\$ 14,470,900	1.5%
Brokerage/Commissions - External	\$ 5,621,400	\$ 5,615,900	0.1%
Custodian Fees	\$ 2,032,800	\$ 1,819,900	11.7%
Total Investment Expenses as a Percent of Total Investment Assets	0.32%	0.38%	-14.9%
Expenses as Percent of Internally Managed	0.47%	0.55%	-14.0%
Expenses as Percent of Externally Managed	1.05%	1.26%	-16.8%

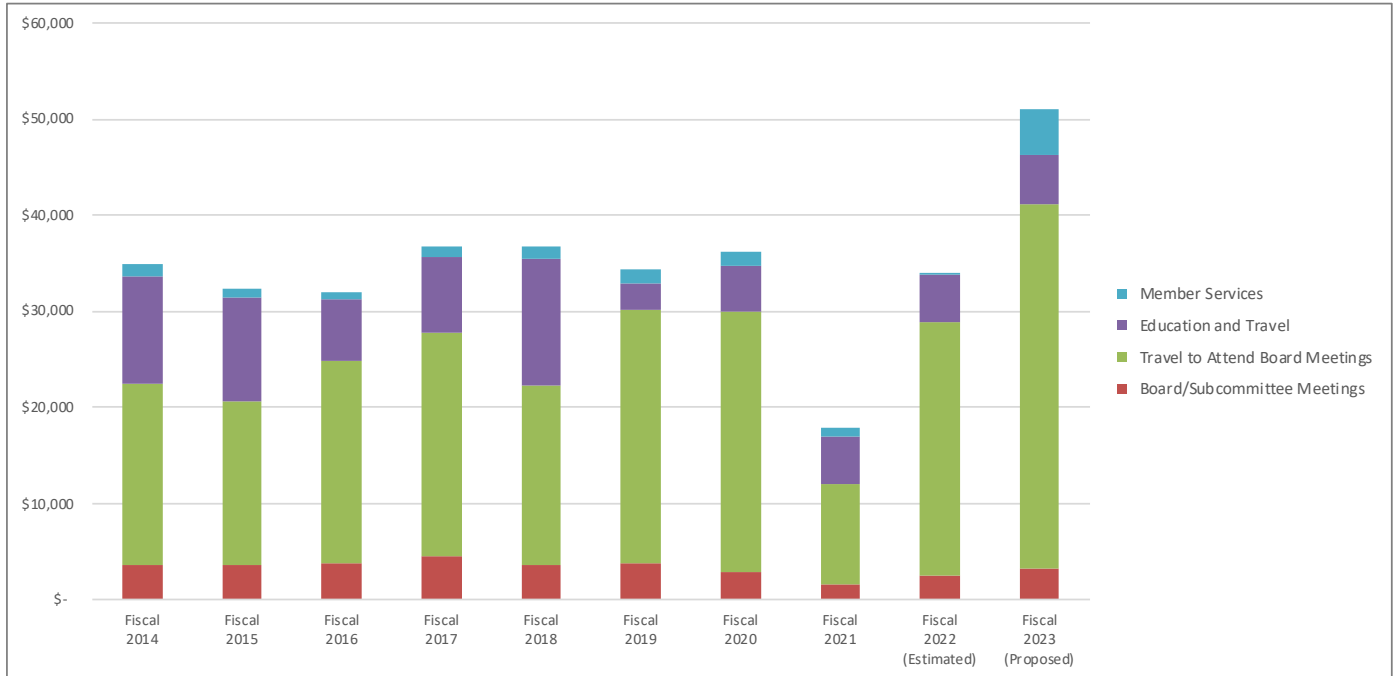
*Investment assets are net of real estate debt.

Please note: Fiscal 2022 information is not yet available.

State Teachers Retirement System of Ohio
2023 ORSC Budget Presentation

Board Member Expenses

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022 (Estimated)	Fiscal 2023 (Proposed)
Total Board Expenses	\$ 34,900	\$ 32,400	\$ 32,000	\$ 36,700	\$ 36,700	\$ 34,300	\$ 36,100	\$ 17,800	\$ 34,000	\$ 51,000
Board/Subcommittee Meetings	\$ 3,500	\$ 3,500	\$ 3,700	\$ 4,500	\$ 3,600	\$ 3,800	\$ 2,800	\$ 1,600	\$ 2,400	\$ 3,200
Travel to Attend Board Meetings	\$ 18,900	\$ 17,100	\$ 21,200	\$ 23,200	\$ 18,700	\$ 26,400	\$ 27,100	\$ 10,500	\$ 26,500	\$ 38,000
Education and Travel	\$ 11,300	\$ 10,800	\$ 6,400	\$ 7,900	\$ 13,200	\$ 2,700	\$ 4,900	\$ 4,900	\$ 4,900	\$ 5,000
Member Services	\$ 1,200	\$ 1,000	\$ 700	\$ 1,100	\$ 1,200	\$ 1,400	\$ 1,300	\$ 800	\$ 200	\$ 4,800



State Teachers Retirement System of Ohio
2023 ORSC Budget Presentation

Staff Training and Travel

	Fiscal 2023 Budget	Fiscal 2022 Budget	Increase (Decrease)	% Increase (Decrease)
Administration				
Conferences, Seminars and Travel	\$ 72,200	\$ 66,500	\$ 5,700	8.6%
In-House Training	\$ 27,200	\$ 27,300	\$ (100)	-0.4%
# FTE	69	67		
Expense per FTE	\$ 1,441	\$ 1,400		

	Fiscal 20223 Budget	Fiscal 2022 Budget	Increase (Decrease)	% Increase (Decrease)
Finance				
Conferences, Seminars and Travel	\$ 22,100	\$ 17,000	\$ 5,100	30.0%
In-House Training	\$ 13,000	\$ 12,000	\$ 1,000	8.3%
# FTE	100	101		
Expense per FTE	\$ 351	\$ 287		

	Fiscal 2023 Budget	Fiscal 2022 Budget	Increase (Decrease)	% Increase (Decrease)
Investments				
Conferences, Seminars and Travel	\$ 385,000	\$ 360,000	\$ 25,000	6.9%
In-House Training	\$ -	\$ -	\$ -	-
# FTE	120	121		
Expense per FTE	\$ 3,208	\$ 2,975		

	Fiscal 2023 Budget	Fiscal 2022 Budget	Increase (Decrease)	% Increase (Decrease)
Information Technology Services				
Conferences, Seminars and Travel	\$ 73,000	\$ 71,900	\$ 1,100	1.5%
In-House Training	\$ 120,000	\$ 84,000	\$ 36,000	42.9%
# FTE	118	123		
Expense per FTE	\$ 1,636	\$ 1,267		

	Fiscal 2023 Budget	Fiscal 2022 Budget	Increase (Decrease)	% Increase (Decrease)
Member Benefits				
Conferences, Seminars and Travel	\$ 79,500	\$ 70,100	\$ 9,400	13.4%
In-House Training	\$ 4,600	\$ 4,300	\$ 300	7.0%
# FTE	114	118		
Expense per FTE	\$ 738	\$ 631		

State Teachers Retirement System of Ohio
2023 ORSC Budget Presentation
Supplementary Statistical Information

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Active Members	177,462	180,009	179,850	178,043	176,367
Inactive Members	157,936	156,491	158,224	161,687	164,221
Benefit Recipients (Age, Disability, Survivor)	158,039	157,422	157,418	156,907	156,921
Reemployed Retirees	25,009	22,038	21,026	19,553	17,734
Total Membership	518,446	515,960	516,518	516,190	515,243
Members per FTE	975	979	1,001	1,000	1,026

Please note: Fiscal 2022 information is not yet available. Fiscal 2017 information is included for five-year comparison.