



October 21, 2022

Ms. Bethany Rhodes, Director and General Counsel
Ohio Retirement Study Council
Rhodes State Office Tower
30 East Broad Street, 2nd Floor
Columbus, OH 43215

Dear Ms. Rhodes:

Enclosed is the proposed 2023 operating budget for the Ohio Public Employees Retirement System (OPERS). The proposed operating budget of \$114.3 million reflects a 4.1% increase in expenses from the prior year's budget of \$109.9 million. The 4.1% increase results primarily from an increase of \$3.7 million in the personnel expense category and \$2.3 million in the computer technology category, netted against a decrease of \$1.2 million in the professional services category. The remaining expense category fluctuations are less significant and result in a net decrease of \$0.4 million.

The personnel expense budget reflects the elimination of two vacant positions. Like many other organizations, OPERS has proactively invested in technology designed to yield long-term staff savings. Accordingly, OPERS carefully manages staff turnover, often electing to defer hiring especially in areas expected to be impacted by technology. Since 2017, OPERS has been able to reduce our overall workforce by 126 positions. This budget reflects that staff will receive an average 4% merit-based increase. In addition to the merit-based increase, OPERS is undergoing a compensation study. The results of this study are not yet known but an estimated impact is included in the OPERS personnel budget. This is partially offset by a decrease in incentive compensation, employee insurance costs, and increased capitalized labor costs associated with capital projects.

The computer technology budget reflects upgrades and replacements of network storage arrays, necessary due to increased data storage and backup requirements, and an upgrade to the investments system for alternative investments.

The professional services budget reflects the phase out of an investments risk system and services that were fully retired during 2022 with the completion of the implementation of a lower cost solution. Additionally, this category reflects a decrease in legal fees corresponding with fewer investment deals.



The proposed operating budget reflects funding for on-going operations and OPERS key strategic plan initiatives. The strategic plan includes the continued implementation of significant technology initiatives designed to position the system to handle the continued large growth in retirees without a corresponding increase in staff. These initiatives, which began years ago, will enable OPERS to continue to provide quality customer service to our over one million members and retirees, thereby continuing OPERS' proud tradition of providing value for the State of Ohio through the distribution of pension benefits and health care coverage.

The proposed 2023 capital budget reflects a decrease from \$17.0 million in 2022 to \$13.4 million in 2023. The 2023 capital budget includes \$7.0 million of funding for the migration and retirement of the mainframe data system. Additionally, the capital budget includes \$2.3 million of funding for integration of the health care systems into the main pension system. The capital budget includes \$4.4 million in estimated internal labor costs associated with these capital initiatives. The proposed 2023 capital budget also includes an additional \$1.1 million for replacing the original roof on the OPERS tower.

Attached you will find budget information presented in the format approved by the ORSC for adoption by the five Ohio public retirement systems.

- Attachment 1 is a statement of planned operating expenditures, including comparisons to the 2022 fiscal year budget for OPERS and projected expenses for 2022. All key variances have been discussed above.
- Attachment 2 reflects the detailed capital budget.
- Attachment 3 is a two-year historical summary of investment costs and management fees.
- Attachment 4 is a 10-year schedule and graph of budgeted Retirement Board-related meeting and travel expenses included in the overall organization operating budget.
- Attachment 5 reflects the OPERS budgeted education, training and due diligence travel by divisions on a per-FTE basis.
- Attachment 6 reflects statistical information about OPERS members and members per staff (FTE).

We believe this budget provides the necessary support to continue to fund the operations of the complex multi-billion-dollar organization. As OPERS plans for the upcoming changes, we are committed to continue operating as an efficient organization that provides superior customer service to our members and support the State of Ohio.



Please feel free to contact me if I can assist with any questions or provide additional information.

Sincerely,

Karen E. Carraher

Karen E. Carraher
Executive Director

Cc: Kimberly Murnieks, Director, Ohio Office of Budget and Management
The Honorable Kristina Roegner, Chair, Ohio Senate Government Oversight & Reform Committee
The Honorable Susan Manchester, Chair, Ohio House Families, Aging & Human Services Committee

**Ohio Public Employees Retirement System
2023 ORSC BUDGET PRESENTATION**

FY 2022 to FY 2023 Operating Budget and Increase (Decrease)

Budget Category	2023 Budget	2022 Budget	2022 Estimated Actual	2022-2023 Increase (Decrease)	Percent Change (2022-2023)
Personnel	\$70,127,216	\$66,412,106	\$62,273,985	\$3,715,110	5.6 %
Salaries and Wages	52,983,800	49,283,192	46,991,954	3,700,608	7.5
PERS Contributions	7,902,328	7,334,603	6,720,585	567,725	7.7
Health Insurance	9,079,553	9,619,151	8,429,891	(539,598)	(5.6)
Miscellaneous Expenses	161,535	175,160	131,555	(13,625)	(7.8)
Professional Services	\$22,505,765	\$23,678,962	\$23,980,111	(\$1,173,197)	(5.0) %
Actuarial	728,676	770,970	770,970	(42,294)	(5.5)
Audit	588,725	580,438	648,399	8,287	1.4
Custodial Banking Fees	7,239,576	7,076,413	7,484,524	163,163	2.3
Investment Consulting	10,911,361	11,793,858	11,615,611	(882,497)	(7.5)
Other Consulting	2,989,427	3,411,883	3,413,607	(422,456)	(12.4)
Banking Expenses	48,000	45,400	47,000	2,600	5.7
Communications Expense	\$2,823,380	\$3,065,133	\$2,910,990	(\$241,753)	(7.9) %
Printing and Postage	2,480,636	2,606,935	2,511,015	(126,299)	(4.8)
Telecommunications	289,844	373,098	362,975	(83,254)	(22.3)
Member/Employer Education	52,900	85,100	37,000	(32,200)	(37.8)
Other Operating Expenses	\$14,899,746	\$12,760,189	\$12,775,189	\$2,139,557	16.8 %
Conferences and Education	225,852	393,269	297,093	(167,417)	(42.6)
Travel	175,221	278,806	218,766	(103,585)	(37.2)
Computer Technology	12,711,041	10,423,936	10,645,912	2,287,105	21.9
Other Operating	1,355,332	1,250,368	1,212,704	104,964	8.4
Ohio Retirement Study Council	322,000	306,000	292,904	16,000	5.2
TOS Warrant Clearing Charges	4,200	4,800	4,800	(600)	(12.5)
Attorney General Charges	106,100	103,010	103,010	3,090	3.0
Net Building Expense	\$3,962,893	\$3,950,610	\$3,826,653	\$12,283	0.3 %
Total Operating Budget	\$114,319,000	\$109,867,000	\$105,766,928	\$4,452,000	4.1 %
Full-Time Equivalent (FTE) Associates	518	520			
Other Items Monitored by OPERS					
Depreciation	\$14,680,000	\$13,719,000	\$13,874,948	\$961,000	7.0 %
Commission Sharing Agreements - Research Costs	\$225,000	\$200,000	\$425,000	\$25,000	12.5 %

**Ohio Public Employees Retirement System
2023 ORSC BUDGET PRESENTATION**

FY 2022 to FY 2023 Capital Budget

	2023 Budget (does not include carryover from previous years)	2022 Budget (does not include carryover from previous years)	2022 Estimate
Total Capital Budget*	\$13,410,176	\$16,959,758	\$11,278,151
Building and Building Equipment	1,649,500	250,500	156,446
Computer Software, Equipment and Other	2,500,236	353,988	317,000
IT Capital Projects	9,260,440	16,355,270	10,804,705

*Includes new capitalizable internal labor budget of \$4.4 million and \$4.9 million in 2023 and 2022, respectively. Due to capital budget carryover, an additional \$1.8 million and \$0.8 million in capitalizable internal labor is applicable to 2023 and 2022, respectively, not reflected as new capital budget above; therefore, total capitalizable internal labor estimates for 2023 and 2022 are \$6.2 million and \$5.7 million, respectively.

**Ohio Public Employees Retirement System
2023 ORSC BUDGET PRESENTATION**

Investment Expenses

	2021 Actual	2020 Actual	Percent Change (2020 to 2021)
Total Investment Assets	\$126,188,168,095	\$113,408,980,046	11.27 %
Total Internally Managed Assets	63,537,051,728	51,738,664,078	22.80
Total Externally Managed Assets	62,651,116,367	61,670,315,968	1.59

Total Investment Expenses	\$436,779,244	\$396,055,595	10.28 %
Total Internal Investment Expenses	43,146,175	39,184,414	10.11
Total External Investment Expenses*	379,135,163	342,321,151	10.75
Investment Consulting	872,339	1,025,876	(14.97)
Brokerage/Commissions-Internal	1,507,447	2,971,605	(49.27)
Brokerage/Commissions-External	6,962,199	6,604,591	5.41
Custodian Fees	5,155,921	3,947,958	30.60

Total Investment Expenses as a % of Total Investment Assets	0.34%	0.34%	
Internal Expenses as % of Internally Managed**	0.07%	0.08%	
External Expenses as % of Externally Managed**	0.62%	0.57%	

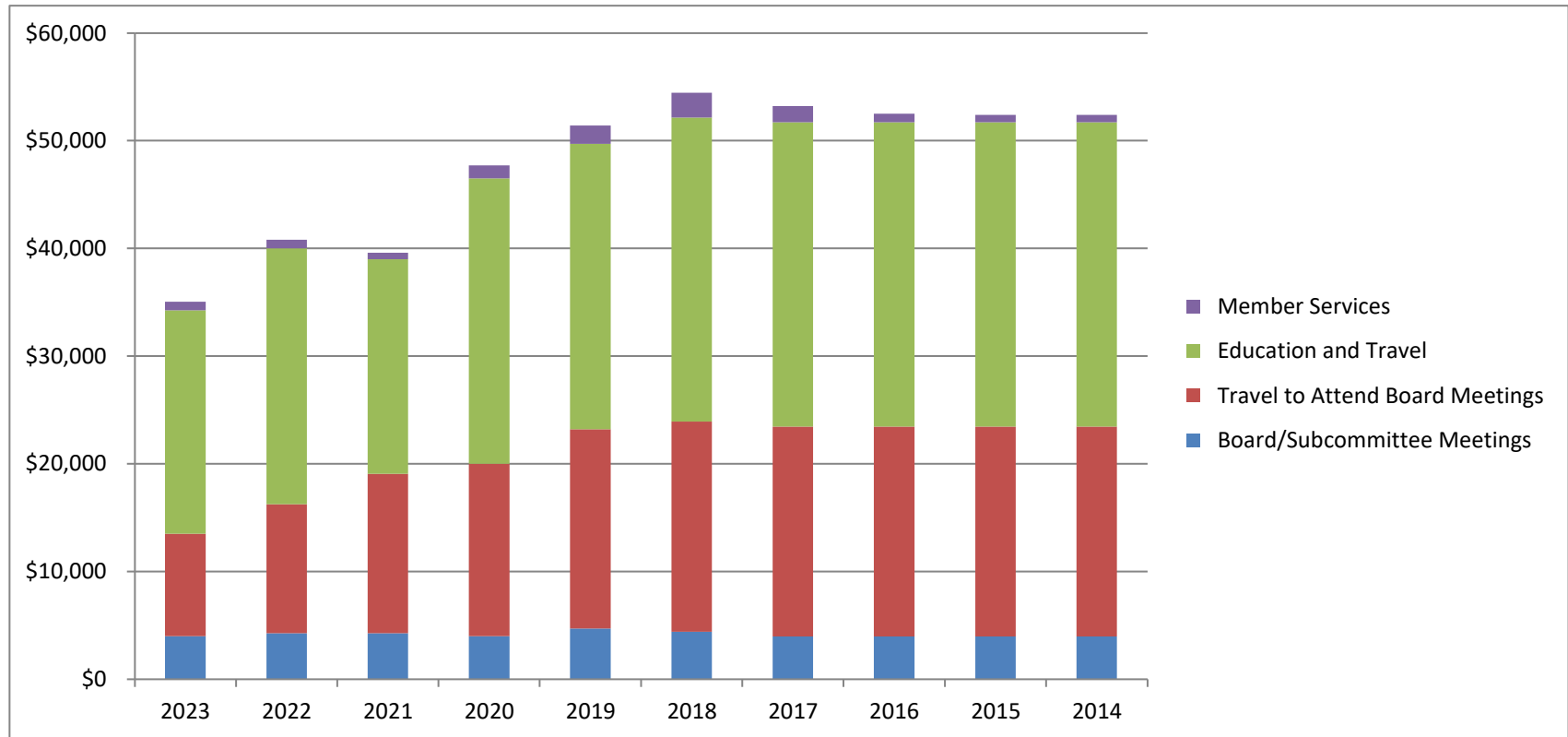
*Includes net management fees and fund expenses.

**Restated per ORSC.

**Ohio Public Employees Retirement System
2023 ORSC BUDGET PRESENTATION**

Board Member Expenses

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Board Expenses	\$35,050	\$40,800	\$39,587	\$47,700	\$51,400	\$54,450	\$53,200	\$52,500	\$52,400	\$52,400
Board/Subcommittee Meetings	\$4,000	\$4,250	\$4,250	\$4,000	\$4,700	\$4,400	\$3,950	\$3,950	\$3,950	\$3,950
Travel to Attend Board Meetings	\$9,500	\$12,000	\$14,800	\$16,000	\$18,500	\$19,500	\$19,500	\$19,500	\$19,500	\$19,500
Education and Travel	\$20,750	\$23,750	\$19,937	\$26,500	\$26,500	\$28,250	\$28,250	\$28,250	\$28,250	\$28,250
Member Services	\$800	\$800	\$600	\$1,200	\$1,700	\$2,300	\$1,500	\$800	\$700	\$700



**Ohio Public Employees Retirement System
2023 ORSC BUDGET PRESENTATION**

Staff Training and Travel

	FY 2023	FY 2022	Increase (Decrease)	% Increase (Decrease)
Administration				
Conferences & Seminars	\$49,688	\$135,206	(\$85,518)	(63.3) %
In-House Training	\$20,303	\$31,142	(\$10,839)	(34.8)
#FTE	65	70	(5)	(7.1)
Training Expense per FTE	\$1,077	\$2,376	(\$1,299)	(54.7)

	FY 2023	FY 2022	Increase (Decrease)	% Increase (Decrease)
Finance and Benefits				
Conferences & Seminars	\$23,144	\$54,110	(\$30,966)	(57.2) %
In-House Training	\$6,907	\$12,085	(\$5,178)	(42.8)
#FTE	128	125	3	2.4
Training Expense per FTE	\$235	\$530	(\$295)	(55.7)

	FY 2023	FY 2022	Increase (Decrease)	% Increase (Decrease)
Investments				
Conferences & Seminars	\$51,154	\$124,994	(\$73,840)	(59.1) %
In-House Training			\$-	-
#FTE	62	61	1	1.6
Training Expense per FTE	\$825	\$2,049	(\$1,224)	(59.7)

	FY 2023	FY 2022	Increase (Decrease)	% Increase (Decrease)
Information Technology/Information Services				
Conferences & Seminars	\$33,959	\$75,102	(\$41,143)	(54.8) %
In-House Training	\$111,760	\$105,750	\$6,010	5.7
#FTE	148	148	0	-
Training Expense per FTE	\$985	\$1,222	(\$237)	(19.4)

	FY 2023	FY 2022	Increase (Decrease)	% Increase (Decrease)
Member Services				
Conferences & Seminars	\$6,748	\$18,768	(\$12,020)	(64.0) %
In-House Training	\$4,900	\$5,748	(\$848)	(14.8)
#FTE	115	116	(1)	(0.9)
Training Expense per FTE	\$101	\$211	(\$110)	(52.1)

Ohio Public Employees Retirement System
2023 ORSC BUDGET PRESENTATION

Supplementary Statistical Information

	2022 ^a	2021	2020	2019	2018
Active Members	290,321	290,321	289,435	304,446	303,920
Inactive Members	700,884	700,884	677,873	653,659	628,091
Benefit Recipient (Age, Dis., Survivor)	219,088	219,088	216,523	214,985	212,953
Re-employed Retirees	Included Above	Included Above	Included Above	Included Above	Included Above
Total Membership	1,210,293	1,210,293	1,183,831	1,173,090	1,144,964
Members Per FTE	2,327	2,284	2,062	2,019	1,911

^aMember counts for year-end 2022 not available; reflects 2021 counts for calculation purposes.