



**Ohio
Retirement
Study
Council**

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MEMORANDUM

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Director/General Counsel

Bethany Rhodes

TO: ORSC Members
FROM: Bethany Rhodes, Director/General Counsel
DATE: May 11, 2023
RE: Proposed Fiscal Year 2024 ORSC Budget

[Redacted box]

Attached for your review is the proposed budget request for the operation of the Ohio Retirement Study Council (ORSC) for Fiscal Year (FY) 2024 beginning July 1, 2023, and ending June 30, 2024. The budget request for FY 2024 is \$976,600.00, which is a **15.11% increase** from the FY 2023 budget. The total budget request of \$976,600.00 is offset by an estimated ending balance of \$144,178.70 from FY 2023; because of this carryover balance from FY 2023, the systems would be required to pay only \$832,421.30. This carryover balance varies annually depending upon the previous fiscal year's meeting activity, General Assembly activity, staff turnover, etc.

The total assets of the five state retirement systems have decreased from over \$265.8 billion as of January 1, 2022, to over \$228.8 billion as of January 1, 2023. This represents a 13.91629% decrease in assets over the past year. The FY 2024 proposed annual ORSC budget represents only 0.000427% of the systems' combined total assets. Each pension system is statutorily required to pay a percentage of the annual expenses of the ORSC determined by the ratio of its assets to the total assets of all five state pension funds; the ORSC receives **NO** legislative appropriations to fund its operation.

This year's large carryover balance is due, in large part, to the fact that the Assistant Research Associate position remained vacant for six months out of the year. This allowed for a notable carryover in not only the **101 – Personnel** line, but also in the **110 – Employer- PERS** and the **115 – Insurance** lines.

Line **101 – Personnel** includes 3% cost of living raises for the ORSC staff, excluding the Director/General Counsel. There are sufficient funds built in for the same 3% cost of living raise for the Director/General Counsel position;

however, this matter is exclusively at the discretion of the ORSC and would require ORSC action prior to implementation.

Also included in this line would be a portion of the additional funds necessary for leave time payouts in the event that any ORSC staff should terminate employment. ORSC staff would recommend, in total, an increase from \$335,000 to \$365,000.

Line 110 – PERS is commensurate with Line 101-Personnel.

Line 115 – Insurance includes an increase for the insurance coverage premiums; insurance costs typically increase 7% annually. ORSC staff continue to pay 15% of the total insurance monthly premiums, similar to state employees. Because the Assistant Research Associate position remained vacant for half the year, the costs were able to remain well under the FY 2023 budget; however, ORSC staff would recommend an increase from \$72,000 to \$100,000.

Line 120 – Capital Expenses shows a minimal estimated year-end expense. This line is for more expensive, individual pieces of equipment. While the ORSC was fortunate again this year, ORSC staff would recommend this line remain unchanged at \$5,000 in the event of replacement.

Line 125 – ORSC Meetings/Travel shows estimated year-end expenses of \$1,139.32. ORSC staff would recommend this line remain unchanged at \$2,500. This line is what funds mileage and parking reimbursement for the eligible ORSC members. Under Ohio Revised Code §171.02, ORSC members are uncompensated for their service, but are to “reimbursed for actual and necessary expenses incurred in the performance of their duties.”

Line 135 – Office Expenses/Postage estimated year-end expenses were over the FY 2023 projections due to inflation and ORSC staff would recommend this line increase to \$11,000.

Line 140– Rent & Utilities shows a year-end estimated expenses within the FY 2023 budget. As the costs are not expected to markedly increase, ORSC staff would recommend this line remain unchanged at \$60,000.

Line 145 – Professional Services is the line that funds the ORSC’s contracted independent actuary (PTA/KMS) and contracted investment consultant (RVK). The expenses in this line are heavily dependent upon the activity of the General Assembly and how many matters require actuarial analysis. In accordance with ORSC policy, legislation is not sent to the actuary for review until it receives a second hearing in its assigned standing committee. There has been a recent increase in the actuarial needs of the ORSC and it is anticipated to continue in FY 2024. Additionally, both contracts will be expiring in August and are in the process of being rebid. The current rates paid by the ORSC are ten years old and ORSC staff have been advised that it would be prudent to plan for up to a 30% increase in rates. Therefore, ORSC staff would recommend this line increase from \$290,000 to \$350,000.

Line 150 – Publications shows estimated year-end expenses significantly over the projected costs. All invoices due to advertisements for audits are paid from this line and the ORSC had one audit to advertise in FY 2023. Because a bill from the previous fiscal year was delayed for a previous year’s audit, a portion of the estimated expenses is actually from the previous fiscal year but had to be paid in FY 2023. In FY 2024, ORSC staff anticipate advertisements for one

audit and for the two Professional Services contracts discussed above. Therefore, ORSC staff would recommend this line increase from \$12,000 to \$14,000.

Line **151 – Organizational Dues** estimated year-end expenses were just within the projections, but are expected to increase; therefore, ORSC staff would recommend this line increase to \$3,500.

Line **155 – State Auditor- Audit** estimated year-end expenses were within the projections and ORSC staff would recommend this line remain unchanged at \$14,000.

Line **190 – State Treasurer- Bank Fees** covers fees are associated with contracts entered into between the State Treasurer and the custodial bank. ORSC is not a party to these contracts but is required to pay the fees agreed to by the State Treasurer for custodial banking services. In the recent past, the ORSC's bank credits which covered the fees were absorbed, leaving the ORSC scrambling to cover the cost of these fees; therefore, ORSC staff would request this line remain unchanged at \$500.

The ORSC is required by statute to study all changes in the retirement laws proposed to the General Assembly and report on their probable costs, actuarial implications, and desirability as a matter of public policy (R.C. §171.04(C)).

The ORSC is required by statute to have prepared for the General Assembly the following reports:

- Bi-annual review of the investment performance of the five state pension funds pursuant to R.C. §171.04(D);
- Annual review of the adequacy of the OP&F contribution rates pursuant to R.C. §742.311;
- An actuarial audit of the five state pension funds at least once every ten years that is paid for by the audited system pursuant to R.C. §171.04(E);
- A fiduciary performance audit of each of the state retirement systems at least once every ten years that is paid for by the audited system pursuant to R.C. §171.04(F).

Moreover, the ORSC prepares various ad hoc reports covering a wide range of retirement issues pursuant to requests and serves as a pension information resource both within and outside of Ohio. Ohio Revised Code §171.03(B) provides that the Council may employ or hire on a consulting basis such actuarial, legal, investment, or other technical services required for the performance of its statutory duties.

I thank you for your attention to this matter, and please do not hesitate to contact me with any questions.

**THE OHIO RETIREMENT STUDY COUNCIL
FISCAL YEAR 2024 (JULY 1, 2023 – JUNE 30, 2024)
BUDGET REQUEST**

EXPENSE CATEGORIES	BUDGET REQUEST FY 2023	ESTIMATED EXPENSES FY 2023	BUDGET REQUEST FY 2024	FY 2023 TO FY 2024 % +/-
101- PERSONNEL	\$335,000.00	\$297,958.29	\$365,000.00	8.96%
110- EMPLOYER- PERS	\$46,900.00	\$40,973.65	\$51,100.00	8.96%
115- INSURANCE	\$72,000.00	\$65,641.95	\$100,000.00	38.89%
120- CAPITAL EXPENSES	\$5,000.00	\$588.83	\$5,000.00	0.00%
125- ORSC MEETINGS/TRAVEL	\$2,500.00	\$1,139.32	\$2,500.00	0.00%
135- OFFICE EXPENSES/POSTAGE	\$8,000.00	\$9,512.93	\$11,000.00	37.50%
140- RENT & UTILITIES	\$60,000.00	\$53,731.08	\$60,000.00	0.00%
145- PROFESSIONAL SERVICES	\$290,000.00	\$207,675.25	\$350,000.00	20.69%
150- PUBLICATIONS	\$12,000.00	\$16,300.00	\$14,000.00	16.67%
151- ORGANIZATIONAL DUES	\$2,500.00	2,200.00	\$3,500.00	40.00%
155- STATE AUDITOR- AUDIT	\$14,000.00	\$8,500.00	\$14,000.00	0.00%
190- STATE TREASURER- BANK FEES	\$500.00	\$0.00	\$500.00	0.00%
TOTAL	\$848,400.00	\$704,221.30	\$976,600.00	15.11%
YEARLY BUDGET REQUEST:	\$848,400.00		\$976,600.00	15.11%
BALANCE PER FY 2023		\$144,178.70		
\$ AMOUNT INCREASE IN BUDGET REQUEST:			\$128,200.00	15.11%
Total Budget Request for FY 2024:				\$976,600.00
Minus Estimated Balance for FY 2023:				\$144,178.70
Minus General Journal Adjustments:				\$0.00
BUDGET REQUEST FY 2024 FROM ALL FIVE SYSTEMS:				\$832,421.30

FISCAL YEAR 2024 (July 1, 2023 – June 30, 2024)

FY 2024- Comparison Table- Systems' Proportionate Shares of ORSC Budget

SYSTEM	ASSETS AS OF 1/1/23	% OF BUDGET	FY 2024 TOTAL BUDGET	TOTAL DUE MINUS FY 2023 BALANCES	TOTAL DUE PER QUARTER
PERS	\$106,777,120,479.00	46.66459%	\$455,726.39	\$388,445.99	\$97,111.49
STRS	\$86,664,000,000.00	37.87460%	\$369,883.34	\$315,276.24	\$78,819.06
SERS	\$17,452,737,446.00	7.62734%	\$74,488.60	\$63,491.60	\$15,872.90
OP&F	\$16,953,326,118.00	7.40908%	\$72,357.08	\$61,674.76	\$15,418.69
HPRS	\$971,089,610.00	0.42439%	\$4,144.59	\$3,532.71	\$883.17
TOTAL	\$228,818,273,653.00	100.00000%	\$976,600.00	\$832,421.30	\$208,105.32

ORSC'S FY 24 Budget is 0.0004268015768185549% of Reported Systems' Total Assets.

DECREASE IN SYSTEMS' TOTAL ASSETS FROM FY 2023: -13.916288746435043%

ORSC EXPENSE CATEGORIES

EXPENSE CATEGORIES	DISCRPTION & EXAMPLES
101- PERSONNEL	Net pay; federal, state, city, school district income taxes; Medicare withholdings; PERS employee contribution; Ohio Deferred Compensation
110- EMPLOYER- PERS	Statutorily required employer contribution (14% of individual salary)
115- INSURANCE	Workers' Compensation; health insurance; dental insurance; life insurance
120- CAPITAL EXPENSES	Individual items costing \$500 or more (such as computers, copier, etc.)
125- ORSC MEETINGS/TRAVEL	ORSC Member meeting reimbursements (per R.C. 171.02)
135- OFFICE EXPENSES/POSTAGE	Postage; paper; property insurance; general office supplies
140- RENT & UTILITIES	Rent for Rhodes Tower office space; parking
145- PROFESSIONAL SERVICES	Legislative reports required of ORSC; actuarial services (PTA/KMS) and Investment Performance Reports (RVK)- Please note: both contracts end 8/2023 and are in the process of being rebid
150- PUBLICATIONS	LexisNexis for Ohio Revised Code; Gongwer; Hannah; Pensions and Investments; Economist
151- ORGANIZATIONAL DUES	Ohio Ethics Commission; Joint Legislative Ethics Commission; Supreme Court of Ohio; American Bar Association; Ohio Bar Association; International Foundation of Employee Benefit Plans
155- STATE AUDITOR- AUDITS	Statutorily required audits conducted by State Auditor's office of ORSC
190-STATE TREASURER- BANK FEES	Fees associated with contracts entered into between the State Treasurer and the custodial bank. ORSC is not a party to these contracts but is required to pay the fees agreed to by the State Treasurer.