Ohio Retirement Study Council

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To:	Members of the Ohio Retirement Study Council
From:	Bethany Rhodes, ORSC Director/General Counsel
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Date:	May 11, 2023
Subject:	Auditor of State Referral Letter

At the March 9, 2023, Ohio Retirement Study Council (ORSC) meeting, the ORSC directed its staff to provide information and respond to the seven items referred to the ORSC by Ohio Auditor of State (AOS) Keith Faber in his 2022 Special Audit of the State Teachers Retirement System (STRS). The ORSC also indicated its desire to determine the gravity of the complaints.

This staff report responds to the ORSC request through the following:

1) Many of the complaints allege that the STRS board violated its fiduciary duty. This analysis will establish a framework for understanding those fiduciary duties and how the complaints are evaluated through that framework.
2) The report will then apply that fiduciary framework to the seven referred items.
3) ORSC staff compiled and reviewed STRS records for evidence of any fraud, theft, or misuse of funds in light of the fiduciary framework and in response to the referral letter.
4) Finally, because many of the complaints specifically connected these expenditures to the lack of new cost-of-living adjustments (COLA), ORSC staff calculated the total expenditures made under the complaints and compared those expenditures to the new FY2023 COLA to determine the magnitude of the complaint expenditures relative to other system costs.

Fiduciary Framework

Prior to reviewing the complaints and seven items referred to the ORSC by the AOS, ORSC staff created a lens through which to review all claims. The complaints dealing with the cafeteria (complaint 1), child care center (complaint 3), extravagance of the building/art/fitness center (complaint 4), and travel expenses (complaint 6) all allege a violation of the STRS Board's fiduciary duty. Those fiduciary duties, then, are a useful framework and is the standard that ORSC staff used to note fraud, theft, or misuse of funds according to the complaints, particularly in analyzing a misuse of funds.

A trustee's fiduciary duty is the highest duty owed by a trustee to plan participants and beneficiaries. Those with a fiduciary duty are subject to the prudent person rule, which was first set out in *Harvard College v. Amory* in 1830. The Court held that a trustee "is to observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested."[1] This standard has remained unchanged and is bolstered by the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that a fiduciary must discharge its duty "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in alike capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."[2] In short, the prudent person rule requires that a trustee make decisions in such a way that a reasonable person would with the same information available.

The Supreme Court of Ohio has held that a fiduciary is "a person having a duty, created by his undertaking, to act primarily for the benefit of another in matters connected with his undertaking."[3] The STRS Board's fiduciary duty is specified in statute and provides that "the members of the state teachers retirement board shall be the trustees of the funds created by section 3307.14 of the Revised Code."[4] In exercising their fiduciary duty as trustees of the funds, board members:

> "shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the system; with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters

[1] *Harvard College v. Amory*, 26 Mass (9 Pick) 446, 461 (1830).
[2] 29 U.S.C. § 1104(a)(1)(B).
[3] *Stock v. Pressnell* (1988), 38 Ohio St.3d 207 at 216.
[4] O.R.C §3307.15(A).

would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so."[5]

In regard to the complaints attached to the AOS's referral letter, this fiduciary duty can be broken down into two base parts:

1) Providing benefits to participants and their beneficiaries; and
2) Defraying the reasonable expenses of administering the system.

The United States Supreme Court has defined "benefits," in regard to the fiduciary duty of a pension system as "vested benefits," meaning those that are required by statute.[6] When looking at these two parts, it must be determined whether the board's decisions were made with the care, skill, prudence, and diligence of a prudent person in a similar capacity. ORSC staff note the in its 2022 Fiduciary Audit of the State Teachers Retirement System, Funston Advisory Services indicated that it believed that the STRS Board has and continues to fulfill those duties.[7]

Fiduciary Overview of Providing Benefits. As to the duty to provide benefits, the complaints allege that the cafeteria, child care center, extravagance of the building/artwork/fitness center, and travel expenses do not meet the exclusive purpose of providing benefits to STRS members and beneficiaries. While the expenses associated with these items do not *directly* provide benefits to plan participants, they do *indirectly* provide benefits. With the exception of the travel component, the complaint items constitute fringe benefits provided to STRS staff. A recent article by the Corporate Finance Institute provides that fringe benefits are offered by employers to attract talented workers, improve the health of their workers, and increase the feeling of appreciation felt by workers. All of these aspects create a more engaged workforce providing a greater benefit to the institution.[8] These benefits, by this standard, allow STRS to attract talented staff that administer the system in such a way that provides the highest level of benefit to plan participants and results in investment results that directly strengthen the system. The strengthening of the system directly allows STRS to continue to provide the benefits prescribed by law into the future. This leaves the

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[5] *Id.*
[6] Thole v. U.S. Bank N.A. (2020), 140 S.Ct. 1615 at 1622.
[7] Funston Advisory Services, "2022 Fiduciary Performance Audit of the State Teachers Retirement System of Ohio" (May 19, 2022), ix. Available online at: https://orsc.org/Assets/Reports/1503.pdf.
[8] Corporate Finance Institute, "Fringe Benefits: Additional benefits offered to an employee above the stated salary for the performance of a specific service," (March 9, 2023), available online at: https://corporatefinanceinstitute.com/resources/career/fringe-benefits/.

analysis as to whether providing these fringe benefits meets the prudent person standard, to be discussed in each item below.

Travel expenditures do no fall under the fringe benefits provided to STRS staff. Travel expenditures indirectly provide benefits to plan participants. The analysis below provides insight into the benefits of travel for due diligence. Due diligence travel allows STRS staff to see the workings of investments first-hand, which increases the effectiveness in managing the investments. [9] As above, these investments directly allow STRS to provide all statutorily required benefits. This also is subject to a prudence analysis, which is reviewed below.

Fiduciary Overview of Reasonable Costs. As to defraying the reasonable costs for administering the system, these expenditures are subject to an analysis of whether the board lacked the care, skill, prudence, and diligence of a prudent person in a similar capacity. Each section below provides the raw data to assist in making a determination of whether these decisions may be deemed prudent.

1) On-site cafeteria

Complaint: ***The in-house cafeteria provides no benefit to STRS beneficiaries and is, therefore, fraudulent and illegal because STRS is a pension fund and must act as a fiduciary. The cafeteria has operated at a loss for four years, but the food product is unaccounted for.***

STRS is not an outlier in having an on-site cafeteria. The STRS cafeteria has bottled drinks, a salad bar, pre-made sandwiches, and some made-to-order food items. This is similar to the cafeteria at the Public Employees Retirement System (PERS). STRS and PERS have similar numbers of employees, approximately 521 and 518, respectively. It is quite common for larger buildings to have some sort of readily available food on-site. The building in which the Highway Patrol Retirement System (HPRS) is located has an on-site cafeteria. Both the Riffe and Rhodes state office towers have both carry-out and food vending options.

But how common are cafeterias? The vast majority of US cafeteria workers are located in schools and hospitals or other types of medical care facilities (approximately 85%).[10]

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[9] SEC Office of Compliance Inspections and Examinations, "Investment Adviser Due Diligence Processes for Selecting Alternative Investments and their Respective Managers," (January 28, 2014), https://www.sec.gov/about/offices/ocie/adviser-due-diligence-alternative-investments.pdf.

[10] Bureau of Labor Statistics, "Occupational Employment and Wages, May 2021: Cooks, Institution and Cafeteria," available online at: https://www.bls.gov/oes/current/oes352012.htm.

According to a 2018 study by the Society for Human Resource Management (SHRM), the world's largest human resources professional society, 17% of all businesses surveyed provided an on-site cafeteria (unsubsidized) and an additional 12% provided a fully or partially subsidized on-site cafeteria (for a total of 29% of all business surveyed).[11] The survey did not specify the size of the companies making any individual response, but 31% of the respondents to the survey had more than 500 employees; it is likely that larger companies have a higher probability of having a cafeteria than smaller companies.

ORSC staff attempted to confirm these national figures with local figures; ORSC staff were unable, however, to verify local figures. Comparing just the state retirement systems, only PERS, which has a similar number of employees as STRS, has an on-site cafeteria. While cafeterias are not necessarily common among all businesses, they are also not particularly unusual. Food availability on-site in large buildings, however, remains the norm.

While the STRS cafeteria may have operated at a profit in the past, it currently operates at a loss of revenue. Between FY2017-2022, the cafeteria had a net loss of $1,436,870, an average of $239,478 per year during this period. This amount includes an estimated 90% of staffing costs directly related to the cafeteria; however, cafeteria staff do provide other services outside the cafeteria. The Appendix includes these FY2017-2022 expenditures.

ORSC staff finds that STRS management continues to monitor cafeteria expenses. STRS Executive Director William Neville indicated that the cafeteria has raised prices three times over the past fiscal year to account for higher food prices.[12]

ORSC staff finds the STRS cafeteria to be similar to what other similarly situated large employers provide and a reasonable expense of administering the system. In light of the fiduciary framework, ORSC staff did not find evidence of fraud, waste, or misuse of funds in the cafeteria program in its review.

2) Fee Request for Proposals (RFP)

Complaint: ***The AOS should require that STRS provide certain fee validation through the annual audit conducted by the AOS. The AOS should provide/require an RFP process through the AOS office to provide fee validation directly from the AOS.***

[11] SHRM, "2018 Employee Benefits: The Evolution of Benefits," https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/2018%20Employee%20Benefits%20Report.pdf, 28.
[12] STRS Executive Director William Neville, STRS Retirement Board Meeting, April 20, 2023.

The state retirement systems invest in a variety of investment vehicles, including domestic and international equities, bonds, commodities, and alternative investments. All of these investments come with varying costs or fees. The most complex of these costs and fees are in alternative investments, particularly private equity. As explained by Funston Advisory Services in its 2022 Fiduciary Audit of the State Teachers Retirement System:

> Private market (e.g., private equity, real estate) investment fund fee arrangements are often more complex, usually containing both a management fee and a performance fee. However, the basis of the private market calculations can be more variable (e.g., committed vs. invested capital) and there can be various offsets which reduce fees which are not visible to the pension fund. Unlike public funds, the invoicing of fees for private market funds lacks simplicity and standardization. Fees are commonly blended into capital calls and the levels of transparency vary greatly. The lack of standards and transparency from General Partners (GPs) have led to efforts on the part of Institutional Limited Partner's Association (ILPA) to use communications protocols and documentation requirements to enforce standards in information sharing, classifications and terms. In a very recent publication, which will likely be embraced by the broader limited partnership (LP) community – inclusive of public pension plans – the SEC [Securities and Exchange Commission] has proposed bringing much needed transparency and standardization to fee billing practices in the alternative investment space.[13]

The Securities and Exchange Commission (SEC) is currently in the process of establishing standardized reporting rules for private funds, including alternative investments. A change to the reporting requirements would require a legislative change. STRS, along with PERS and the School Employees Retirement System (SERS), are early endorsers to a template that would promote transparency and alignment of interest between private equity investors and the managers with whom they invest.[14]

3) Child care facility costs/ratios

Complaint: ***There are 42 students and 12 teachers, 3 substitute teachers, and 1 director for a ratio of 4 students per teacher with ½ million salaries. Weekly tuition does not cover child care costs; therefore, teachers are subsidizing child care at the same time that retirees are not provided a cost-of-living adjustment (COLA).***

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[13] Funston Advisory Services, "2022 Fiduciary Performance Audit of the State Teachers Retirement System of Ohio," page 127 (available online at: https://orsc.org/Assets/Reports/1503.pdf).

[14] https://ilpa.org/reporting-template/template-endorsers/.

The STRS child care center (STRS C. James Grothaus Child Care Center) is located on the ground level of the STRS building. It is a child care center with interior classroom space and an exterior, secured, playground. For security, the center is accessible only by key card and, though on street level, is not visible from the street.

ORSC staff reviewed STRS child care cost and ratio information to see if STRS was an outlier in child care. ORSC staff did not find anything unusual in the tuition or ratios of the facility.

The average salary of the 13 salaried staff at the STRS child care center is $40,198. This figure is consistent with advertised *starting* full-time teaching salaries of $37,024.[15] It is also consistent with a $36,645 statewide Ohio average from Salary.com.[16] STRS child center salaries appear consistent with other local centers.

Local Child Care Costs/Ratio (Annual, Full-Time Rates) 2023

Center	Infants	Toddlers	Preschool
STRS	$17,316 1:2.5 Ratio	$16,328 1:4 Ratio	$14,456 1:6.5 Ratio
Non-STRS Associate	$17,940	$16,796	$14,820
DC1[17]	$18,304 1:3 Ratio	$18,096 1:6 Ratio	$17,472 1:8 Ratio
DC2[18]	$22,920 1:4 Ratio	$21,300 1:6 Ratio	$19,140 1:10 Ratio
DC3[19]	$10,872 1:4 Ratio	$10,872 1:6 Ratio	$8,844 1:10 Ratio
DC4[20]	$17,640 1:4 Ratio	$16,560 1:5 Ratio	$14,112 1:10 Ratio
National Estimate[21]	$17,171	$13,500	$12,307

Regarding ratios, STRS currently has a higher teacher to student ratio (more teachers to students) than other facilities.[22] The STRS tuition costs are consistent with other child care centers in the Columbus area. The STRS child care center is open to non-STRS

[15] DC1 and DC3 of the table.

[16] https://www.salary.com/research/salary/posting/child-care-worker-salary/oh.

[17] Private facility in downtown Columbus.

[18] Private facility in downtown Columbus.

[19] DC3 is a subsidized price by a major employer in the Columbus area. The subsidization scale is based on salary. ORSC staff selected the mid subsidization for those earning $60-99k. The private facility is outside downtown Columbus.

[20] Private facility outside interstate 270.

[21] U.S. Department of Labor, Women's Bureau, "Issue Brief: Childcare Prices in Local Areas," January 2023 (available online at: https://www.dol.gov/sites/dolgov/files/WB/NDCP/WB_IssueBrief-NDCP-final.pdf. Prices are for "Very Large (1,000,000+)" county size.

[22] According to STRS staff, the ratio is related to an inability to hire new teachers and no available substitutes throughout the year and need to maintain state ratios throughout the day (Email correspondence between Jeff Bernard, ORSC Senior Research Associate and Marla Bump, STRS Director of Government Relations (May 2, 2023)).

employees; however, those non-STRS employees are required to pay slightly more in tuition.

The complaint also states that tuition rates do not cover the full cost of the child care center. According to information provided by STRS, the center operated with a profit in fiscal years 2018 and 2019. The center had losses in fiscal years 2017, 2020, 2021, and 2022. The losses were more significant in 2020, and 2021, with declining losses in 2022. As these years are in the "post-COVID" period, it is not clear if this is a temporary situation related to the pandemic. The per-year average expenditure over this period is $117,547. These figures include all staffing costs.

ORSC staff finds that STRS management continues to monitor the child care center. STRS Executive Director William Neville indicated that STRS is seeking an outside child care provider to administer the on-site STRS child care center. [23]

ORSC staff did not find anything unusual about the costs, salaries, or ratios in the STRS child care center. In light of the fiduciary framework, ORSC staff did not find evidence of fraud, waste, or misuse of funds in its analysis. Considering the apparent substantial subsidy offered by a large Columbus-based employer (DC3 in the table above), ORSC staff find that other large employers incur child care related costs in administering their organization.

4) Extravagance of building and related costs (including fitness facilities and artwork)

Complaint: ***The STRS building is extravagant. The building has a sculpture called "Integrity;" there is a waterfall between the STRS and Ohio Education Association (OEA) buildings and this is a misuse of funds. Artwork should be from teachers and students.***

Fitness center: In the basement of STRS is a 2,400 square foot fitness center, operating at a small profit, with free weights, weight machines, and various cardiovascular machines. STRS associates may use the center for $10 per month. Likewise, PERS has a fitness center onsite for $10 per paycheck ($20 per month). SERS has an onsite fitness center that can be used free of charge to all building occupants.

[23] STRS Executive Director William Neville, STRS Retirement Board Meeting, April 20, 2023.

A 2018 SHRM 2018 Employee Benefits survey found that 29% of companies provided an offsite fitness subsidy and 25% provided an on-site fitness center.[24] STRS is not an aberration in having an on-site center. Having a center is quite common compared to the other retirement systems downtown: only the Ohio Police and Fire Pension Fund (OP&F) does not have an on-site fitness center.

ORSC staff do not find anything unusual or extravagant about the STRS fitness center. In light of the fiduciary framework, ORSC staff did not find any evidence of fraud, waste, or misuse of funds in its analysis.

Art: ORSC staff reviewed all artwork purchased between 1999-2000, when the STRS headquarters were first completed. This includes the referenced "Integrity" sculpture. STRS spent $1.3 million on these various art pieces at STRS headquarters. No new art purchases have been made in the roughly 25 years since completion of the building. The reported total cost of the building was $94.2 million, which is inclusive of the cost of the referenced "waterfall" between STRS and OEA buildings.[25]

While not subject to the requirements of R.C. 3379.10 (Ohio's Percent for Art Legislation), it remains state policy that buildings receiving state funds use 1% of those funds on art. State policy, therefore, suggests that STRS should have spent approximately $942,000 on art for the STRS building. The $1.3 million spent by STRS for building art, therefore, does not appear to be extravagant in nature and would be in line with state policy.

ORSC staff do not find anything unusual on the art expenditures of STRS, particularly in light of Ohio's Percent for Art legislation. In light of the fiduciary framework, ORSC staff did not find any evidence of fraud, waste, or misuse of funds in its review.

5) Pension plan choice/contributions

Complaint: ***By default, new STRS members should be assigned to the hybrid or defined contribution plan—not the defined benefit plan.***

Ohio Revised Code §3307.25(A) provides that "Not later than one hundred eighty days after the date on which employment begins, the individual shall elect to participate

[24] SHRM, "2018 Employee Benefits: The Evolution of Benefits," https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/2018%20Employee%20Benefits%20Report.pdf, 23.

[25] Columbus Dispatch, "Education Insider: State Teachers Retirement System springs for $185,000 sidewalk" (June 1, 2016). Available online at: https://www.dispatch.com/story/news/education/2016/06/01/education-insider-state-teachers-retirement/22601699007/.

either in the STRS defined benefit plan or one of the STRS defined contribution plans. If a form evidencing an election under this section is not on file with the system at the end of the one-hundred-eighty-day period, the individual is deemed to have elected to participate in the STRS defined benefit plan."[26]

Per statute, STRS is required to place members into the defined benefit plan if they do not elect a different plan. STRS is following the law in this respect. Any change to this provision requires legislative action.

6) International Travel

Complaint: ***The complaints received by the AOS allege exorbitant travel costs, especially in regard to international travel.***

STRS travel costs have averaged 0.43% of total operating expenses since 2017. For comparison, the average cost of travel as a percentage of total operating expenses since 2017 for all five pension systems is 0.48%. STRS falls below the average for this time period and is well within the range shown by each pension system from year-to-year. The chart below provides a more detailed look at the travel costs of each system for comparison.

Travel Cost as a Percentage of Operating Expenses by Year[27]						
	OPERS	**STRS**	**OP&F**	**SERS**	**HPRS**	
2017	0.5	0.71	0.59	0.74	1.24	
2018	0.46	0.69	0.69	0.62	1.37	
2019	0.39	0.69	0.48	0.59	1.04	
2020	0.14	0.38	0.1	0.34	0.32	
2021	0.02	0.02	0.15	0.08	0.22	
2022	0.21	0.11	0.32	0.23	1.05	**Total**
Average	**0.29**	**0.43**	**0.39**	**0.43**	**0.87**	**0.48**

As to the international travel component of the complaint, staff from the SEC's Office of Compliance Inspections and Examinations issued a report examining the due diligence process used by investment advisors in selecting alternative investments and investment managers. The report provides that "practices employed by some advisers that may provide greater transparency and that independently support the information

[26] O.R.C. §3307.25(A).

[27] Figures are calculated from the estimated actual expenses in the budgets submitted annually to the ORSC by each pension system. https://www.orsc.org/reports/search?4&pageSize=10&start=1&sort=NewToOld&isPublished=true&reportType=11.

provided by underlying managers include: (v) routinely conducting onsite reviews." Further, the report details that most advisers include onsite visits as a part of their investment, risk management, and operational due diligence reviews. These visits help due diligence teams "(i) understand the culture of the manager; (ii) detect instances where dominant individuals and inadequate control environments may exist; (iii) and provide increased access to review documents and to speak with the manager's personnel." [28] Per this report, site-visits for due diligence provide valuable information and are the norm in regard to alternative investments.

The following federal authorities also provide guidance regarding site-visits as a component of due diligence investigations:

- Federal Reserve: In its "Guidance on Managing Outsourcing Risk," the Federal Reserve provides that financial institutions should include certain procedures in their risk management processes. Among these are on-site control reviews.[29]
- Federal Deposit Insurance Corporation (FDIC): As a part of the due-diligence requirements when conducting compliance reviews, "all examinations are expected to have an on-site presence."[30]
- Export-Import Bank of the United States: Under its due diligence standards, visits to business or project sites provides useful due diligence information.[31]
- Office of the Comptroller of the Currency: In its guidance regarding due diligence, "on-site visits may be useful to understand fully the third party's operations and capacity." Further, "regular on site visits may be useful to understand fully the third party's operations and ongoing ability to meet contract requirements."[32]

In light of the guidance above, international travel to provide on-site due diligence review is not only well within the norm, it is actually recommended and considered a necessity by multiple federal agencies in the financial sector. In light of the fiduciary framework, ORSC staff did not find any evidence of fraud, waste, or misuse in its analysis.

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[28] SEC Office of Compliance Inspections and Examinations, "Investment Adviser Due Diligence Processes for Selecting Alternative Investments and their Respective Managers," (January 28, 2014), https://www.sec.gov/about/offices/ocie/adviser-due-diligence-alternative-investments.pdf.

[29] Board of Governors of the Federal Reserve System, "Guidance on Managing Outsourcing Risk," (December 5, 2013), https://www.federalreserve.gov/supervisionreg/srletters/sr1319a1.pdf.

[30] FDIC, "Consumer Compliance Examination Manual," (December 2022), https://www.fdic.gov/resources/supervision-and-examinations/consumer-compliance-examination-manual/documents/compliance-examination-manual.pdf.

[31] Export-Import Bank of the United States, "Know-Your-Customer Requirements and Due Diligence Standards," (accessed on April 5, 2023), https://www.exim.gov/policies/due-diligence-standards.

[32] Office of the Comptroller of the Currency, "Third-Party Relationships: Risk Management Guidance," (October 30, 2013), https://www.occ.gov/news-issuances/bulletins/2013/bulletin-2013-29.html.

7) Humana/Aetna RFP/contracting lawsuit

Complaint: ***The anonymous complaint received by the AOS was a copy of the complaint filed by Humana Inc. against STRS in the Franklin County Court of Common Pleas.***

Humana filed a complaint against STRS on December 2, 2022, in the Franklin County Court of Common Pleas. The complaint is in regard to the RFP process used by STRS to select a vendor for retiree medical benefits from January 1, 2024, through December 31, 2028. On January 20, 2023, STRS filed a motion to dismiss the lawsuit. The case is pending trial assignment on July 17, 2023. ORSC staff have no comment as this is currently pending in the judiciary.

Comparison of Expenditures Related to the Complaints to Expenditures in New FY2023 COLA

In the above sections, ORSC staff reviewed the complaints referred to the ORSC. In summary, in light of the fiduciary framework, ORSC staff did not find any evidence of fraud, theft, or misuse of funds in its review. Expenditures related to the complaints are within the norm of other similarly situated employers and would likely be found to demonstrate care, skill, prudence, and diligence of a prudent person in administering the system.

Additionally, the ORSC indicated its desire to determine the gravity of the complaints. An underlying argument in many of the complaints forwarded to the ORSC is that, but for these expenses, it would be possible to provide STRS retirees with annual increases in COLAs. ORSC staff, therefore, used the FY2023 new COLA cost as a "measuring stick" to evaluate the gravity of the complaints.

ORSC staff collected information (provided in The Appendix) that delineates the expenditures of the referred items. The appendix lists these expenditures during the period 2017-2022[33] (this was the period in which new COLA grants were suspended to all STRS retirees).

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[33] The art expenses are for the period 1999-2023. However, because they were a specifically referenced item, they are included in the analysis.

Between FY2017-2022, the total of the expenditures related to the complaints totaled $6 million.[34] For reference, the cost of the new FY2023 COLA grant is $1.6 billion.[35] Therefore, the referenced items constitute, in total, 0.38% of the costs of the FY2023 COLA. Expressed differently as annual expenditures, the complaints constituted annual average expenditures of $1,002,526, which is .06% of the new FY2023 COLA grant.

[34] $6,015,157.

[35] STRS, "Sustainable Benefit Enhancement Plan," March 16, 2023 STRS Board Meeting, 9. Available online at: https://www.strsoh.org/_pdfs/board/past-meetings/2023/March/finance.pdf.

Appendix
Summary Total of Referred Items

STRS Cafeteria Expenses[36]	
Fiscal Year	Expense[37]
2017	($222,190)
2018	($220,796)
2019	($259,600)
2020	($245,498)
2021	($253,737)
2022	($235,049)
Total Expenses FY'17-'22	**($1,436,870)**

STRS Child Care Center Revenue/(Expenditure)[38]	
Fiscal Year	Revenue/(Expenditure)
2017	**($62,715)**
2018	**$18,918**
2019	**$6,915**
2020	**($223,794)**
2021	**($281,776)**
2022	**($162,830)**
Total Expenses FY'17-'22	**($705,282)**

STRS Artwork Expenses[39]	
1999-2000[40]	**($1,322,423)**
2001-2023[41]	**No additional purchases**

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[36] STRS Ohio, "Summary of Expense/Revenue for Cafeteria FY2015-FY2022" and email correspondence between Jeff Bernard, ORSC Senior Research Associate, and Marla Bump, STRS Director of Governmental Relations, May 2, 2023.

[37] Includes 90% of staffing costs. The cafeteria do other services unrelated to the cafeteria.

[38] STRS Ohio, Fiscal Year 2018, 2019, 2020, 2021, and 2022 "Childcare Budget and Actual Expenses." Includes all staff costs.

[39] There are no current appraisals estimated the value of the art. Email correspondence between Jeff Bernard, ORSC Senior Research Associate, and Marla Bump, STRS Director of Governmental Relations, May 2, 2023.

[40] STRS Ohio, "New Building Artwork Expenditures by Vendor 1/1/99-11/30/00)."

[41] No artwork expenditures have been made subsequent to 2000. Conversations between ORSC and STRS staff, March 30, 2023.

STRS Travel Expenses[42]	
Fiscal Year	Expense
2017	($687,500)
2018	($692,700)
2019	($701,100)
2020	($389,200)
2021	($29,117)
2022	($140,720)
Total Expenses FY'17-'22	($2,640,337)

STRS Fitness Center Revenue/(Expenditure)[43]	
Fiscal Year	Revenue/(Expenditure)
2017	$29,575
2018	$8,653
2019	$25,832
2020	$22,286
2021	($249)
2022	$3,658
Total Revenue FY'17-'22	$89,755

Summary Total of Referral Items	
Item	Total Revenue(Expense)
Cafeteria FY2017-2022	($1,436,870)
Child Care Center FY2017-2022	($705,282)
Artwork 1999-2023	($1,322,423)
Travel FY2017-2022	($2,640,337)
Fitness Center FY2017-2022	$89,755
Total Expenses of Referral Items '17-'22	($6,015,157)

[42] Figures taken from actual expenses line item in annual budgets submitted to ORSC and updated STRS figures. This includes all staff travel (see e.g. https://orsc.org/Assets/Reports/1501.pdf, pg. 1).
[43] STRS Ohio, "Summary of Expenses/Revenue for STRS Fitness Center," FY2015-FY2022.