



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

300 E. BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746
614-222-5853 • Toll-Free 800-878-5853 • www.ohsers.org

HELEN M. NINOS
Interim Executive Director

April 26, 2017

Bethany Rhodes, Director/General Counsel
Ohio Retirement Study Council
30 East Broad Street, 2nd Floor
Columbus, OH 43215

Dear Ms. Rhodes: *Bethany*

In accordance with Section 3309.041 of the Ohio Revised Code, enclosed please find SERS' proposed FY2018 operating budget, presented in the ORSC's required format. SERS took a conservative approach to budgeting, tied to the organization's Mission, Vision and Values. For FY2018, SERS' total operating and capital budgets are virtually flat, increasing .18% over the current fiscal year.

In the Personnel Category, there is an increase of 3.4%, which includes a 2.5% performance-based merit increase for staff and a 5.5% increase in health insurance. SERS continues to budget health care expenses based on actuarial rates that are derived from actual plan claims experience and health care cost trends supplied by our Actuary. This increase in health care is consistent with the last few years as well as the projected national trend assumptions for health care plans similar to SERS'.

The Professional Services Category slightly increased in FY2018. The increase is being driven by increases in investment-related expenses, which are tied to asset valuations, increases in actuarial fees as a result of the implementation of GASB 74 and 75 and support for proposed legislative changes, and additional consulting services to assist in the development of an RFP for retiree medical and pharmaceutical services. These increases were offset by the decrease in audit fees associated with the ORSC-required fiduciary audit that occurred in FY2017.

The Communications Expense Category decreased by 6.5%. The postage budget decreased due in part to cost-effective mailing measures. A Board election will not be held in FY2018, lessening the need for pre-addressed business reply envelopes, along with a United States Postal Service postage rate cut on automated mailing. SERS will continue to meet the evolving communication needs of its membership. Member Services will maintain its level of in-house counseling and remote sessions around the state, yet reduce the number of overnight stays to concentrate more on the new member benefits system transition. Health Care will condense open enrollment conferences and remain in partnership with the Ohio Senior Health Insurance Information Program (OSHIIP) to reach SERS' under-65 members and retirees, while Employer Services plans to facilitate some follow-up e-SERS group sessions. Furthermore, upon request from school districts, Employer Services intends to include a small number of tailored, one-on-one Employer trainings.

RETIREMENT BOARD

BARBRA M. PHILLIPS
Chair, Employee-Member

MADONNA D. FARAGHER
Vice-Chair, Employee-Member

JEFFREY DELEONE
Appointed Member

JAMES H. HALLER
Employee-Member

CHRISTINE D. HOLLAND
Employee-Member

CATHERINE D. MOSS
Retiree-Member

JAMES A. ROSSLER, JR.
Appointed Member

DANIEL L. WILSON
Appointed Member

BEVERLY A. WOOLRIDGE
Retiree-Member

The Other Operating Expense decreased 6.6%. Enhancements and improvements necessary to support the transition and integration to the new member benefits system were done in FY2017. These support enhancements included improvements to the business continuity site and the network infrastructure. Also contributing to the decrease is a reduction in Board expenses. FY2017 includes the costs associated with the recently completed Executive Director search. Other operating expense categories remain flat in FY2018.

The Net Building Occupancy Expense budget decreased 16.3%. The decrease is a result of the building being fully leased, including the recent commencement of a 15-year lease, full-capacity parking revenue, and a reduction in tenant improvement costs. In FY2018, the building will remain 100% occupied and continue to operate a safe and efficient environment.

I look forward to reviewing this draft budget with you and answering any questions that may arise. Please feel free to contact me at (614) 222-5801.

Sincerely,



Helen M. Ninos
Interim Executive Director

Enclosure

School Employees Retirement System
2018 ORSC Budget Presentation

FY2017 to FY2018 Operating Budget and Increase (Decrease)

Budget Category	2018 Budget	2017 Budget	2017 Estimated Actual	2017-18 Increase (Decrease)	% Change (2017 to 2018)
Personnel	\$ 21,086,623	\$ 20,395,726	\$ 20,353,467	\$ 690,897	3.4
Salaries and Wages	15,751,907	15,319,537	15,322,392	432,370	2.8
PERS Contributions	2,182,812	2,112,952	1,961,400	69,860	3.3
Health Insurance	3,126,904	2,963,237	3,069,675	163,667	5.5
Miscellaneous Expenses	25,000	-	-	25,000	0.0
Professional Services	\$ 6,093,327	\$ 6,122,438	\$ 5,863,703	\$ (29,111)	(0.5)
Actuarial	425,500	341,000	246,511	84,500	24.8
Audit	324,134	1,025,010	980,690	(700,876)	(68.4)
Banking Fees	825,206	770,080	625,000	55,126	7.2
Master Recordkeeper	1,297,800	1,050,000	1,437,569	247,800	23.6
Investment Consulting	1,585,782	1,619,873	1,570,666	(34,091)	(2.1)
Other Consulting	1,512,445	1,146,485	879,640	365,960	31.9
Banking Expenses	122,460	169,990	123,627	(47,530)	(28.0)
Communications Expense	\$ 1,036,990	\$ 1,109,415	\$ 976,889	\$ (72,425)	(6.5)
Printing and Postage	785,150	837,175	756,510	(52,025)	(6.2)
Telecommunications	162,240	174,960	159,045	(12,720)	(7.3)
Member/Employer Education	89,600	97,280	61,334	(7,680)	(7.9)
Other Operating Expenses	\$ 3,138,666	\$ 3,359,187	\$ 2,808,575	\$ (220,521)	(6.6)
Conferences and Education	359,848	394,528	277,220	(34,680)	(8.8)
Travel	310,054	308,224	234,246	1,830	0.6
Computer Technology	1,398,130	1,601,708	1,317,608	(203,578)	(12.7)
Other Operating	1,028,234	1,017,027	939,151	11,207	1.1
Ohio Retirement Study Council	42,400	37,700	40,350	4,700	12.5
Net Building Expense	\$ 1,589,713	\$ 1,898,924	\$ 1,852,484	\$ (309,211)	(16.3)
Total Operating Budget	\$ 32,945,319	\$ 32,885,690	\$ 31,855,118	\$ 59,629	0.18
Full-Time Equivalent (FTE) Associates	181	181			

School Employees Retirement System

2018 ORSC Budget Presentation

FY2017 to FY2018 Capital Budget

	2018 Budget	2017 Budget	2017 Estimate
Total Capital Budget	\$ 539,000	\$ 585,000	\$ 551,740
Furniture & Equipment	-	50,000	28,734
Computer Hardware > \$5,000	374,000	535,000	523,006
Computer Software > \$25,000	165,000	-	-
Vehicles	-	-	-

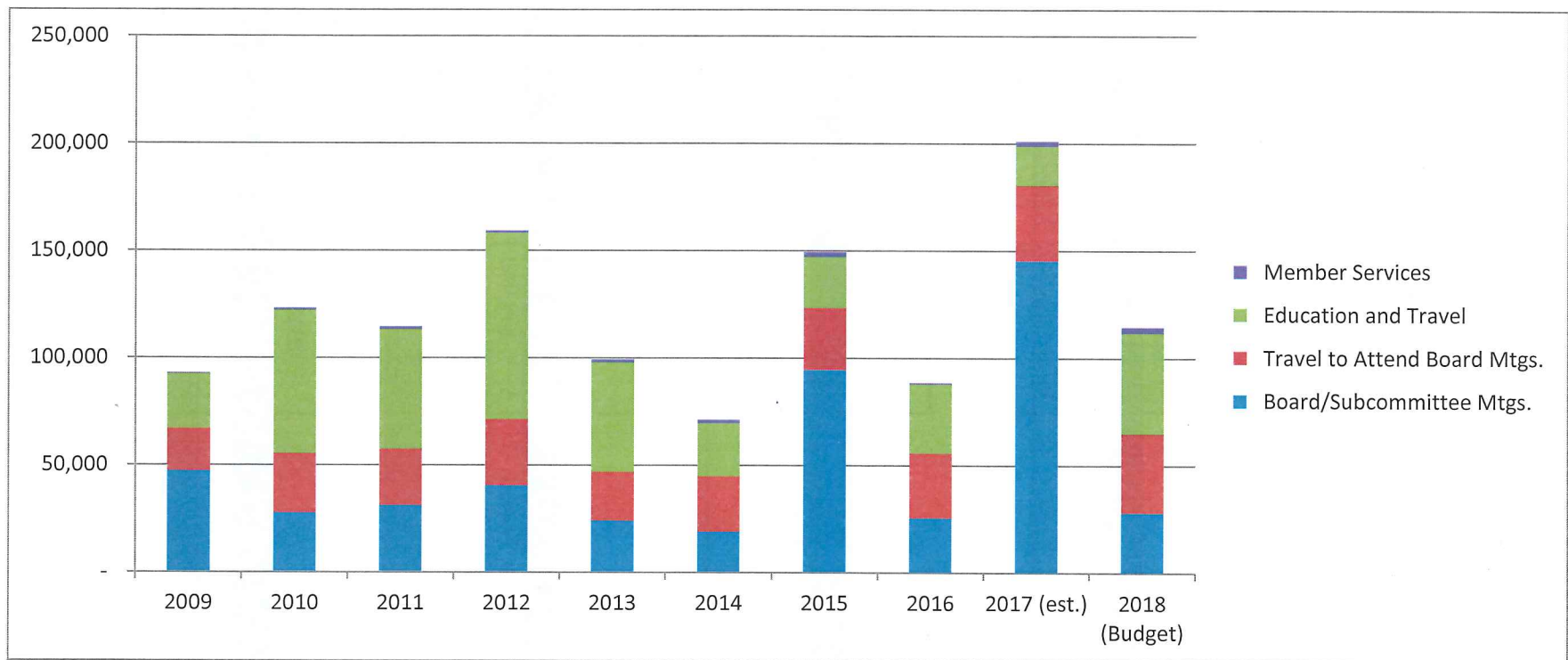
Investment Expenses

	FY 2016 Actual	FY 2015 Actual	% Change
Total Investment Assets	\$ 12,536,514,353	\$ 12,933,876,969	(3.07)
Total Internally Managed Assets	168,590,680	404,346,123	(58.31)
Total Externally Managed Assets	12,367,923,673	12,529,530,846	(1.29)
Total Investment Expenses	\$ 88,079,012	\$ 88,471,295	(0.44)
Total Internal Investment Expenses	3,635,326	3,558,469	2.16
Total External Investment Expenses	78,934,055	77,339,585	2.06
Investment Consulting	3,060,779	3,001,044	1.99
Brokerage/Commissions-Internal	-	-	0.00
Brokerage/Commissions-External	1,829,306	3,858,988	(52.60)
Custodian Fees	619,546	713,209	(13.13)
Total Investment Expenses as a % of Total Investment Assets	0.703%	0.684%	2.71%
Expenses as % of Internally Managed	52.244%	21.880%	138.78%
Expenses as % of Externally Managed	0.712%	0.706%	0.86%

School Employees Retirement System
2018 ORSC Budget Presentation

Fiscal Year Board Member Expenses*

	2009	2010	2011	2012	2013	2014	2015	2016	2017 (est.)	2018 (Budget)
Total Board Expenses	\$ 92,775	\$ 122,951	\$ 114,329	\$ 159,077	\$ 99,148	\$ 71,179	\$ 149,339	\$ 88,590	\$ 201,048	\$ 114,514
Board/Subcommittee Mtgs.	47,189	27,595	31,133	40,364	23,979	19,014	94,442	25,459	145,255	28,059
Travel to Attend Board Mtgs.	19,662	27,699	26,316	30,895	22,833	25,719	28,863	30,279	35,040	36,740
Education and Travel	25,479	66,629	55,630	86,742	50,963	24,891	23,573	32,192	18,393	46,875
Member Services	445	1,028	1,250	1,076	1,373	1,555	2,461	660	2,360	2,840



*Board expenses include the cost of the Executive Director search in FY2017 and the Internal Auditor search in FY2015. The increase in Education and Travel is attributable to two new Board members who will require training in FY2018.

School Employees Retirement System

2018 ORSC Budget Presentation

Staff Training and Travel (Budget to Budget)

	2018	2017	\$ Increase (Decrease)	% Increase (Decrease)
Executive				
Conferences, Seminars & Travel	\$ 69,620	\$ 79,760	\$ (10,140)	(12.7)
In-House Training	\$ -	\$ -	\$ -	-
#FTE	21	21	-	-
Expense per FTE	\$ 3,315	\$ 3,798	\$ (483)	(12.7)

	2018	2017	Increase (Decrease)	% Increase (Decrease)
Investments				
Conferences, Seminars & Travel	\$ 111,000	\$ 115,000	\$ (4,000)	(3.5)
In-House Training	\$ -	\$ -	\$ -	-
#FTE	12	12.5	(0.5)	(4.0)
Expense per FTE	\$ 9,250	\$ 9,200	\$ 50	0.5

	2018	2017	Increase (Decrease)	% Increase (Decrease)
Finance				
Conferences, Seminars & Travel	\$ 49,625	\$ 61,780	\$ (12,155)	(19.7)
In-House Training	\$ -	\$ -	\$ -	-
#FTE	24.5	24.5	-	-
Expense per FTE	\$ 2,026	\$ 2,522	\$ (496)	(19.7)

	2018	2017	Increase (Decrease)	% Increase (Decrease)
Information Technology				
Conferences, Seminars & Travel	\$ 159,960	\$ 154,880	\$ 5,080	3.3
In-House Training	\$ -	\$ -	\$ -	-
#FTE	35	35	-	-
Expense per FTE	\$ 4,570	\$ 4,425	\$ 145	3.3

	2018	2017	Increase (Decrease)	% Increase (Decrease)
Member Services				
Conferences, Seminars & Travel	\$ 6,100	\$ 7,475	\$ (1,375)	(18.4)
In-House Training	\$ -	\$ -	\$ -	-
#FTE	51	51	-	-
Expense per FTE	\$ 120	\$ 147	\$ (27)	(18.4)

School Employees Retirement System
2018 ORSC Budget Presentation

	2018	2017	Increase (Decrease)	% Increase (Decrease)
Health Care				
Conferences, Seminars & Travel	\$ 23,980	\$ 21,250	\$ 2,730	12.8
In-House Training	\$ -	\$ -	\$ -	-
#FTE	14.5	14	0.5	3.6
Expense per FTE	\$ 1,654	\$ 1,518	\$ 136	9.0

	2018	2017	Increase (Decrease)	% Increase (Decrease)
Administrative Services				
Conferences, Seminars & Travel	\$ 26,030	\$ 24,085	\$ 1,945	8.1
In-House Training	\$ -	\$ -	\$ -	-
#FTE	19	19	-	-
Expense per FTE	\$ 1,370	\$ 1,268	\$ 102	8.1

	2018	2017	Increase (Decrease)	% Increase (Decrease)
Human Resources				
Conferences, Seminars & Travel	\$ 7,020	\$ 6,683	\$ 337	5.0
In-House Training	\$ 17,000	\$ 7,000	\$ 10,000	142.9
#FTE	4	4	-	-
Expense per FTE	\$ 6,005	\$ 3,421	\$ 2,584	75.5

School Employees Retirement System

2018 ORSC Budget Presentation

Supplementary Statistical Information

	2013	2014	2015	2016	2017
Active Members	121,642	121,251	122,855	124,540	NA
Inactive Members	113,265	107,170	96,657	90,448	NA
Benefit Recipient (Age, Dis., Survivor)	61,654	62,214	62,756	63,964	NA
Re-employed Retirees	9,117	10,391	11,616	12,316	NA
Total Membership	305,678	301,026	293,884	291,268	NA
Members Per FTE	1,788	1,740	1,689	1,609	NA

Total membership statistics used for valuation purposes.