



**Ohio  
Retirement  
Study  
Council**

30 East Broad Street, 2nd Floor  
Columbus, Ohio 43215  
**PHONE:** 614-228-1346  
**FAX:** 614-228-0118

**MEMORANDUM**

**Voting Members**

**Representatives**

Kirk Schuring, *Chairman*  
Rick Carfagna  
Dan Ramos

**Senators**

Steve Wilson, *Vice-Chair*  
Edna Brown  
Jay Hottinger

**Governor's Appointees**


Lora Miller  
Dr. Thomas Pascarella  
Chris Potts

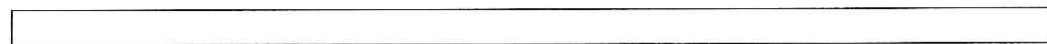
**Non-Voting Members**

Mark Atkeson, *HPRS*  
Karen Carraher, *PERS*  
John Gallagher, *OP&F*  
Mike Nehf, *STRS*  
Richard Stensrud, *SERS*

**Director/General Counsel**

Bethany Rhodes

**TO: ORSC Members**  
**FROM: Bethany Rhodes, Director/General Counsel**   
**DATE: May 10, 2018**  
**RE: Proposed Fiscal Year 2019 ORSC Budget**



Attached for your review is the proposed budget request for the operation of the Ohio Retirement Study Council (ORSC) for the Fiscal Year (FY) 2019 beginning July 1, 2018, and ending June 30, 2019. The budget request for FY 2019 is \$781,800.00, which is a **1.0926% increase** from the FY 2018 budget. The total budget request of \$781,800.00 is offset by an estimated ending balance of \$81,439.02 from fiscal year 2018; because of this carryover balance from FY 2018, the systems would be required to pay only \$700,360.98. 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 increased from nearly \$191.132 billion as of January 1, 2017, to over \$211.747 billion as of January 1, 2018. This represents a 10.786109% increase in assets over the past year. The proposed annual ORSC budget represents only 0.00036921% 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.

The **1.0926%** increase in the budget totals \$8,450. The largest line item increase (\$9,000) occurs in line **115 – Insurance**. The disparity between the FY 2018 estimated expenses (\$66,152.70) and the FY 2019 budget request of \$100,000.00, is necessary due to the annual rising cost of insurance and to ensure adequate coverage is available to all ORSC staff and their dependents.

Additionally, line **101 – Personnel**, is increased 2.5641% to account for small merit increases awarded to staff commensurate with their duties, training, and

education, as well as to prevent the salaries from lagging too far behind from comparable positions and salaries on Capitol Square.

**Line 110 – Employer- PERS** is the third and final line increase (2.5722%) and is necessary due to the increase in line **101 – Personnel**.

**Line 190 – State Treasurer Bank Fees**, is the result of the contracts the State Treasurer has signed with the custodial banks. ORSC is not a party to such contracts, but is required to pay the fees as R.C. §171.05 specifies the State Treasurer is the custodian of all ORSC funds. Last year, the Treasurer moved the ORSC account to Key Bank from Fifth Third and we have seen, thus far, no bank fees as the credits were sufficient to cover such fees. However, only two years ago, ORSC was seeing monthly fees at a rate of \$250.00, so I believe it is still prudent to allocate \$500.00 to cover those fees in the event that the credits alone are no longer sufficient.

**Line 125 – ORSC Meetings/Travel** is the amount dedicated to pay the Governor’s appointed members mileage reimbursement for their travel to and from meetings, as required by statute (R.C. § 171.02). Since 2002, this line has always allocated a minimum of \$7,000.00 and, in the past, I specifically requested the ORSC amount not change due to vacant seats on the ORSC. However, the ORSC is now a full body and I believe it would be prudent and appropriate to reduce this amount to \$2,500.00

**Line 135 – Office Expenses/Postage** has been reduced by 27.2727% to better reflect usage and current practices. This savings was mainly achieved by the elimination of long standing contracts for antiquated equipment.

Finally, line **130 – Communications** has been zeroed out, as all communications costs are included in our rent now that the ORSC offices are within the Rhodes Tower. While ORSC staff has no objection to the elimination of that line, should the ORSC ever wish to move their staff offices out of the Rhodes Tower and not into another state building, those costs would reoccur and were of great significance in the past.

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. §742.331;
- An actuarial audit of the five state pension funds at least once every ten years 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.

As you know, the contracts with both of ORSC's vendors, PTA/KMS (actuarial services) and RVK (investment performance services) were to expire in August of 2018. At the March 10, 2018, meeting, the ORSC unanimously voted to extend these contracts. I am pleased to report that both vendors have agreed to extend their contracts for another five years at the same rates and terms as agreed upon in 2013.

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

**FISCAL YEAR 2019 (July 1, 2018 – June 30, 2019)**

**FY 2019- Comparison Table- Systems' Proportionate Shares of ORSC Budget**

<b>SYSTEM</b>	<b>ASSETS AS OF 1/1/18</b>	<b>% OF BUDGET</b>	<b>FY 2019 TOTAL BUDGET</b>	<b>TOTAL DUE MINUS FY 2018 BALANCES</b>	<b>TOTAL DUE PER QUARTER</b>
<b>PERS</b>	\$101,425,819,836	47.899414%	\$374,477.62	\$335,468.81	\$83,867.20
<b>STRS</b>	\$78,967,685,288	37.293323%	\$291,559.20	\$261,187.88	\$65,296.97
<b>OP&amp;F</b>	\$15,837,670,833	7.479507%	\$58,474.79	\$52,383.55	\$13,095.89
<b>SERS</b>	\$14,614,437,737	6.901823%	\$53,958.45	\$48,337.67	\$12,084.41
<b>HPRS</b>	\$901,902,198	.425933%	\$3,329.94	\$2,983.07	\$745.77
<b>TOTAL</b>	<b>\$211,747,515,892</b>	<b>100.000000%</b>	<b>\$781,800.00</b>	<b>\$700,360.98</b>	<b>\$175,090.24</b>

**ORSC'S FY 2019 Budget is 0.0003692133042064826% of Reported Systems' Total Assets.**

**INCREASE IN SYSTEMS' TOTAL ASSETS FROM FY 2018: 10.786109% (\$20,615,687,847)**

**THE OHIO RETIREMENT STUDY COUNCIL  
FISCAL YEAR 2019 (JULY 1, 2018 – JUNE 30, 2019)  
BUDGET REQUEST**

EXPENSE CATEGORIES	BUDGET REQUEST FY 2018	ESTIMATED EXPENSES FY 2018	BUDGET REQUEST FY 2019	FY 2018 TO FY 2019 % +/-
101- PERSONNEL	\$273,000.00	\$272,979.66	\$280,000.00	+2.5641%
110- EMPLOYER- PERS	\$38,250.00	\$38,217.15	\$39,200.00	+2.5722%
115- INSURANCE	\$91,000.00	\$66,152.70	\$100,000.00	+15.3846%
120- CAPITAL EXPENSES	\$5,000.00	\$51.31	\$5,000.00	0.00%
125- ORSC MEETINGS/TRAVEL	\$7,000.00	\$887.93	\$2,500.00	-64.2857%
130- COMMUNICATIONS	\$0.00	\$0.00	\$0.00	0.00%
135- OFFICE EXPENSES/POSTAGE	\$11,000.00	\$4,728.70	\$8,000.00	-27.2727%
140- RENT & UTILITIES	\$46,000.00	\$45,214.35	\$46,000.00	0.00%
145- PROFESSIONAL SERVICES	\$262,000.00	\$235,925.00	\$262,000.00	0.00%
150- PUBLICATIONS	\$22,500.00	\$21,868.18	\$22,500.00	0.00%
151- ORGANIZATIONAL DUES	\$2,500.00	\$2,248.00	\$2,500.00	0.00%
155- AUDIT (STATE AUDITOR)	\$13,600.00	\$3,638.00	\$13,600.00	0.00%
190- STATE TREASURER BANK FEES	\$1,500.00	\$0.00	\$500.00	-66.6666%
<b>TOTAL</b>	<b>\$773,350.00</b>	<b>\$691,910.98</b>	<b>\$781,800.00</b>	<b>+1.0926%</b>
<b>YEARLY BUDGET REQUEST:</b>	<b>\$773,350.00</b>		<b>\$781,800.00</b>	<b>+1.0926%</b>
<b>BALANCE PER FY 2018</b>		<b>\$81,439.02</b>		
<b>\$ AMOUNT DECREASE IN BUDGET REQUEST:</b>			<b>+\$8,450.00</b>	<b>+1.0926%</b>

**Total Budget Request for FY 2019:**

Minus Estimated Balance for FY 2018: \$81,439.02

Minus General Journal Adjustments: -\$0.00

**BUDGET REQUEST FY 2019 FROM ALL FIVE SYSTEMS: \$700,360.98**

<b>ORSC EXPENSE CATEGORIES</b>	
<b>EXPENSE CATEGORIES</b>	<b>DISCRPTION &amp; EXAMPLES</b>
<b>101- PERSONNEL</b>	Net pay; federal, state, city, school district income taxes; Medicare withholdings; PERS employee contribution; Deferred Compensation
<b>110- EMPLOYER- PERS</b>	Statutorily required employer contribution (14% of individual salary)
<b>115- INSURANCE</b>	Workers' Compensation; health insurance; dental insurance; life insurance
<b>120- CAPITAL EXPENSES</b>	Individual items costing \$500 or more (such as computers, copier, etc.)
<b>125- ORSC MEETINGS/TRAVEL</b>	Council member meeting reimbursements
<b>130- COMMUNICATIONS</b>	Local and long distance telephone services; internet service; website services- SEE RENT & UTILITIES
<b>135- OFFICE EXPENSES/POSTAGE</b>	Postage; paper; general office supplies
<b>140- RENT&amp; UTILITIES</b>	Rent for Rhodes Tower office space; parking (all previous "130- Communications" expenses are now included in the rent since the ORSC is now located in a state-owned building)
<b>145- PROFESSIONAL SERVICES</b>	Legislative reports required of ORSC; actuarial services (PTA/KMS) and Investment Performance Reports (RVK)
<b>150- PUBLICATIONS</b>	Lexis Nexis for Ohio Revised Code; Gongwer; Hannah; newspapers; Pensions and Investments; Economist; Bloomberg BNA
<b>151- ORGANIZATIONAL DUES</b>	Ohio Ethics Commission; Joint Legislative Ethics Commission; Supreme Court of Ohio; American Bar Association; Ohio Bar Association; International Foundation of Employee Benefit Plans
<b>155- AUDITS</b>	Statutorily required Audits conducted by State Auditor's office
<b>190-STATE TREASURER BANK FEES</b>	Fees associated with contracts entered into between the State Treasurer and the custodial banks. ORSC is not a party to these contracts but is required to pay the fees agreed to by the Treasurer.