



**Ohio
Retirement
Study
Council**

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

MEMORANDUM

TO: ORSC Members
FROM: Bethany Rhodes, Director/General Counsel
DATE: May 10, 2019
RE: Proposed Fiscal Year 2020 ORSC Budget

Voting Members

Senators

Kirk Schuring, Chair
Hearcel Craig
Jay Hottinger

Representatives

Rick Carfagna, Vice-Chair
Jack Cera
Derek Merrin

Governor's Appointees

Lora Miller
Angel Mumma
Vacant

Non-Voting Members

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

Director/General Counsel

Bethany Rhodes

Attached for your review is the proposed budget request for the operation of the Ohio Retirement Study Council (ORSC) for the Fiscal Year (FY) 2020 beginning July 1, 2019, and ending June 30, 2020. The budget request for FY 2020 is \$788,800.00, which is a **0.8954% increase** from the FY 2019 budget. The total budget request of \$788,800.00 is offset by an estimated ending balance of \$186,265.80 from fiscal year 2019; because of this carryover balance from FY 2019, the systems would be required to pay only \$602,534.20. 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 \$211.747 billion as of January 1, 2018, to over \$197.024 billion as of January 1, 2019. This represents a 6.9530707% decrease in assets over the past year. The proposed annual ORSC budget represents only 0.0004003561764175843% 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 **0.8954%** increase in the budget request totals \$7,000.00. The largest line item increase (\$25,000) occurs in line **101 – Personnel**, and is increased 8.9286% 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. Additionally, I believed it was prudent to include funding for the required leave time pay-outs in the event existing staff does choose to leave employment at the ORSC.

Line **110 – Employer- PERS** received a commensurate increase (8.9286%) and is necessary due to the increase in line **101 – Personnel**.

Line **115 – Insurance** has a significant disparity between the FY 2019 estimated expenses (\$37,009.26) and the FY 2020 budget request of \$80,000.00, but it is necessary due to the annual rising cost of insurance and to ensure adequate coverage is available to all ORSC staff and their dependents.

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). Additionally, while extremely rare, there are occasions that staff is specifically requested to attend meetings outside central Ohio (but still within the confines of this state) and mileage reimbursement would be paid from this line. The ORSC is awaiting a new Governor’s appointment and the term of one current appointee does expire this year. However, I believe it would still be prudent and appropriate to reduce this amount to \$2,500.00

Line **140 – Rent & Utilities** has been increased by 13.0435% to account for increases in the cost of the ORSC office space in the Rhodes Tower as well as to plan for potential parking increases that may come with the renovations to the Statehouse Parking Garage.

Line **150 - Publications** has been reduced 33.3333% to account for a change in subscriptions. ORSC canceled the subscription to Bloomberg BNA as they changed their formatting and memberships in such a way that it no longer was prudent or useful at the previous cost; it would cost an additional \$8,500.00 over the previous \$12,864.00 to retain the same level of service. While Bloomberg BNA proved extremely useful, the cost/benefit analysis dictated it no longer made sense to subscribe.

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 2020 (JULY 1, 2019 – JUNE 30, 2020)
BUDGET REQUEST**

EXPENSE CATEGORIES	BUDGET REQUEST FY 2019	ESTIMATED EXPENSES FY 2019	BUDGET REQUEST FY 2020	FY 2019 TO FY 2020% +/-
101- PERSONNEL	\$280,000.00	\$280,971.27	\$305,000.00	+8.9286%
110- EMPLOYER- PERS	\$39,200.00	\$39,335.98	\$42,700.00	+8.9286%
115- INSURANCE	\$100,000.00	\$37,009.26	\$80,000.00	-20.00%
120- CAPITAL EXPENSES	\$5,000.00	\$204.24	\$5,000.00	0.00%
125- ORSC MEETINGS/TRAVEL	\$2,500.00	\$126.44	\$2,500.00	0.00%
135- OFFICE EXPENSES/POSTAGE	\$8,000.00	\$4,768.91	\$8,000.00	0.00%
140- RENT & UTILITIES	\$46,000.00	\$47,908.73	\$52,000.00	+13.0435%
145- PROFESSIONAL SERVICES	\$262,000.00	\$159,250.00	\$262,000.00	0.00%
150- PUBLICATIONS	\$22,500.00	\$8,131.37	\$15,000.00	-33.3333%
151- ORGANIZATIONAL DUES	\$2,500.00	\$1,828.00	\$2,500.00	0.00%
155- STATE AUDITOR- AUDIT	\$13,600.00	\$16,000.00	\$13,600.00	0.00%
190- STATE TREASURER- BANK FEES	\$500.00	\$0.00	\$500.00	0.00%
TOTAL	\$781,800.00	\$595,534.20	\$788,800.00	+0.8954%
YEARLY BUDGET REQUEST:	\$781,800.00		\$788,800.00	+0.8954%
BALANCE PER FY 2019		\$186,265.80		
\$ AMOUNT DECREASE IN BUDGET REQUEST:			+\$7,000.00	+0.8954%
		Total Budget Request for FY 2020:		\$788,800.00
		Minus Estimated Balance for FY 2019:		\$186,265.80
		Minus General Journal Adjustments:		-\$0.00

BUDGET REQUEST FY 2020 FROM ALL FIVE SYSTEMS: \$602,534.20

FISCAL YEAR 2020 (July 1, 2019 – June 30, 2020)

FY 2020- Comparison Table- Systems' Proportionate Shares of ORSC Budget

SYSTEM	ASSETS AS OF 1/1/19	% OF BUDGET	FY 2020 TOTAL BUDGET	TOTAL DUE MINUS FY 2019 BALANCES	TOTAL DUE PER QUARTER
PERS	\$94,143,631,192	47.78269%	\$376,909.86	\$287,907.05	\$71,976.76
STRS	\$73,586,069,478	37.34868%	\$294,606.39	\$225,038.57	\$56,259.64
OP&F	\$14,678,882,360	7.45028%	\$58,767.81	\$44,890.48	\$11,222.62
SERS	\$13,799,170,982	7.00378%	\$55,245.81	\$42,200.17	\$10,550.05
HPRS	\$816,807,232	0.41457%	\$3,270.13	\$2,497.93	\$624.48
TOTAL	\$197,024,561,244	100.00000%	\$788,800.00	\$602,534.20	\$150,633.55

ORSC'S FY 20 Budget is 0.0004003561764175843% of Reported Systems' Total Assets.

DECREASE IN SYSTEMS' TOTAL ASSETS FROM FY 2019: -6.9530707%

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	Council member meeting reimbursements
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)
150- PUBLICATIONS	LexisNexis for Ohio Revised Code; Gongwer; Hannah; newspapers; 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
190-STATE TREASURER- BANK FEES	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 State Treasurer.