

April 19, 2019

Ms. Bethany Rhodes, Director
Ohio Retirement Study Council
88 E. Broad St., Suite 1175
Columbus, OH 43215



STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO

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Dear Ms. Rhodes:

In accordance with Section 3307.041, Revised Code, STRS Ohio is submitting its proposed fiscal 2020 budgets. The attached information is composed of the following:

- Page 1 is a statement of planned operating expenditures, including comparisons to the fiscal 2019 budget.
- Page 2 is a statement of capital expenditures, including comparisons to the fiscal 2019 budget and summary of investment assets and related management costs for fiscal 2018 including comparisons to the fiscal 2017.
- Page 3 is a schedule of retirement board-related expenses for the last 10 years and a 10-year trend chart.
- Page 4 is a summary of staff training and travel expenses, including comparisons to the fiscal 2019 budget.
- Page 5 is supplementary statistical information for fiscal years 2014–2018.

The proposed operating budget total for the fiscal year ended June 30, 2020, is an increase of 2.6% from the current year budget. Along with normal operations, increases are primarily due to associate and investment incentive compensation, medical/hospitalization insurance costs and investment research and quotation and analytic services needed. The number of associates is decreasing due primarily to attrition in member benefits and finance. The proposed capital budget provides for improvements in building and technology security, safety and capabilities.

In an independent pension administration benchmarking report from CEM Benchmarking for fiscal 2018, STRS Ohio received the top service level score for the fourth year in a row. The survey benchmarked 45 participating pension systems primarily from the United States, Canada and Scandinavia. While the service level was at the top, the administrative cost per active member and annuitant remained the same.

Another report from CEM showed STRS Ohio has top decile investment returns and low investment costs compared to peer retirement systems. The report compared investment data for the five-year period ending Dec. 31, 2017, from 17 large U.S. public fund sponsors. Results of the study showed STRS Ohio's strategy of using internal investment managers for about 70% of the system's assets was the primary reason for its low overall costs.

STRS Ohio was again awarded the Government Finance Officers Association Award for Excellence in Financial Reporting and the Public Pension Coordinating Council Standards Award for Funding and Administration.

Overall, the proposed budgets continue to provide the resources we need to pay timely and accurate pension and health care benefits to members, successfully manage investment assets, and ensure we meet all fiduciary responsibilities and legal requirements. Additionally, the proposed budgets comply with all Retirement Board policies and demonstrate to members that STRS Ohio is managing operating expenses prudently.

These proposed fiscal 2020 budgets were presented to the Retirement Board at its April 18 meeting. Please feel free to contact me if you need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Nehf". The signature is fluid and cursive.

Michael J. Nehf
Executive Director

Enclosure

RETIREMENT BOARD CHAIR
ROBERT STEIN

RETIREMENT BOARD VICE CHAIR
CAROL CORRETERS

EXECUTIVE DIRECTOR
MICHAEL J. NEHF

State Teachers Retirement System of Ohio
2020 ORSC Budget Presentation

FY2019 to FY2020 Operating Budget and Increases (Decreases)

Budget Category	Fiscal 2020 Budget	Fiscal 2019 Budget	Fiscal 2019 Estimated Actual	Fiscal 2020 Increase (Decrease)	Percent Increase/ Decrease
Personnel	\$ 81,456,900	\$ 79,116,500	\$ 79,901,000	\$ 2,340,400	3.0%
Salaries and Wages	63,432,100	61,836,300	62,525,900	1,595,800	2.6%
OPERS Contributions	8,320,600	8,100,600	8,100,100	220,000	2.7%
Health Insurance	8,646,300	8,107,100	8,343,100	539,200	6.7%
Miscellaneous Expenses	1,057,900	1,072,500	931,900	(14,600)	-1.4%
Professional Services	10,703,800	10,715,200	9,673,800	(11,400)	-0.1%
Actuarial	255,000	265,000	260,000	(10,000)	-3.8%
Audit	207,500	205,600	185,300	1,900	0.9%
Custodial Banking Fees	2,250,000	2,400,000	2,071,300	(150,000)	-6.3%
Investment Consulting	6,098,600	5,588,000	5,499,600	510,600	9.1%
Other Consulting	1,817,700	2,126,600	1,605,600	(308,900)	-14.5%
Banking Expense	75,000	130,000	52,000	(55,000)	-42.3%
Communications Expense	2,158,300	2,092,400	2,092,800	65,900	3.1%
Printing and Postage	1,708,200	1,673,200	1,650,800	35,000	2.1%
Telecommunications	310,000	281,000	310,000	29,000	10.3%
Member/Employer Education	140,100	138,200	132,000	1,900	1.4%
Other Operating Expense	8,143,400	7,902,500	7,802,200	240,900	3.0%
Conferences and Education	333,100	349,200	349,100	(16,100)	-4.6%
Travel	705,500	715,000	701,100	(9,500)	-1.3%
Computer Technology	4,922,500	4,650,700	4,711,500	271,800	5.8%
Other Operating	1,818,800	1,824,100	1,717,300	(5,300)	-0.3%
Ohio Retirement Study Council	300,000	300,000	261,200	0	0.0%
Treasury of State Warrant Clearing Charges	3,500	3,500	2,000	0	0.0%
Attorney General Charges	60,000	60,000	60,000	0	0.0%
Net Building Expense	2,311,600	2,283,500	2,354,800	28,100	1.2%
Total Operating Budget*	\$ 104,774,000	\$ 102,110,100	\$ 101,824,600	\$ 2,663,900	2.6%
Full-time Equivalent (FTE) Associates	535	538			

State Teachers Retirement System of Ohio
2020 ORSC Budget Presentation
FY2019 to FY2020 Capital Budget

	Fiscal 2020 Budget	Fiscal 2019 Budget	Fiscal 2019 Projected Actual
Total Capital Budget	\$ 4,930,900	\$ 4,195,800	\$ 3,742,700
Building Improvements	3,226,500	2,300,000	1,936,900
Building Maintenance Equipment	327,400	194,400	208,900
Infrastructure and Upgrades	1,303,000	1,681,400	1,581,400
General Capital	74,000	20,000	15,500

Investment Expenses

	Fiscal 2018 Actual	Fiscal 2017 Actual	Percent Change 2017 to 2018
Total Investment Assets*	\$ 78,015,837,000	\$ 75,206,912,000	3.7%
Total Internally Managed Assets	\$ 55,513,479,000	\$ 53,641,236,000	3.5%
Total Externally Managed Assets	\$ 22,502,358,000	\$ 21,565,676,000	4.3%
Total Investment Expenses	\$ 285,522,600	\$ 280,351,800	1.8%
Total Internal Investment Expenses	\$ 39,059,400	\$ 38,739,400	0.8%
Total External Investment Expenses	\$ 218,308,200	\$ 212,160,100	2.9%
Investment Consulting	\$ 733,600	\$ 792,200	-7.4%
Brokerage/Commissions - Internal	\$ 17,921,300	\$ 17,656,400	1.5%
Brokerage/Commissions - External	\$ 7,207,200	\$ 8,591,500	-16.1%
Custodian Fees	\$ 2,292,900	\$ 2,412,200	-4.9%
Total Investment Expenses as a Percent of Total Investment Assets	0.37%	0.37%	-1.8%
Expenses as Percent of Internally Managed	0.51%	0.52%	-1.6%
Expenses as Percent of Externally Managed	1.27%	1.30%	-2.4%

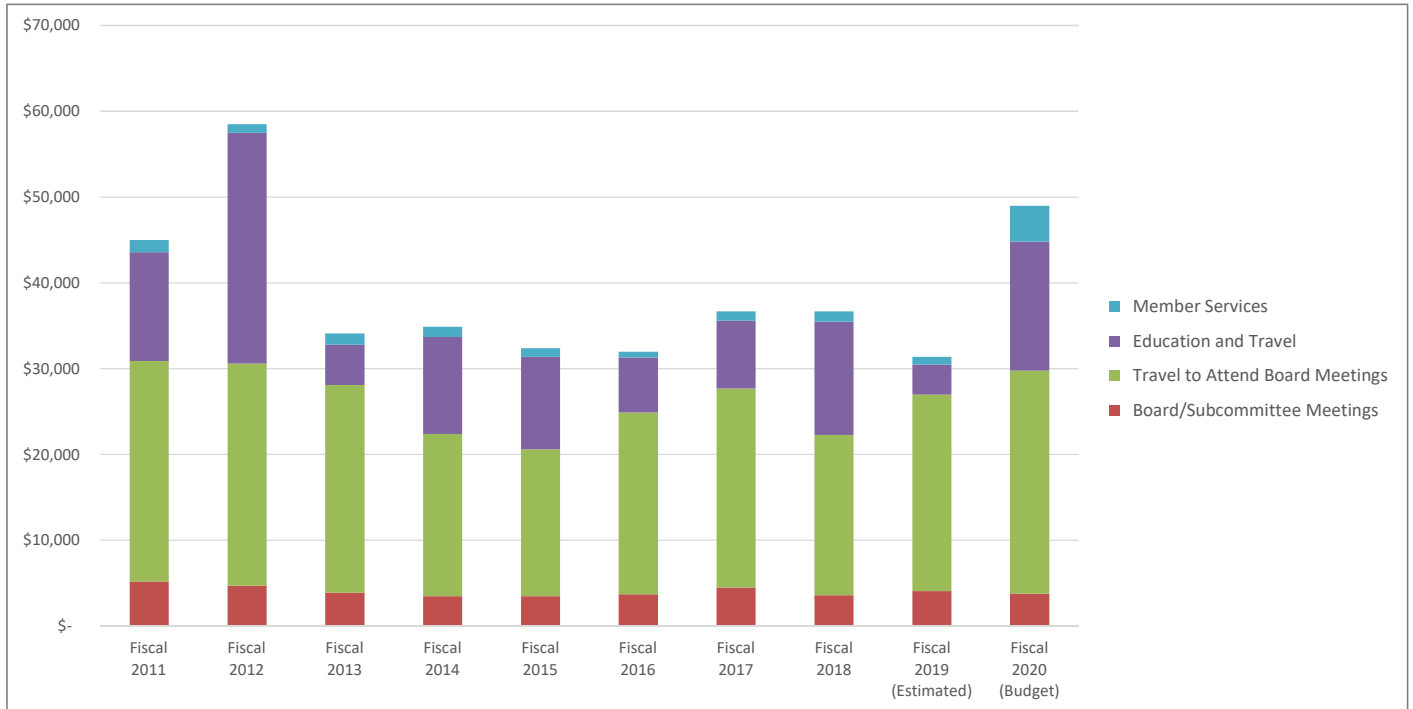
*Investment assets are net of real estate debt.

State Teachers Retirement System of Ohio
2020 ORSC Budget Presentation

Board Member Expenses

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019 (Estimated)	Fiscal 2020 (Budget)
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Total Board Expenses	\$ 45,000	\$ 58,500	\$ 34,100	\$ 34,900	\$ 32,400	\$ 32,000	\$ 36,700	\$ 36,700	\$ 31,400	\$ 49,000
Board/Subcommittee Meetings	\$ 5,200	\$ 4,700	\$ 3,900	\$ 3,500	\$ 3,500	\$ 3,700	\$ 4,500	\$ 3,600	\$ 4,100	\$ 3,800
Travel to Attend Board Meetings	\$ 25,700	\$ 25,900	\$ 24,200	\$ 18,900	\$ 17,100	\$ 21,200	\$ 23,200	\$ 18,700	\$ 22,900	\$ 26,000
Education and Travel	\$ 12,700	\$ 26,900	\$ 4,700	\$ 11,300	\$ 10,800	\$ 6,400	\$ 7,900	\$ 13,200	\$ 3,500	\$ 15,000
Member Services	\$ 1,400	\$ 1,000	\$ 1,300	\$ 1,200	\$ 1,000	\$ 700	\$ 1,100	\$ 1,200	\$ 900	\$ 4,200



State Teachers Retirement System of Ohio
2020 ORSC Budget Presentation

Staff Training and Travel

	Fiscal 2020 Budget	Fiscal 2019 Budget	Increase (Decrease)	% Increase (Decrease)
Administration				
Conferences, Seminars and Travel	\$ 63,500	\$ 53,800	\$ 9,700	18.0%
In-House Training	\$ 7,700	\$ 15,600	\$ (7,900)	-50.6%
# FTE	67	67		
Expense per FTE	\$ 1,060	\$ 1,042		

	Fiscal 2020 Budget	Fiscal 2019 Budget	Increase (Decrease)	% Increase (Decrease)
Finance				
Conferences, Seminars and Travel	\$ 25,100	\$ 21,500	\$ 3,600	16.7%
In-House Training	\$ 7,700	\$ 7,700	\$ -	0.0%
# FTE	103	105		
Expense per FTE	\$ 317	\$ 278		

	Fiscal 2020 Budget	Fiscal 2019 Budget	Increase (Decrease)	% Increase (Decrease)
Investments				
Conferences, Seminars and Travel	\$ 474,000	\$ 484,000	\$ (10,000)	-2.1%
In-House Training	\$ -	\$ -	\$ -	0.0%
# FTE	121	121		
Expense per FTE	\$ 3,904	\$ 4,013		

	Fiscal 2020 Budget	Fiscal 2019 Budget	Increase (Decrease)	% Increase (Decrease)
Information Technology Services				
Conferences, Seminars and Travel	\$ 82,000	\$ 92,000	\$ (10,000)	-10.9%
In-House Training	\$ 102,800	\$ 99,300	\$ 3,500	3.5%
# FTE	124	123		
Expense per FTE	\$ 1,490	\$ 1,550		

	Fiscal 2020 Budget	Fiscal 2019 Budget	Increase (Decrease)	% Increase (Decrease)
Member Benefits				
Conferences, Seminars and Travel	\$ 101,700	\$ 109,300	\$ (7,600)	-7.0%
In-House Training	\$ 4,500	\$ 5,400	\$ (900)	-16.7%
# FTE	120	122		
Expense per FTE	\$ 885	\$ 939		

State Teachers Retirement System of Ohio
2020 ORSC Budget Presentation
Supplementary Statistical Information

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Active Members	177,778	173,720	178,394	177,462	180,009
Inactive Members	151,880	152,668	153,365	157,936	156,491
Benefit Recipients (Age, Disability, Survivor)	152,208	158,116	157,938	158,039	157,422
Reemployed Retirees	25,156	24,806	26,228	25,009	22,038
Total Membership	507,022	509,310	515,925	518,446	515,960
Members per FTE	910	923	950	975	979

Please note: Fiscal 2019 information is not yet available. Fiscal 2014 information is included for five-year comparison.