

April 24, 2023

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 2024 budgets. The attached information is composed of the following:

- Page 1 is a statement of planned operating expenditures, including comparisons to the fiscal 2023 budget.
- Page 2 is a statement of capital expenditures, including comparisons to the fiscal 2023 budget and summary of investment assets and related management costs for fiscal 2022 including comparisons to fiscal 2021.
- 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 2023 budget.
- Page 5 is supplementary statistical information for fiscal years 2018–2022.

The proposed operating budget is \$115.6 million for the fiscal year ended June 30, 2024 and reflects an increase of \$3.1 million or 2.8% from the current year budget. Headcount is down by seventeen positions. There are 504 full-time equivalent associates (FTE's) in the proposed budget, a decrease from 521 FTE's in fiscal 2023. Higher incentive compensation for eligible investment associates is projected to reflect expected higher relative performance. Health Insurance is increasing to reflect higher medical and pharmacy claims by associates. Banking Expense and Custodial banking fees are lower due to projected higher earnings credit and anticipated asset values. Investment Consulting and Other Consulting costs are projected higher for the board's new general and alternative investment consultants, as well as a defined contribution consultant, board governance consultant and external quality assurance review of internal audit functions, as recommended in the most recent fiduciary audit.

The proposed capital budget is \$8.3 million in fiscal 2024 and reflects an increase of \$482,000 or 6.1% from the current year budget. The capital budget provides financial support for major planned initiatives. Technology-related expenditures comprise the bulk of the capital budget and include the cloud-based investment portfolio system and financial management and accounting system, replacement of the call center hardware with a cloud-based solution, pension administration system (STaRS) enhancements and ITS security improvements. Most of the significant building improvements have been completed, but planned facility enhancements include replacement of the uninterrupted power supply system and fire safety updates.

Overall, the proposed budgets continue to provide for quality member services to STRS Ohio's public educators and the ability to meet all legal, regulatory and other requirements, as well as the implementation of a number of fiduciary audit recommendations. Additionally, the proposed budgets demonstrate to members that STRS Ohio is managing operating and capital expenditures prudently.

Please feel free to contact me if you have any questions or would like additional information.

Sincerely,

A handwritten signature in black ink that reads "William J. Neville". The signature is written in a cursive, flowing style.

William J. Neville
Executive Director

State Teachers Retirement System of Ohio
2024 ORSC Budget Presentation

FY2023 to FY2024 Operating Budget and Increases (Decreases)

Budget Category	Fiscal 2024 Budget	Fiscal 2023 Budget	Fiscal 2023 Estimated Actual	Fiscal 2024 Increase (Decrease)	Percent Increase/ Decrease
Personnel	\$ 89,683,200	\$ 86,447,500	\$ 86,532,000	\$ 3,235,700	3.7%
Salaries and Wages	69,361,200	67,379,300	66,620,700	1,981,900	2.9%
OPERS Contributions	9,200,600	9,109,700	8,872,400	90,900	1.0%
Health Insurance	9,937,700	8,816,300	9,901,000	1,121,400	12.7%
Miscellaneous Expenses	1,183,700	1,142,200	1,137,900	41,500	3.6%
Professional Services	12,792,500	12,386,700	11,892,700	405,800	3.3%
Actuarial	303,500	282,000	421,600	21,500	7.6%
Audit	168,500	266,300	260,000	(97,800)	-36.7%
Custodial Banking Fees	2,050,000	2,500,000	1,745,800	(450,000)	-18.0%
Investment Consulting	7,537,500	6,792,000	6,598,900	745,500	11.0%
Other Consulting	2,563,000	2,316,400	2,803,800	246,600	10.6%
Banking Expense	170,000	230,000	62,600	(60,000)	-26.1%
Communications Expense	2,107,800	1,992,800	1,935,000	115,000	5.8%
Printing and Postage	1,533,500	1,461,100	1,407,800	72,400	5.0%
Telecommunications	482,800	440,000	470,400	42,800	9.7%
Member/Employer Education	91,500	91,700	56,800	(200)	-0.2%
Other Operating Expense	8,470,400	9,252,700	8,489,200	(782,300)	-8.5%
Conferences and Education	346,800	352,900	223,700	(6,100)	-1.7%
Travel	564,100	580,500	386,900	(16,400)	-2.8%
Computer Technology	5,115,200	5,736,000	5,458,900	(620,800)	-10.8%
Other Operating	2,067,300	2,210,300	2,075,300	(143,000)	-6.5%
Ohio Retirement Study Council	300,000	300,000	273,800	0	0.0%
Treasury of State Warrant Clearing Charges	2,000	3,000	1,400	(1,000)	-33.3%
Attorney General Charges	75,000	70,000	69,200	5,000	7.1%
Net Building Expense	2,556,000	2,430,000	2,419,500	126,000	5.2%
Total Operating Budget	\$ 115,609,900	\$ 112,509,700	\$ 111,268,400	\$ 3,100,200	2.8%
Full-time Equivalent (FTE) Associates	504	521			

State Teachers Retirement System of Ohio
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FY2023 to FY2024 Capital Budget

	Fiscal 2024 Budget (Does not include carryover from previous years)	Fiscal 2023 Budget (Does not include carryover from previous years)	Fiscal 2023 Projected Actual (Does not include payments for carryover from previous years)
Total Capital Budget	\$ 8,333,500	\$ 7,851,500	6,168,100
Building Improvements	350,000	431,300	431,300
Building Maintenance Equipment	690,100	1,887,700	1,537,700
Infrastructure and Upgrades	7,263,400	5,488,500	4,180,000
General Capital	30,000	44,000	19,100

Investment Expenses

	Fiscal 2022 Actual	Fiscal 2021 Actual	Percent Change 2021 to 2022
Total Investment Assets*	\$ 86,662,369,000	\$ 96,033,002,000	-9.8%
Total Internally Managed Assets	\$ 57,756,293,619	\$ 66,408,164,000	-13.0%
Total Externally Managed Assets	\$ 28,906,075,381	\$ 29,624,838,000	-2.4%
Total Investment Expenses	\$ 318,162,467	\$ 311,928,400	2.0%
Total Internal Investment Expenses	\$ 42,145,061	\$ 38,595,100	9.2%
Total External Investment Expenses	\$ 254,770,393	\$ 250,228,000	1.8%
Investment Consulting	\$ 856,765	\$ 760,500	12.7%
Brokerage/Commissions - Internal**	\$ 12,622,992	\$ 14,690,600	-14.1%
Brokerage/Commissions - External**	\$ 5,627,854	\$ 5,621,400	0.1%
Custodian Fees	\$ 2,139,402	\$ 2,032,800	5.2%
Total Investment Expenses as a Percent of Total Investment Assets	0.37%	0.32%	13.0%
Expenses as Percent of Internally Managed	0.55%	0.47%	17.3%
Expenses as Percent of Externally Managed	1.10%	1.05%	4.5%

*Investment assets are net of real estate debt.

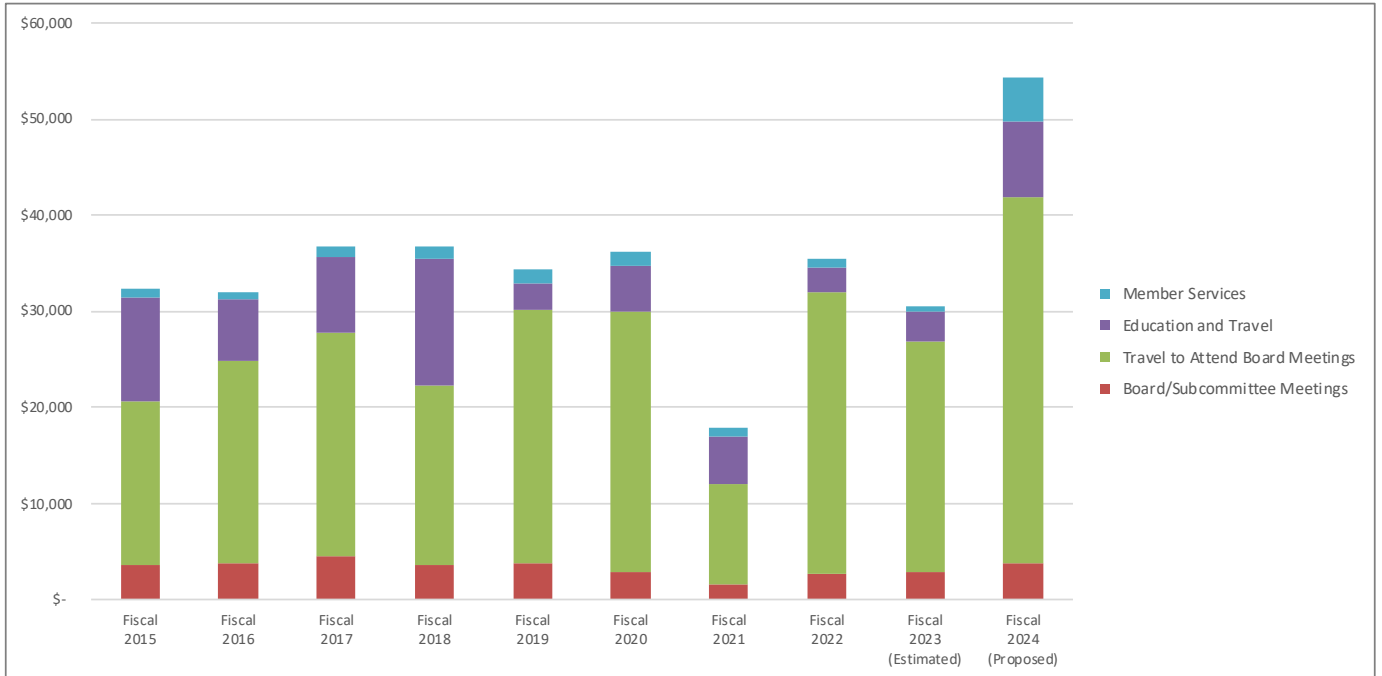
**Brokerage commissions are netted in the transaction costs and investment assets, therefore not reported as expenses in the STRS Ohio Annual Comprehensive Financial Report.

Please note: Fiscal 2023 information is not yet available.

State Teachers Retirement System of Ohio
2024 ORSC Budget Presentation

Board Member Expenses

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023 (Estimated)	Fiscal 2024 (Proposed)
Total Board Expenses	\$ 32,400	\$ 32,000	\$ 36,700	\$ 36,700	\$ 34,300	\$ 36,100	\$ 17,800	\$ 35,500	\$ 30,500	\$ 54,400
Board/Subcommittee Meetings	\$ 3,500	\$ 3,700	\$ 4,500	\$ 3,600	\$ 3,800	\$ 2,800	\$ 1,600	\$ 2,600	\$ 2,800	\$ 3,800
Travel to Attend Board Meetings	\$ 17,100	\$ 21,200	\$ 23,200	\$ 18,700	\$ 26,400	\$ 27,100	\$ 10,500	\$ 29,400	\$ 24,000	\$ 38,000
Education and Travel	\$ 10,800	\$ 6,400	\$ 7,900	\$ 13,200	\$ 2,700	\$ 4,900	\$ 4,900	\$ 2,500	\$ 3,100	\$ 8,000
Member Services	\$ 1,000	\$ 700	\$ 1,100	\$ 1,200	\$ 1,400	\$ 1,300	\$ 800	\$ 1,000	\$ 600	\$ 4,600



State Teachers Retirement System of Ohio
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Staff Training and Travel

	Fiscal 2024 Budget	Fiscal 2023 Budget	Increase (Decrease)	% Increase (Decrease)
Administration				
Conferences, Seminars and Travel	\$ 73,000	\$ 72,200	\$ 800	1.1%
In-House Training	\$ 31,300	\$ 27,200	\$ 4,100	15.1%
# FTE	61	69	(8)	
Expense per FTE	\$ 1,710	\$ 1,441		

	Fiscal 2024 Budget	Fiscal 2023 Budget	Increase (Decrease)	% Increase (Decrease)
Finance				
Conferences, Seminars and Travel	\$ 29,100	\$ 22,100	\$ 7,000	31.7%
In-House Training	\$ 13,000	\$ 13,000	-	0.0%
# FTE*	98	100	(2)	
Expense per FTE	\$ 430	\$ 351		

	Fiscal 2024 Budget	Fiscal 2023 Budget	Increase (Decrease)	% Increase (Decrease)
Investments				
Conferences, Seminars and Travel	\$ 360,000	\$ 385,000	\$ (25,000)	-6.5%
In-House Training	-	-	-	
# FTE*	114	120	(6)	
Expense per FTE	\$ 3,158	\$ 3,208		

	Fiscal 2024 Budget	Fiscal 2023 Budget	Increase (Decrease)	% Increase (Decrease)
Information Technology Services				
Conferences, Seminars and Travel	\$ 68,800	\$ 73,000	\$ (4,200)	-5.8%
In-House Training	\$ 125,100	\$ 120,000	\$ 5,100	4.3%
# FTE	116	118	(2)	
Expense per FTE	\$ 1,672	\$ 1,636		

	Fiscal 2024 Budget	Fiscal 2023 Budget	Increase (Decrease)	% Increase (Decrease)
Member Benefits				
Conferences, Seminars and Travel	\$ 82,700	\$ 79,500	\$ 3,200	4.0%
In-House Training	\$ 3,600	\$ 4,600	\$ (1,000)	-21.7%
# FTE	115	114	1	
Expense per FTE	\$ 750	\$ 738		

*Investment Operations (5 FTE) transferred from Investments to Finance effective July 1, 2022.

State Teachers Retirement System of Ohio
2024 ORSC Budget Presentation

Supplementary Statistical Information

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Active Members	180,009	179,850	178,043	176,367	184,865
Inactive Members	156,491	158,224	161,687	169,664	170,128
Benefit Recipients (Age, Disability, Survivor)	157,422	157,418	156,907	156,921	156,225
Reemployed Retirees	22,038	21,026	19,553	17,734	17,110
Total Membership	515,960	516,518	516,190	520,686	528,328
Members per FTE	979	1,001	1,000	1,037	1,094

Please note: Fiscal 2023 information is not yet available. Fiscal 2018 information is included for five-year comparison.