



October 20, 2023

Ms. Bethany Rhodes, Director and General Counsel
Ohio Retirement Study Council
Rhodes State Office Tower
30 East Broad Street, 2nd Floor
Columbus, OH 43215

Dear Ms. Rhodes:

Enclosed is the proposed 2024 operating budget for the Ohio Public Employees Retirement System (OPERS). The proposed operating budget of \$120.4 million reflects a 5.3% increase in expenses from the prior year's budget of \$114.3 million. The 5.3% increase results primarily from an increase of \$4.8 million in the personnel expense category and \$1.3 million in the professional services expense category. The remaining expense category fluctuations are less significant and result in a net decrease of less than \$0.1 million.

The personnel expense budget reflects no change in the number of staff positions. OPERS has proactively invested in technology designed to yield long-term staff savings. Accordingly, OPERS carefully manages staff turnover, often electing to defer hiring especially in areas expected to be impacted by technology. Since 2017, OPERS has been able to reduce our overall workforce by 126 positions. This budget reflects that staff will receive a merit-based increase, along with other increases to incentive compensation, employee insurance costs, and decreased capitalized labor costs associated with capital projects. Additionally, new accounting pronouncements have created increases in this operating budget through compensated absences accruals, such as sick leave.

The professional services budget reflects increases for investment-related legal, due diligence and data services. This increase relates to OPERS implementation of a new Private Credit asset class with the expected addition of new external managers in multiple asset classes. Additionally, custodial and banking fees have increased during 2023 due to increases in transaction volumes and market values of investments. These fees are expected to continue to increase in 2024, as the Ohio Treasurer of State's Office will bid these services by the end of 2023 and designate custodians by the end of March 2024.

Partially offsetting these budget increases, the computer technology budget reflects substantial savings due to the anticipated completion of the migration and retirement of the mainframe data system in 2024.



The proposed operating budget reflects funding for on-going operations and OPERS key strategic plan initiatives. The strategic plan includes the continued implementation of significant technology initiatives designed to position the system to handle the continued large growth in retirees without a corresponding increase in staff. These initiatives, which began years ago, will enable OPERS to continue to provide quality customer service to our over one million members and retirees, thereby continuing OPERS proud tradition of providing value for the State of Ohio through the distribution of pension benefits and health care coverage.

The proposed 2024 capital budget reflects an increase from \$13.4 million in 2023 to \$15.2 million in 2024. Approximately 83% of the budget, or \$12.6 million, continues to be related to technology initiatives. The 2024 capital budget includes \$4.4 million for member system modernization efforts, including self-service enhancements, and \$3.6 million of funding for the completion of the migration and retirement of the mainframe data system. Additionally, the capital budget includes \$2.2 million of funding for modernizing member account value calculations to integrate with various member-related systems, as well as \$0.7 million for a member system login security upgrade. Finally, the budget includes \$1.7 million for funding a new electronic document management system, as the current system has reached the end of life and will no longer be supported. Included in these projects is \$6.0 million in estimated internal labor costs associated with these technology capital initiatives.

Attached you will find budget information presented in the format approved by the ORSC for adoption by the five Ohio public retirement systems.

- Attachment 1 is a statement of planned operating expenditures, including comparisons to the 2023 fiscal year budget for OPERS and projected expenses for 2023. All key variances have been discussed above.
- Attachment 2 reflects the detailed capital budget.
- Attachment 3 is a two-year historical summary of investment costs and management fees.
- Attachment 4 is a 10-year schedule and graph of budgeted Retirement Board-related meeting and travel expenses included in the overall organization operating budget.
- Attachment 5 reflects the OPERS budgeted education, training and due diligence travel by divisions on a per-FTE basis.



- Attachment 6 reflects statistical information about OPERS members and members per staff (FTE).

We believe this budget provides the necessary support to continue to fund the operations of the complex multi-billion-dollar organization. As OPERS plans for the upcoming changes, we are committed to continue operating as an efficient organization that provides superior customer service to our members and support the State of Ohio.

Please feel free to contact me if I can assist with any questions or provide additional information.

Sincerely,

A handwritten signature in cursive script that reads "Karen E. Carraher".

Karen E. Carraher
Executive Director

Cc: The Honorable Phil Plummer, Vice-Chairman, Ohio Retirement Study Council

**Ohio Public Employees Retirement System
2024 ORSC BUDGET PRESENTATION**

FY 2023 to FY 2024 Operating Budget and Increase (Decrease)

Budget Category	2024 Budget	2023 Budget	2023 Estimated Actual	2023-2024 Increase (Decrease)	Percent Change (2023-2024)
Personnel	\$74,878,744	\$70,127,216	\$68,888,320	\$4,751,528	6.8 %
Salaries and Wages	57,003,043	52,983,800	50,772,942	4,019,243	7.6
PERS Contributions	8,373,729	7,902,328	7,351,332	471,401	6.0
Health Insurance	9,321,065	9,079,553	10,609,553	241,512	2.7
Miscellaneous Expenses	180,907	161,535	154,493	19,372	12.0
Professional Services	\$23,795,174	\$22,505,765	\$24,148,326	\$1,289,409	5.7 %
Actuarial	735,320	728,676	659,366	6,644	0.9
Audit	513,725	588,725	549,629	(75,000)	(12.7)
Custodial Banking Fees	7,815,239	7,239,576	7,858,492	575,663	8.0
Investment Consulting	11,766,452	10,911,361	12,081,437	855,091	7.8
Other Consulting	2,916,438	2,989,427	2,951,402	(72,989)	(2.4)
Banking Expenses	48,000	48,000	48,000	0	0.0
Communications Expense	\$3,055,730	\$2,823,380	\$2,819,032	\$232,350	8.2 %
Printing and Postage	2,719,422	2,480,636	2,510,515	238,786	9.6
Telecommunications	237,108	289,844	255,617	(52,736)	(18.2)
Member/Employer Education	99,200	52,900	52,900	46,300	87.5
Other Operating Expenses	\$14,587,165	\$14,899,746	\$14,439,992	(\$312,581)	(2.1) %
Conferences and Education	409,232	225,852	294,774	183,380	81.2
Travel	226,483	175,221	263,904	51,262	29.3
Computer Technology	12,015,548	12,711,041	12,135,154	(695,493)	(5.5)
Other Operating	1,433,979	1,355,332	1,280,691	78,647	5.8
Ohio Retirement Study Council	384,000	322,000	355,369	62,000	19.3
TOS Warrant Clearing Charges	3,600	4,200	4,000	(600)	(14.3)
Attorney General Charges	114,323	106,100	106,100	8,223	7.8
Net Building Expense	\$4,061,187	\$3,962,893	\$3,926,431	\$98,294	2.5 %
Total Operating Budget	\$120,378,000	\$114,319,000	\$114,222,101	\$6,059,000	5.3 %
Full-Time Equivalent (FTE) Associates	518	518			
Other Items Monitored by OPERS					
Depreciation	\$14,625,000	\$14,680,000	\$14,157,441	(\$55,000)	(0.4) %
Commission Sharing Agreements - Research Costs	\$235,000	\$225,000	\$225,000	\$10,000	4.4 %

**Ohio Public Employees Retirement System
2024 ORSC BUDGET PRESENTATION**

FY 2023 to FY 2024 Capital Budget

	2024 Budget (does not include carryover from previous years)	2023 Budget (does not include carryover from previous years)	2023 Estimate
Total Capital Budget*	\$15,210,360	\$13,410,176	\$14,959,912
Building and Building Equipment	549,000	1,649,500	722,266
Computer Software, Equipment and Other	2,068,000	2,500,236	2,181,932
IT Capital Projects	12,593,360	9,260,440	12,055,714

*Includes new capitalizable internal labor budget of \$6.0 million and \$4.4 million in 2024 and 2023, respectively. Capitalized labor for 2024 includes additional funds to cover an anticipated deficit of \$0.6 million in the capital labor budget in 2023. Capitalized labor budget for 2023 was less than estimated actual to be incurred that year due to a 2022 budget carryover of \$1.8 million. Therefore, total capitalizable labor estimates reducing the operating budget for personnel expenses for 2024 and 2023 are \$5.4 million and \$6.2 million, respectively.

**Ohio Public Employees Retirement System
2024 ORSC BUDGET PRESENTATION**

Investment Expenses

	2022 Actual	2021 Actual	Percent Change (2021 to 2022)
Total Investment Assets	\$106,046,974,674	\$126,188,168,095	(15.96) %
Total Internally Managed Assets	51,963,017,590	63,537,051,728	(18.22)
Total Externally Managed Assets	54,083,957,084	62,651,116,367	(13.67)

Total Investment Expenses	\$438,268,510	\$436,779,244	0.34 %
Total Internal Investment Expenses	40,743,496	43,146,175	(5.57)
Total External Investment Expenses*	383,205,758	379,135,163	1.07
Investment Consulting	807,333	872,339	(7.45)
Brokerage/Commissions-Internal	1,509,254	1,507,447	0.12
Brokerage/Commissions-External	6,834,131	6,962,199	(1.84)
Custodian Fees	5,168,538	5,155,921	0.24

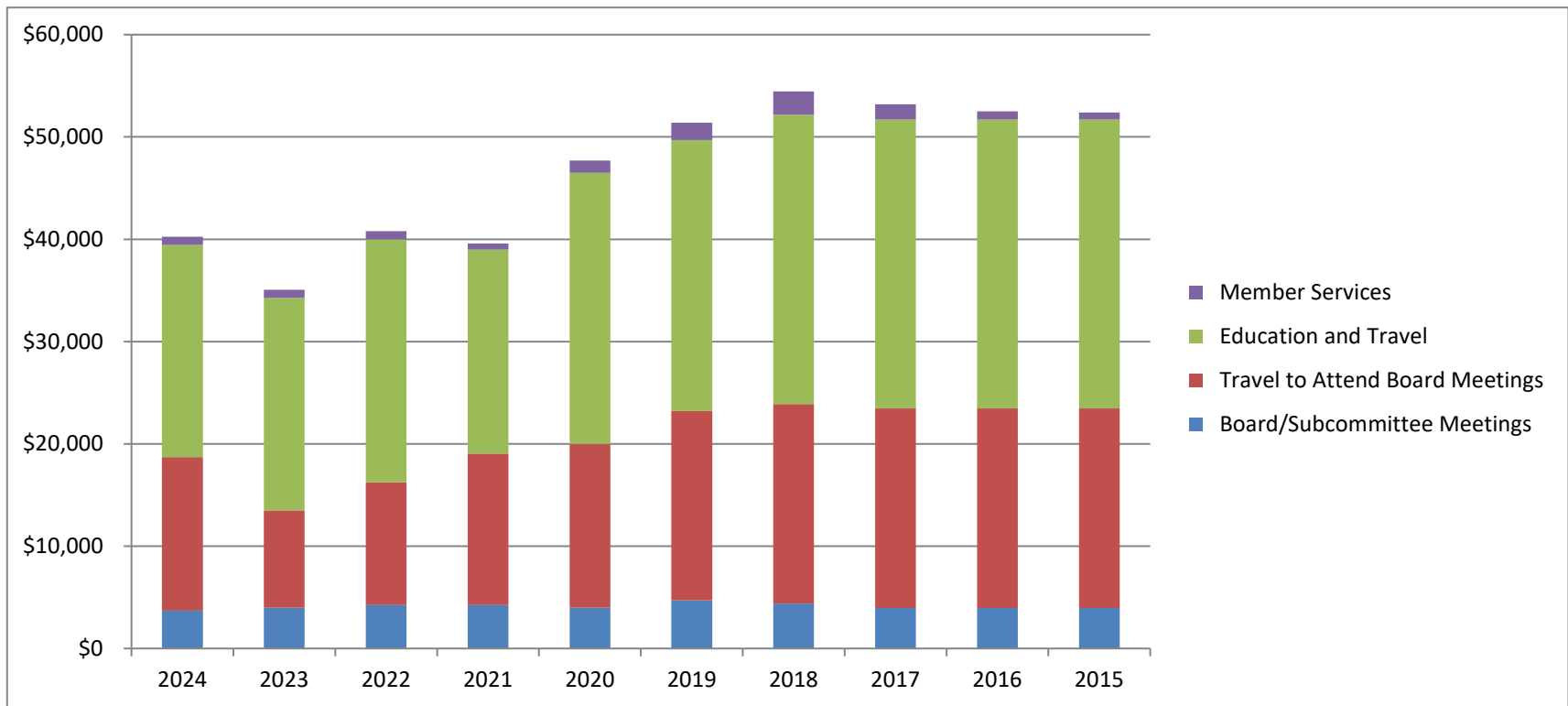
Total Investment Expenses as a % of Total Investment Assets	0.41%	0.34%	
Internal Expenses as % of Internally Managed	0.08	0.07	
External Expenses as % of Externally Managed	0.72	0.62	

*Includes net management fees and fund expenses.

**Ohio Public Employees Retirement System
2024 ORSC BUDGET PRESENTATION**

Board Member Expenses

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Board Expenses	\$40,250	\$35,050	\$40,800	\$39,587	\$47,700	\$51,400	\$54,450	\$53,200	\$52,500	\$52,400
Board/Subcommittee Meetings	\$3,700	\$4,000	\$4,250	\$4,250	\$4,000	\$4,700	\$4,400	\$3,950	\$3,950	\$3,950
Travel to Attend Board Meetings	\$15,000	\$9,500	\$12,000	\$14,800	\$16,000	\$18,500	\$19,500	\$19,500	\$19,500	\$19,500
Education and Travel	\$20,750	\$20,750	\$23,750	\$19,937	\$26,500	\$26,500	\$28,250	\$28,250	\$28,250	\$28,250
Member Services	\$800	\$800	\$800	\$600	\$1,200	\$1,700	\$2,300	\$1,500	\$800	\$700



**Ohio Public Employees Retirement System
2024 ORSC BUDGET PRESENTATION**

Staff Training and Travel

	FY 2024	FY 2023	Increase (Decrease)	% Increase (Decrease)
Administration				
Conferences & Seminars	\$94,913	\$49,688	\$45,225	91.0 %
In-House Training	\$8,546	\$20,303	(\$11,757)	(57.9)
#FTE	65	65	0	-
Training Expense per FTE	\$1,592	\$1,077	\$515	47.8

	FY 2024	FY 2023	Increase (Decrease)	% Increase (Decrease)
Finance and Benefits				
Conferences & Seminars	\$46,368	\$23,144	\$23,224	100.3 %
In-House Training	\$7,659	\$6,907	\$752	10.9
#FTE	129	128	1	0.8
Training Expense per FTE	\$419	\$235	\$184	78.3

	FY 2024	FY 2023	Increase (Decrease)	% Increase (Decrease)
Investments				
Conferences & Seminars	\$99,807	\$51,154	\$48,653	95.1 %
In-House Training			\$-	-
#FTE	62	62	0	-
Training Expense per FTE	\$1,610	\$825	\$785	95.2

	FY 2024	FY 2023	Increase (Decrease)	% Increase (Decrease)
Information Technology/Information Services				
Conferences & Seminars	\$66,665	\$33,959	\$32,706	96.3 %
In-House Training	\$106,944	\$111,760	(\$4,816)	(4.3)
#FTE	148	148	0	-
Training Expense per FTE	\$1,173	\$985	\$188	19.1

	FY 2024	FY 2023	Increase (Decrease)	% Increase (Decrease)
Member Services				
Conferences & Seminars	\$12,668	\$6,748	\$5,920	87.7 %
In-House Training	\$4,465	\$4,900	(\$435)	(8.9)
#FTE	114	115	(1)	(0.9)
Training Expense per FTE	\$150	\$101	\$49	48.5

Ohio Public Employees Retirement System
2024 ORSC BUDGET PRESENTATION

Supplementary Statistical Information

	2023^a	2022	2021	2020	2019
Active Members	297,827	297,827	290,321	289,435	304,446
Inactive Members	730,139	730,139	700,884	677,873	653,659
Benefit Recipient (Age, Dis., Survivor)	220,667	220,667	219,088	216,523	214,985
Re-employed Retirees	Included Above	Included Above	Included Above	Included Above	Included Above
Total Membership	1,248,633	1,248,633	1,210,293	1,183,831	1,173,090
Members Per FTE	2,410	2,401	2,284	2,062	2,019

^aMember counts for year-end 2023 not available; reflects 2022 counts for calculation purposes.