



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

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RICHARD STENSRUD
Executive Director

KAREN D. ROGGENKAMP
Deputy Executive Director

April 22, 2024

Bethany Rhodes, Director/General Counsel
Ohio Retirement Study Council
30 East Broad Street, 2nd Floor
Columbus, OH 43215

Dear Ms. Rhodes:

In accordance with Section 3309.041 of the Ohio Revised Code, enclosed please find SERS' proposed FY2025 operating budget presented in the ORSC's required format. SERS budgeting practices are aligned with our Mission, Vision, and Values, while continuously evaluating the long-range needs of our membership. For FY2025, SERS' total operating budget increased by 4.5% (\$38,750,339 to \$40,508,034). The significant drivers of this change are a budgeted 4% merit increase and salary adjustments based on CBIZ recommendations to align with current market conditions and an increase in software subscriptions to manage security and technology needs for a cloud-based environment. CBIZ is an independent compensation consultant retained to perform a compensation study in 2022 and provide ongoing recommendations to maintain alignment with the labor market for SERS' positions.

Personnel category increase of 5.6% is attributed to an additional full-time employee; salary adjustments and a performance-based merit increase of 4% as recommended by CBIZ. An increase is expected in health care expenses based on actuarial rates derived from actual plan claims and health care cost trends supplied by our actuary. Also included is the additional recognition of liability for leave earned but not taken as required by the Government Accounting Standards Board (GASB 101 – Compensated Absences).

Professional Services category is relatively flat with a slight increase of 0.5% with the addition of the ORSC requested 10-year actuarial audit and an increase in special counsel. It is offset with decreases in ongoing operational resources in banking costs and technical services. The notable items that contributed to the decrease in technical services is the completion of the microfilm project and the five-year strategic plan in FY2024 as well as additional outsourced support for help desk operations no longer needed.

Communications Expense category is decreased by 7% due to telecommunication costs shifting to Other Operating Expense as a software subscription which has offset increases in postage cost and paper supplies that includes costs of two board elections.

RETIREMENT BOARD

FRANK A. WEGLARZ
Chair, Retiree-Member

MATTHEW A. KING
Vice-Chair, Employee-Member

JEFFREY DELEONE
Appointed Member

JAMES H. HALLER
Employee-Member

CATHERINE P. MOSS
Retiree-Member

BARBRA M. PHILLIPS
Employee-Member

JAMES A. ROSSLER, JR
Appointed Member

AIMEE RUSSELL
Employee-Member

DANIEL L. WILSON
Appointed Member

Other Operating Expense increase of 5.5% is a result of increased costs of software licenses that includes replacement of existing general ledger and accounting system to a cloud-based solution and expansion of cyber security tools to protect hardware, systems, and data on SERS networks. SERS completed the transition of unified communications and contact center as a cloud service. This service model type becomes an on-going software subscription cost.

There are no planned Capital expenses in FY2025.

SERS will be in the third year of the Technology Enhancement Project Budget. This five-year plan will improve digital, mobile, and electronic service delivery for employers and members, add pension administration enhancements, and expand business tools. Plans for FY2025 include exploration of generative artificial intelligence opportunities, audio visual refresh of meeting rooms, continued network and server infrastructure improvements, expanded security, and enhancements to SERS Member and Retiree Tracking System.

Net Building Occupancy Expense budget is increased by 8.3% due to a decrease in tenant rental income from FY2024. Tenant income from leases and parking help offset overall building expenses. Also, attributed to the increase is the rising cost for security services and the five-year cyclical refresh of the electric vehicle charging stations in the parking garage. SERS is aggressively marketing the vacant space, expanding the amenities, adjusting parking garage rates, and reviewing building expenses to potentially mitigate some of the increase. No leasehold improvements are planned with the current tenant space in FY25.

I look forward to reviewing the draft budget with you and answering any questions that you have. Please feel free to contact me at 614-222-5801.

Sincerely,



Richard Stensrud
Executive Director

School Employees Retirement System
2025 ORSC Budget Presentation

FY2024 to FY2025 Operating Budget and Increase (Decrease)

Budget category	2025 Budget	2024 Budget	2024 Estimated Actual	2024-2025 Increase (Decrease)	Percent Change (2024 to 2025)
Personnel	\$ 26,904,494	\$ 25,471,425	\$ 25,534,265	\$ 1,433,069	5.6
Salaries and Wages	\$ 19,925,657	\$ 18,853,159	\$ 18,707,348	\$ 1,072,498	5.7
PERS Contributions	\$ 2,683,322	\$ 2,527,867	\$ 2,502,468	\$ 155,455	6.1
Health Insurance	\$ 4,295,515	\$ 4,090,399	\$ 4,324,449	\$ 205,116	5.0
Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	0.0
Professional Services	\$ 6,440,168	\$ 6,409,697	\$ 6,196,570	\$ 30,471	0.5
Actuarial	\$ 425,500	\$ 292,500	\$ 314,091	\$ 133,000	45.5
Audit	\$ 220,000	\$ 234,000	\$ 214,945	\$ (14,000)	-6.0
Custodial Banking Fees	\$ 1,020,000	\$ 1,068,000	\$ 947,727	\$ (48,000)	-4.5
Investment Consulting	\$ 2,530,364	\$ 2,465,349	\$ 2,574,707	\$ 65,015	2.6
Other Consulting	\$ 2,056,264	\$ 2,160,308	\$ 1,977,211	\$ (104,044)	-4.8
Banking Expenses	\$ 188,040	\$ 189,540	\$ 167,889	\$ (1,500)	-0.8
Communications Expense	\$ 944,448	\$ 1,015,710	\$ 704,863	\$ (71,262)	-7.0
Printing and Postage	\$ 801,150	\$ 807,752	\$ 530,771	\$ (6,602)	-0.8
Telecommunications	\$ 120,868	\$ 196,208	\$ 164,235	\$ (75,340)	-38.4
Member/Employer Education	\$ 22,430	\$ 11,750	\$ 9,857	\$ 10,680	90.9
Other Operating Expenses	\$ 4,709,472	\$ 4,460,550	\$ 3,849,735	\$ 248,922	5.6
Conferences and Education	\$ 257,030	\$ 274,586	\$ 134,019	\$ (17,556)	-6.4
Travel	\$ 240,360	\$ 228,602	\$ 187,192	\$ 11,758	5.1
Computer Technology	\$ 3,003,345	\$ 2,737,127	\$ 2,431,578	\$ 266,218	9.7
Other Operating	\$ 1,087,047	\$ 1,125,227	\$ 979,628	\$ (38,181)	-3.4
Ohio Retirement Study Council	\$ 68,000	\$ 48,400	\$ 63,492	\$ 19,600	40.5
TOS Warrant Clearing Charges	\$ 5,340	\$ 5,400	\$ 635	\$ (60)	-1.1
Attorney General Charges	\$ 48,350	\$ 41,208	\$ 53,191	\$ 7,142	17.3
Net Building Expense	\$ 1,509,452	\$ 1,392,957	\$ 1,029,157	\$ 116,495	8.4
Total Operating Budget	\$ 40,508,034	\$ 38,750,339	\$ 37,314,590	\$ 1,757,695	4.5

School Employees Retirement System

2025 ORSC Budget Presentation

Budget category	2025 Budget	2024 Budget
Full-Time Equivalent (FTE) Associates	184	183

*Please note that SERS reports TOS Warrant Clearing Charges and Attorney General Fees under Professional Services for budget reporting. These have been reported under Other Operating Expenses in compliance with the ORSC approved budget form.

School Employees Retirement System
2025 ORSC Budget Presentation

FY2024 to FY2025 Capital Budget

	2025 Budget (includes carryover from previous years)	2024 Budget	2024 Estimate
Total Capital Budget	\$ -	\$ -	\$ -
Computer Hardware > \$5,000	\$ -	\$ -	\$ -
Computer Software > \$25,000	\$ -	\$ -	\$ -

Technology Infrastructure Project

	FY23 to FY27	FY24 Budget	FY24 Estimate	FY25 Budget
Total Project Budget	\$ 8,283,054	\$ 2,985,291	\$ 1,082,017	\$ 2,298,417

Investment Expenses

	FY 2023 Actual	FY 2022 Actual	Percent Change (2022 to 2023)
Total Investment Assets	\$ 17,895,114,604	\$ 17,227,747,213	3.874%
Total Internally Managed Assets	438,529,436	458,638,560	-4.385%
Total Externally Managed Assets	17,456,585,168	16,769,108,653	4.100%
Total Investment Expenses	\$ 117,074,961	\$ 112,661,530	3.917%
Total Internal Investment Expenses	4,269,711	4,110,643	3.870%
Total External Investment Expenses	108,061,414	103,130,407	4.781%
Investment Consulting	2,550,641	2,689,015	-5.146%
Brokerage/Commissions-Internal			0.000%
Brokerage/Commissions-External	1,173,989	1,636,879	-28.279%
Custodian Fees	1,019,206	1,094,586	-6.887%

School Employees Retirement System
2025 ORSC Budget Presentation

Total Investment Expenses as a % of Total Investment Assets	0.634%	0.632%
Expenses as % of Internally Managed*	0.974%	0.896%
Expenses as % of Externally Managed*	0.626%	0.625%

*Excludes Investment Consulting and Custodian Fees

Fiscal Year Board Member Expenses

	2016	2017	2018	2019	2020	2021	2022	2023	2024 (est.)	2025 (budget)
Total Board Expenses	\$ 88,590	\$ 203,406	\$ 78,112	\$ 82,534	\$ 313,113	\$ 50,974	\$ 99,198	\$ 91,310	\$ 110,603	\$ 172,307
Board/Subcommittee Meetings	\$ 25,459	\$ 151,328	\$ 21,861	\$ 38,065	\$ 267,297	\$ 26,168	\$ 46,437	\$ 48,742	\$ 67,124	\$ 93,100
Travel to Attend Board Meetings	\$ 30,279	\$ 30,363	\$ 25,183	\$ 19,244	\$ 19,021	\$ 19,784	\$ 23,893	\$ 25,617	\$ 25,337	\$ 36,888
Education and Travel	\$ 32,192	\$ 18,675	\$ 28,083	\$ 21,533	\$ 23,093	\$ 1,500	\$ 25,149	\$ 12,774	\$ 13,930	\$ 38,012
Member services	\$ 660	\$ 3,040	\$ 2,985	\$ 3,692	\$ 3,702	\$ 3,522	\$ 3,719	\$ 4,178	\$ 4,212	\$ 4,307



Board Expenses include the cost of the Internal Auditor search in FY2020, as well as, an Executive Director search in FY2017.

FY2020 includes costs for a consultant to facilitate pension and health care plan design work.

Beginning in FY2023, Board expenses include software to support Board meetings.

The increase in FY2025 includes training for two new board members as well as renewal of Board Smart, a training tool for all board members.

School Employees Retirement System
2025 ORSC Budget Presentation

Staff Training and Travel (Budget to Budget)

	2025	2024	Increase (Decrease)	% Increase (Decrease)
Administration				
Conferences, Seminars & Travel	\$ 51,720	\$ 50,836	\$ 884	1.7
In-House Training	\$ 27,920	\$ 17,896	\$ 10,024	-
#FTE	35	35	0	
Expense per FTE	\$ 1,478	\$ 1,452	\$ 25	1.7

	2025	2024	Increase (Decrease)	% Increase (Decrease)
Investments*				
Conferences, Seminars & Travel	\$ 85,000	\$ 85,000	\$ -	0
In-House Training	\$ -	\$ -	\$ -	-
#FTE	13	13	0	
Expense per FTE	\$ 6,538	\$ 6,538	\$ -	-

	2025	2024	Increase (Decrease)	% Increase (Decrease)
Finance and Benefits				
Conferences, Seminars & Travel	\$ 47,000	\$ 50,524	\$ (3,524)	-7.0
In-House Training	\$ -	\$ -	\$ -	-
#FTE	25.5	25.5	0	
Expense per FTE	\$ 1,843	\$ 1,981	\$ (138)	-6.97

	2025	2024	Increase (Decrease)	% Increase (Decrease)
Information Technology/Information Services				
Conferences, Seminars & Travel	\$ 155,700	\$ 189,146	\$ (33,446)	-17.7
In-House Training	\$ -	\$ -	\$ -	-
#FTE	44	43	1	
Expense per FTE	\$ 3,539	\$ 4,399	\$ (860)	-19.6

	2025	2024	Increase (Decrease)	% Increase (Decrease)
Member Services				
Conferences, Seminars & Travel	\$ 21,500	\$ 21,528	\$ (28)	-0.1
In-House Training	\$ -	\$ -	\$ -	-
#FTE	66.5	66.5	0	
Expense per FTE	\$ 323	\$ 324	\$ (0)	-0.1

* Travel costs for Investment and Finance include costs attributed to due diligence visits

School Employees Retirement System

2025 ORSC Budget Presentation

Supplementary Statistical Information

	2020	2021	2022	2023	2024
Active Members	156,579	146,646	155,063	159,873	NA
Inactive Members	265,068	284,631	282,998	280,693	NA
Benefit Recipient (Age, Dis., Survivor)	67,864	68,518	68,481	68,923	NA
Re-employed Retirees	12,987	12,203	12,670	12,910	NA
Total Membership	502,498	511,998	519,212	522,399	NA
Members Per FTE	2,776	2,893	2,869	2,870	NA