



**Ohio  
Retirement  
Study  
Council**

88 East Broad Street, Suite 1175  
Columbus, Ohio 43215  
PHONE: 614-228-1346  
FAX: 614-228-0118

**MEMORANDUM**

**Voting Members**

**Representatives**

Lynn Wachtmann, *Chairman*  
Kirk Schuring  
Dan Ramos

**Senators**

Shannon Jones, *Vice-Chair*  
Edna Brown  
David Burke

**Governor's Appointees**

Lora Miller  
Seth Morgan  
Vacant

**Non-Voting Members**

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

**Director/General Counsel**

Bethany Rhodes

**TO: ORSC Members**  
**FROM: Bethany Rhodes, Director/General Counsel**  
**DATE: June 5, 2014**  
**RE: Proposed Fiscal Year 2015 ORSC Budget**

Attached for your review is the proposed budget request for the operation of the Ohio Retirement Study Council (ORSC) for the fiscal year 2015 beginning July 1, 2014, and ending June 30, 2015. The budget request for FY 2015 is \$745,100.00, which is a **1.89% increase** from the FY 2014 budget, yet still represents a **3.19% decrease** in comparison to each of the FY 09, FY 10, FY 11, FY 12, and FY 13 budgets. The total budget request of \$745,100.00 is offset by an estimated ending balance of \$198,684.73 from fiscal year 2014; therefore, the systems will be required to pay only \$546,415.27. This carryover balance varies annually depending upon the previous fiscal year's activity, staff turnover, etc.

The total assets of the five state retirement systems have increased from \$170.978 billion as of January 1, 2013, to nearly \$188.340 billion as of January 1, 2014. This represents a 10.15% increase in assets over the past year. The proposed annual ORSC budget represents only 0.0003956% 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 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)). As you know, five different bills were recently enacted (Sub. SB 340, Sub. SB 341, Sub. SB 342, Sub. SB 343, and Sub. SB 345) to implement substantial changes in the laws governing the retirement systems in order to ensure all are within the maximum 30-year funding period as required by law. The ORSC has instructed the staff to update all old reports including those regarding the disparity in

employer rates; we expect a large portion of the contract services line will be spent on these measures. Additionally, the ORSC has also instructed the staff to review and make recommendations relevant to disability policies at OP&F, PERS LE, and HPRS. There was a delay last year in awarding the contract to conduct an actuarial audit of the Public Employees Retirement System of Ohio, but it is scheduled to be completed this year. A number of ongoing technical upgrades have been required in the past several years to replace and/or update broken and/or antiquated equipment. Finally, while the vast majority of the dilapidated furniture has been repaired or replaced during the last few years, there will need to be expenditures to replace few items in the near future; I expect this cost to be minimal.

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. §742.331;
- Triennial review of the supplemental contributions payable under the alternative retirement plan for higher education employees pursuant to R.C. §171.07;
- An actuarial audit of the five state pension funds at least once every ten years 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.

Included with the proposed annual budget for fiscal year 2015 is the ORSC budget versus final estimated expenditures for fiscal year 2014.

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 FY 2015 BUDGET REQUEST**

<b>EXPENSE CATEGORIES</b>	<b>BUDGET REQUEST FY 2014</b>	<b>ESTIMATED EXPENSES FY 2014</b>	<b>BUDGET REQUEST FY 2015</b>	<b>FY 2014 TO FY 2015 % +/-</b>
101- PERSONNEL	\$243,000.00	\$235,521.29	\$272,000.00	+11.93%
110- EMPLOYER- PERS	\$35,000.00	\$32,972.98	\$38,100.00	+8.86%
115- INSURANCE	\$35,000.00	\$23,135.79	\$35,000.00	0.00%
120- CAPITAL EXPENSES	\$30,000.00	\$38,515.61	\$15,000.00	-50.00%
125- ORSC MEETINGS/TRAVEL	\$7,000.00	\$652.43	\$7,000.00	0.00%
130- COMMUNICATIONS	\$7,000.00	\$5,720.08	\$7,000.00	0.00%
135- OFFICE EXPENSES/POSTAGE	\$15,000.00	\$19,288.54	\$15,000.00	0.00%
140- RENT & UTILITIES	\$38,500.00	\$32,609.36	\$38,500.00	0.00%
145- CONTRACT SERVICES	\$275,000.00	\$108,248.28	\$275,000.00	0.00%
150- PUBLICATIONS	\$23,000.00	\$19,938.04	\$21,000.00	-8.70%
151- ORGANIZATIONAL DUES	\$7,300.00	\$4,248.57	\$6,000.00	-17.81%
155- AUDIT (STATE AUDITOR)	\$15,500.00	\$11,764.30	\$15,500.00	0.00%
<b>TOTAL</b>	<b>\$731,300.00</b>	<b>\$532,615.27</b>	<b>\$745,100.00</b>	<b>0.00%</b>
<b>YEARLY BUDGET REQUEST:</b>	<b>\$731,300.00</b>		<b>\$745,100.00</b>	<b>+1.89%</b>
<b>BALANCE PER FY 2014</b>		<b>\$198,684.73</b>		
<b>\$ AMOUNT INCREASE IN BUDGET REQUEST:</b>			<b>+\$13,800</b>	<b>+1.89%</b>
<b>Total Budget Request for FY 2015: \$745,100.00</b>				
Minus Estimated Balance for FY 2014: (\$198,684.73)				
Minus General Journal Adjustments: \$0.00				
<b>BUDGET REQUEST FY 2015 FROM ALL FIVE SYSTEMS: \$546,415.27</b>				

**FY 2015**

**FY 2015- Comparison Table- Systems' Proportionate Shares of ORSC Budget**

<b>SYSTEM</b>	<b>ASSETS AS OF 1/1/14</b>	<b>% OF BUDGET</b>	<b>FY 2015 TOTAL BUDGET</b>	<b>TOTAL DUE MINUS FY 2014 BALANCES</b>	<b>TOTAL DUE PER QUARTER</b>
<b>PERS</b>	\$88,989,936,298	47.24968%	\$352,057.37	\$258,179.47	\$64,544.87
<b>STRS</b>	\$73,085,826,000	38.80531%	\$289,138.36	\$212,038.14	\$53,009.53
<b>OP&amp;F</b>	\$12,887,844,271	6.84287%	\$50,986.22 0	\$37,390.49	\$9,347.62
<b>SERS</b>	\$12,562,214,578	6.66997%	\$49,697.95	\$36,445.73	\$9,111.43
<b>HPRS</b>	\$813,952,605	0.43217%	\$3,220.10	\$2,361.44	\$590.36
<b>TOTAL</b>	<b>\$188,339,773,752</b>	<b>100.00000%</b>	<b>\$745,100.00</b>	<b>\$546,415.27</b>	<b>\$136,603.81</b>

**ORSC'S FY 2015 Budget is .0003956% of Reported Systems' Total Assets.**

**INCREASE IN SYSTEMS' TOTAL ASSETS FROM FY 2014: 10.15419% (\$17,361,464,416)**

**FY 2015**

**FY 2015- Comparison Table- Systems' Proportionate Shares of ORSC Actuarial Services**

<b>SYSTEM</b>	<b>ASSETS AS OF 1/1/14</b>	<b>% OF BUDGET</b>	<b>TOTAL DUE Billed Separately to each System</b>
<b>PERS</b>	\$88,989,936,298	47.24968%	\$112,361.20
<b>STRS</b>	\$73,085,826,000	38.80531%	\$92,280.23
<b>OP&amp;F</b>	\$12,887,844,271	6.84287%	\$16,272.56
<b>SERS</b>	\$12,562,214,578	6.66997%	\$15,861.40
<b>HPRS</b>	\$813,952,605	0.43217%	\$1,027.71
<b>TOTAL</b>	<b>\$188,339,773,752</b>	<b>100.0000%</b>	<b>\$237,803.10</b>

<b>ORSC ACCOUNT CATEGORIES</b>	
<b>EXPENSE CATEGORIES</b>	<b>DISCRPTION</b>
<b>101- PERSONNEL</b>	Federal, state, city, school district income taxes, Medicare withholdings; PERS employee contribution; Deferred Compensation; Credit Union; Net Pay
<b>110- EMPLOYER- PERS</b>	Statutorily required employer contribution
<b>115- INSURANCE</b>	Unemployment, Workers' Compensation, health, dental, life insurances
<b>120- CAPITAL EXPENSES</b>	Individual items costing \$500 or more
<b>125- ORSC MEETINGS/TRAVEL</b>	Council member meeting reimbursements, conferences, and business meetings
<b>130- COMMUNICATIONS</b>	Local, long distance, internet
<b>135- OFFICE EXPENSES/POSTAGE</b>	Postage, office expenses (including paper and office supplies)
<b>140- RENT&amp; UTILITIES</b>	
<b>145- CONTRACT SERVICES</b>	Legislative reports required of ORSC; actuarial services, parking, copies
<b>150- PUBLICATIONS</b>	
<b>151- ORGANIZATIONAL DUES</b>	Ohio Ethics Commission, Joint Legislative Ethics Commission, Supreme Court, American Bar Association, Ohio Bar Association, International Foundation of Employee Benefit Plans (NCPERS Membership was not renewed due to lack of responsiveness to ORSC inquiries and concerns)
<b>155- AUDITS</b>	Audits conducted by State Auditor's office