



October 22, 2021

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 2022 operating budget for the Ohio Public Employees Retirement System (OPERS). The proposed operating budget of \$109.9 million reflects a 0.3% increase in expenses from the prior year's budget of \$109.5 million. The 0.3% increase results primarily from an increase of \$0.4 million in the personnel expense category netted against a decrease of \$0.2 million in the professional services category. The remaining expense category fluctuations are less significant and result in a net increase of \$0.2 million.

In the personnel expense category, this budget reflects the elimination of 10 vacant positions. Like many other organizations, 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 124 positions. Additionally, this budget reflects that staff will receive an average 3% merit-based increase following the 2020 year with no wage increase. This is offset by a decrease in employee insurance costs and increased capitalizable internal labor costs associated with capital projects, describe further below.

In the professional services category, this budget reflects the phase out of an investments risk system and services that will be fully retired during 2022 upon completion of the implementation of a lower cost solution. Additionally, this category reflects a decrease in legal fees budget.

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 expected 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 2021 capital budget reflects an increase from \$8.2 million in 2021 to \$16.9 million in 2022. The 2022 capital budget includes \$5.9 million of funding for the migration and retirement of the mainframe data system. Additionally, the capital budget includes \$4.2 million of funding for changes to the health care systems which support plan design changes. The capital budget includes \$4.9 million in estimated internal labor costs associated with these capital initiatives.



Capitalizing internal labor as prescribed per accounting rules reduces the operating budget as the staff costs are included in the capital budget rather than the operating budget while the project is in process. Eventually in future years when the capital project is completed, these staff costs will shift back to the operating budget. The proposed 2022 capital budget also includes an additional \$1.3 million for enhancements to the investment compliance and collateral management systems.

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 2021 fiscal year budget for OPERS and projected expenses for 2021. 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 running an efficient organization that continues to provide 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: Kimberly Murnieks, Director, Ohio Office of Budget and Management
The Honorable Kristina Roegner, Chair, Ohio Senate Government Oversight & Reform
Committee
The Honorable Susan Manchester, Chair, Ohio House Aging & Long-term Care Committee

**Ohio Public Employees Retirement System
2022 ORSC BUDGET PRESENTATION**

FY 2021 to FY 2022 Operating Budget and Increase (Decrease)

Budget Category	2022 Budget	2021 Budget	2021 Estimated Actual	2021-2022 Increase (Decrease)	Percent Change (2021-2022)
Personnel	\$66,412,106	\$66,009,529	\$67,224,727	\$402,577	0.6 %
Salaries and Wages	49,283,192	48,742,611	50,987,448	540,581	1.1
PERS Contributions	7,334,603	7,265,243	7,036,384	69,360	1.0
Health Insurance	9,619,151	9,820,660	9,064,206	(201,509)	(2.1)
Miscellaneous Expenses	175,160	181,015	136,689	(5,855)	(3.2)
Professional Services	\$23,678,962	\$23,893,796	\$24,668,856	(\$214,834)	(0.9) %
Actuarial	770,970	717,551	827,551	53,419	7.4
Audit	580,438	522,180	611,680	58,258	11.2
Custodial Banking Fees	7,353,813	7,281,000	7,977,748	72,813	1.0
Investment Consulting	11,516,458	11,690,172	11,797,119	(173,714)	(1.5)
Other Consulting	3,411,883	3,639,893	3,411,758	(228,010)	(6.3)
Banking Expenses	45,400	43,000	43,000	2,400	5.6
Communications Expense	\$3,065,133	\$2,990,736	\$2,520,178	\$74,397	2.5 %
Printing and Postage	2,606,935	2,461,112	2,237,069	145,823	5.9
Telecommunications	373,098	331,624	283,109	41,474	12.5
Member/Employer Education	85,100	198,000	-	(112,900)	(57.0)
Other Operating Expenses	\$12,760,189	\$12,671,439	\$11,613,696	\$88,750	0.7 %
Conferences and Education	393,269	375,409	154,682	17,860	4.8
Travel	278,806	433,143	16,486	(154,337)	(35.6)
Computer Technology	10,423,936	10,162,999	9,889,847	260,937	2.6
Other Operating	1,250,368	1,290,649	1,169,442	(40,281)	(3.1)
Ohio Retirement Study Council	306,000	309,000	283,000	(3,000)	(1.0)
TOS Warrant Clearing Charges	4,800	4,800	4,800	0	0.0
Attorney General Charges	103,010	95,439	95,439	7,571	7.9
Net Building Expense	\$3,950,610	\$3,928,500	\$3,420,211	\$22,110	0.6 %
Total Operating Budget	\$109,867,000	\$109,494,000	\$109,447,668	\$373,000	0.3 %
Full-Time Equivalent (FTE) Associates	520	530			
Other Items Monitored by OPERS					
Depreciation	\$13,719,000	\$14,339,000	\$13,874,948	(\$620,000)	(4.3) %
Commission Sharing Agreements - Research Costs	\$200,000	\$425,000	\$425,000	(\$225,000)	(52.9) %

**Ohio Public Employees Retirement System
2022 ORSC BUDGET PRESENTATION**

FY 2021 to FY 2022 Capital Budget

	2022 Budget (does not include carryover from previous years)	2021 Budget (does not include carryover from previous years)	2021 Estimate
Total Capital Budget*	\$16,959,758	\$8,187,680	\$8,442,270
Building and Building Equipment	250,500	222,000	222,000
Computer Software, Equipment and Other	353,988	4,379,355	4,601,825
IT Capital Projects	16,355,270	3,586,325	3,618,445

*Includes new capitalizable internal labor budget of \$4.9 million and \$1.1 million in 2022 and 2021, respectively. Due to capital budget carryover, an additional \$0.8 million and \$3.3 million in capitalizable internal labor is applicable to 2022 and 2021, respectively, not reflected as new capital budget above; therefore, total capitalizable internal labor estimates for 2022 and 2021 are \$5.7 million and \$4.4 million.

**Ohio Public Employees Retirement System
2022 ORSC BUDGET PRESENTATION**

Investment Expenses

	2020 Actual	2019 Actual	Percent Change (2019 to 2020)
Total Investment Assets	\$113,408,980,046	\$106,149,988,459	6.84 %
Total Internally Managed Assets	51,738,664,078	47,788,724,804	8.27
Total Externally Managed Assets	61,670,315,968	58,361,263,655	5.67

Total Investment Expenses	\$396,055,595	\$448,358,301	(11.67) %
Total Internal Investment Expenses	39,184,414	38,083,254	2.89
Total External Investment Expenses*	342,321,151	397,838,957	(13.95)
Investment Consulting	1,025,876	1,017,524	0.82
Brokerage/Commissions-Internal	2,971,605	2,369,252	25.42
Brokerage/Commissions-External	6,604,591	5,071,867	30.22
Custodian Fees	3,947,958	3,977,447	(0.74)

Total Investment Expenses as a % of Total Investment Assets	0.35%	0.42%	
Expenses as % of Internally Managed	0.77	0.94	
Expenses as % of Externally Managed	0.64	0.77	

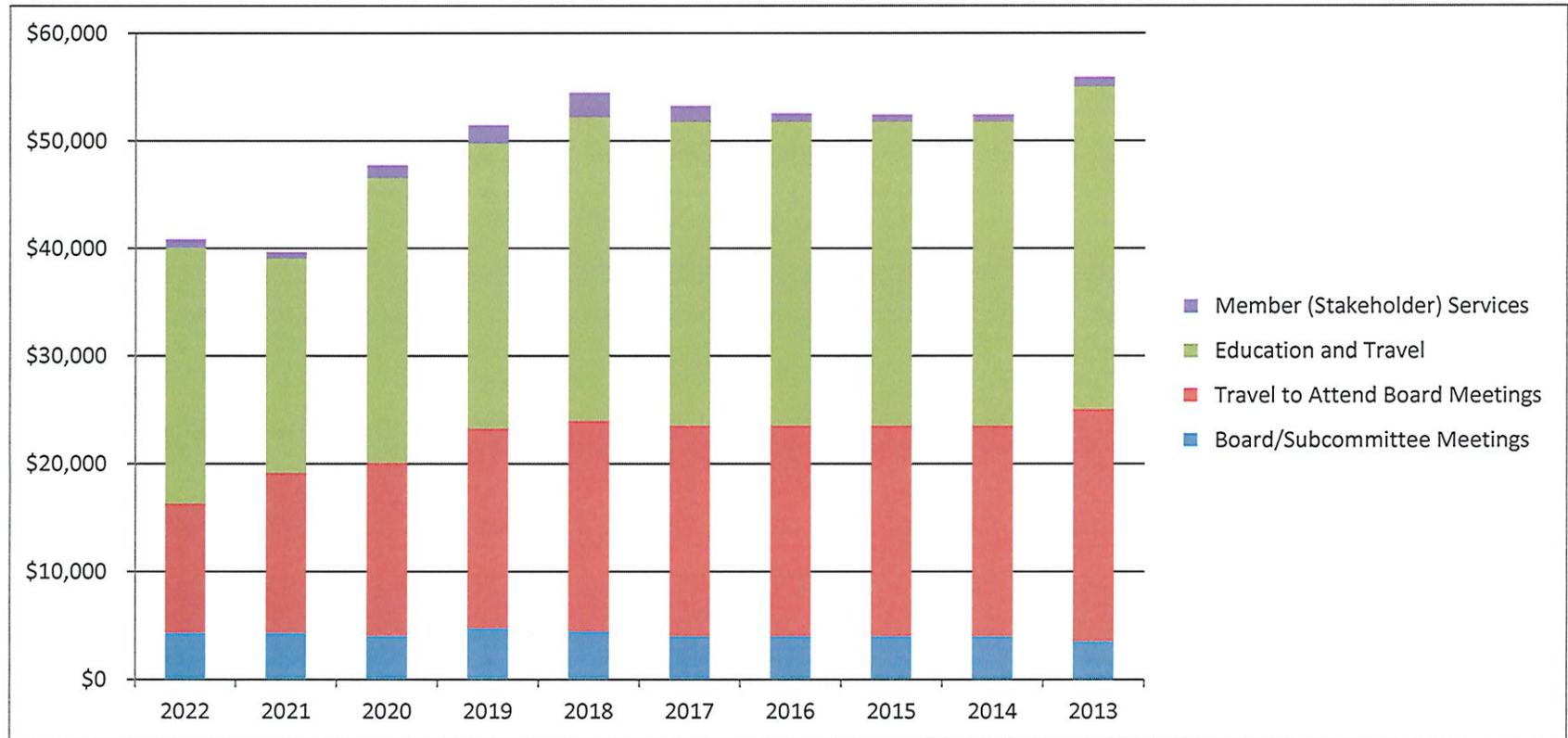
* - Includes net management fees and fund expenses.

Note: 2021 Investment Expenses not available. Does not include research costs paid through Commission Sharing Agreements.

**Ohio Public Employees Retirement System
2022 ORSC BUDGET PRESENTATION**

Board Member Expenses

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Board Expenses	\$40,800	\$39,587	\$47,700	\$51,400	\$54,450	\$53,200	\$52,500	\$52,400	\$52,400	\$55,900
Board/Subcommittee Meetings	\$4,250	\$4,250	\$4,000	\$4,700	\$4,400	\$3,950	\$3,950	\$3,950	\$3,950	\$3,500
Travel to Attend Board Meetings	\$12,000	\$14,800	\$16,000	\$18,500	\$19,500	\$19,500	\$19,500	\$19,500	\$19,500	\$21,500
Education and Travel	\$23,750	\$19,937	\$26,500	\$26,500	\$28,250	\$28,250	\$28,250	\$28,250	\$28,250	\$30,000
Member (Stakeholder) Services	\$800	\$600	\$1,200	\$1,700	\$2,300	\$1,500	\$800	\$700	\$700	\$900



**Ohio Public Employees Retirement System
2022 ORSC BUDGET PRESENTATION**

Staff Training and Travel

	FY 2022	FY 2021	Increase (Decrease)	% Increase (Decrease)
Administration				
Conferences & Seminars	\$135,206	\$234,494	(\$99,288)	(42.3) %
In-House Training	\$31,142	\$13,222	\$17,920	135.5
#FTE	70	69	1	1.4
Training Expense per FTE	\$2,376	\$3,590	(\$1,214)	(33.8)

	FY 2022	FY 2021	Increase (Decrease)	% Increase (Decrease)
Finance and Benefits				
Conferences & Seminars	\$54,110	\$79,010	(\$24,900)	(31.5) %
In-House Training	\$12,085	\$8,499	\$3,586	42.2
#FTE	125	128	(3)	(2.3)
Training Expense per FTE	\$530	\$684	(\$154)	(22.5)

	FY 2022	FY 2021	Increase (Decrease)	% Increase (Decrease)
Investments				
Conferences & Seminars	\$124,994	\$140,501	(\$15,507)	(11.0) %
In-House Training			\$-	-
#FTE	61	64	(3)	(4.7)
Training Expense per FTE	\$2,049	\$2,195	(\$146)	(6.7)

	FY 2022	FY 2021	Increase (Decrease)	% Increase (Decrease)
Information Technology/Information Services				
Conferences & Seminars	\$75,102	\$89,425	(\$14,323)	(16.0) %
In-House Training	\$105,750	\$107,296	(\$1,546)	(1.4)
#FTE	148	151	(3)	(2.0)
Training Expense per FTE	\$1,222	\$1,303	(\$81)	(6.2)

	FY 2022	FY 2021	Increase (Decrease)	% Increase (Decrease)
Member Services				
Conferences & Seminars	\$18,768	\$21,895	(\$3,127)	(14.3) %
In-House Training	\$5,748	\$4,748	\$1,000	21.1
#FTE	116	118	(2)	(1.7)
Training Expense per FTE	\$211	\$226	(\$15)	(6.6)

**Ohio Public Employees Retirement System
2022 ORSC BUDGET PRESENTATION**

Supplementary Statistical Information

	2021 ^a	2020	2019	2018 ^b	2017
Active Members	289,435	289,435	304,446	303,920	347,730
Inactive Members	677,873	677,873	653,659	628,091	559,587
Benefit Recipient (Age, Dis., Survivor)	216,523	216,523	214,985	212,953	210,882
Re-employed Retirees	Included Above	Included Above	Included Above	Included Above	Included Above
Total Membership	1,183,831	1,183,831	1,173,090	1,144,964	1,118,199
Members Per FTE	2,234	2,062	2,019	1,911	1,772

^aMember counts for year-end 2021 not available; reflects 2020 counts for calculation purposes.

^bIn 2018, the data aggregation methodology was modified for Active and Inactive counts after system reconfigurations. Restated data for years prior to 2018 is not available.