



October 18, 2024

Ms. Bethany Rhodes, Director and General Counsel
Ohio Retirement Study Council
Rhodes State Office Tower
30 East Broad Street, 2nd Floor, Suite 219
Columbus, OH 43215

Dear Ms. Rhodes:

Enclosed is the proposed 2025 operating budget for the Ohio Public Employees Retirement System (OPERS). The proposed operating budget of \$125.2 million reflects a 4.0% increase in expenses from the prior year's budget of \$120.4 million. The 4.0% increase results primarily from increases of \$5.1 million in the personnel expense category and \$0.8 million in the professional services expense category, offset by a \$1.2 million decrease in the computer technology category. The remaining expense category fluctuations are less significant and result in a net increase of less than \$0.1 million.

The personnel expense budget reflects the elimination of six 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 132 positions. This budget reflects that staff will receive an average 4.5% merit-based increase, based upon recommendations from the independent compensation consultant CBIZ. Additionally, OPERS has budgeted for a \$1.7 million increase to health insurance. We have continued to have a significant increase in catastrophic claims which despite stop-loss insurance represent approximately 40% of the total health insurance costs. Our 2025 budget reflects plan design changes we are making to reduce the impact of these claims.

The professional services budget reflects significant increases for investment-related data and pricing services as industry providers, such as Bloomberg, continue to raise costs. Also included in this category are increases for election services for the first year of a two-year Board election cycle, out-of-state mortality verification services through a new vendor, and disability medical exams and reviews through a new vendor. Finally, actuarial services include an increase associated with an ORSC 10-year actuarial audit.



Partially offsetting these budget increases, the computer technology budget continues to reflect substantial savings due to the completion of the migration and retirement of the mainframe data system in early 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 2025 capital budget reflects an increase from \$15.2 million in 2024 to \$19.4 million in 2025. Approximately 84% of the budget, or \$16.3 million, continues to be related to technology initiatives. The capital budget includes \$7.6 million for continued member systems modernization efforts and \$7.6 million for technical debt and other system enhancements that increase functionality and/or efficiency while extending the life of our internally developed systems. Included in these projects is \$8.4 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 2024 fiscal year budget for OPERS and projected expenses for 2024. 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 supports the State of Ohio.

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

Sincerely,

Karen E. Carraher

Karen E. Carraher
Executive Director

Cc: The Honorable Mark Romanchuk, Chairman – ORSC
The Honorable Phil Plummer, Vice Chair - ORSC

**Ohio Public Employees Retirement System
2025 ORSC BUDGET PRESENTATION**

FY 2024 to FY 2025 Operating Budget and Increase (Decrease)

Budget Category	2025 Budget	2024 Budget	2024 Estimated Actual	2024-2025 Increase (Decrease)	Percent Change (2024-2025)
Personnel	\$80,004,738	\$74,878,744	\$75,300,000	\$5,125,994	6.8 %
Salaries and Wages	59,920,424	57,003,043	55,075,430	2,917,381	5.1
PERS Contributions	8,840,797	8,373,729	7,924,638	467,068	5.6
Health Insurance	11,056,142	9,321,065	12,137,934	1,735,077	18.6
Miscellaneous Expenses	187,375	180,907	161,998	6,468	3.6
Professional Services	\$24,614,878	\$23,795,174	\$24,619,257	\$819,704	3.4 %
Actuarial	822,610	735,320	735,320	87,290	11.9
Audit	463,675	513,725	513,948	(50,050)	(9.7)
Custodial Banking Fees	7,863,239	7,815,239	8,009,580	48,000	0.6
Investment Consulting	12,228,501	11,766,452	12,245,796	462,049	3.9
Other Consulting	3,191,853	2,916,438	3,066,613	275,415	9.4
Banking Expenses	45,000	48,000	48,000	(3,000)	(6.3)
Communications Expense	\$2,961,551	\$3,055,730	\$2,920,950	(\$94,179)	(3.1) %
Printing and Postage	2,642,003	2,719,422	2,609,189	(77,419)	(2.8)
Telecommunications	228,728	237,108	221,381	(8,380)	(3.5)
Member/Employer Education	90,820	99,200	90,380	(8,380)	(8.4)
Other Operating Expenses	\$13,494,608	\$14,587,165	\$13,483,614	(\$1,092,557)	(7.5) %
Conferences and Education	489,736	409,232	406,983	80,504	19.7
Travel	311,196	226,483	329,509	84,713	37.4
Computer Technology	10,777,580	12,015,548	10,805,000	(1,237,968)	(10.3)
Other Operating	1,377,621	1,433,979	1,440,378	(56,358)	(3.9)
Ohio Retirement Study Council	381,000	384,000	384,000	(3,000)	(0.8)
TOS Warrant Clearing Charges	3,400	3,600	3,421	(200)	(5.6)
Attorney General Charges	154,075	114,323	114,323	39,752	34.8
Net Building Expense	\$4,117,225	\$4,061,187	\$4,001,779	\$56,038	1.4 %
Total Operating Budget	\$125,193,000	\$120,378,000	\$120,325,600	\$4,815,000	4.0 %
Full-Time Equivalent (FTE) Associates	512	518			
Other Items Monitored by OPERS					
Depreciation	\$14,932,000	\$14,625,000	\$14,437,000	\$307,000	2.1 %
Commission Sharing Agreements - Research Costs	\$235,000	\$235,000	\$235,000	\$0	0.0 %

**Ohio Public Employees Retirement System
2025 ORSC BUDGET PRESENTATION**

FY 2024 to FY 2025 Capital Budget

	2025 Budget (does not include carryover from previous years)	2024 Budget (does not include carryover from previous years)	2024 Estimate
Total Capital Budget	\$19,396,874	\$15,210,360	\$15,407,185
Building and Building Equipment	1,347,000	549,000	817,296
Computer Software, Equipment and Other	1,792,204	2,068,000	2,101,855
IT Capital Projects	16,257,670	12,593,360	12,488,034

**Ohio Public Employees Retirement System
2025 ORSC BUDGET PRESENTATION**

Investment Expenses

	2023 Actual	2022 Actual	Percent Change (2022 to 2023)
Total Investment Assets	\$114,029,462,752	\$106,046,974,674	7.53 %
Total Internally Managed Assets	60,013,706,246	51,963,017,590	15.49
Total Externally Managed Assets	54,015,756,506	54,083,957,084	(0.13)

Total Investment Expenses	\$399,032,314	\$438,268,510	(8.95) %
Total Internal Investment Expenses	44,434,336	40,743,496	9.06
Total External Investment Expenses*	340,036,739	383,205,758	(11.27)
Investment Consulting	824,000	807,333	2.06
Brokerage/Commissions-Internal	1,851,930	1,509,254	22.70
Brokerage/Commissions-External	5,940,104	6,834,131	(13.08)
Custodian Fees	5,945,205	5,168,538	15.03

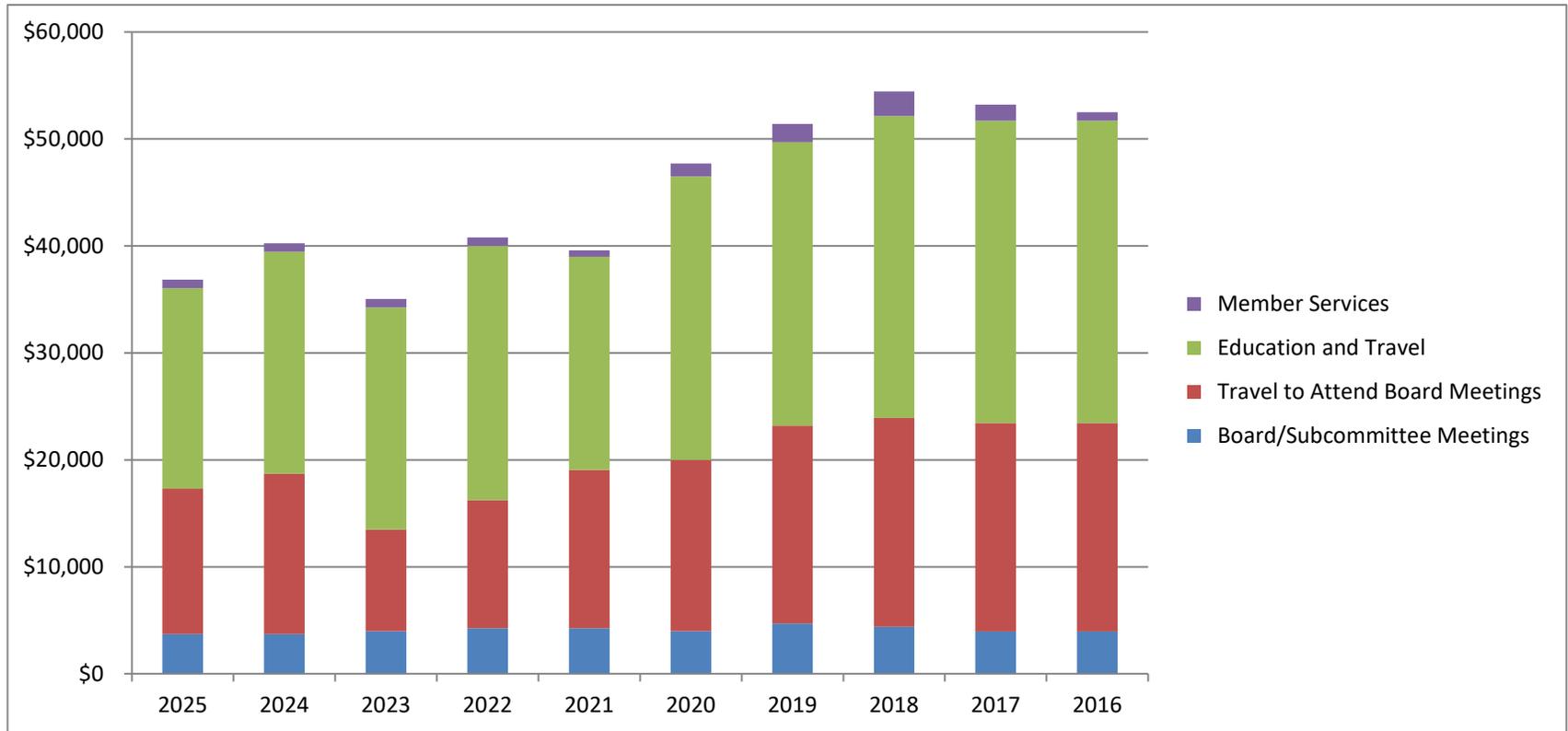
Total Investment Expenses as a % of Total Investment Assets	0.34%	0.41%	
Internal Expenses as % of Internally Managed	0.08	0.08	
External Expenses as % of Externally Managed	0.64	0.72	

*Includes net management fees and fund expenses.

**Ohio Public Employees Retirement System
2025 ORSC BUDGET PRESENTATION**

Board Member Expenses

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Board Expenses	\$36,850	\$40,250	\$35,050	\$40,800	\$39,587	\$47,700	\$51,400	\$54,450	\$53,200	\$52,500
Board/Subcommittee Meetings	\$3,700	\$3,700	\$4,000	\$4,250	\$4,250	\$4,000	\$4,700	\$4,400	\$3,950	\$3,950
Travel to Attend Board Meetings	\$13,600	\$15,000	\$9,500	\$12,000	\$14,800	\$16,000	\$18,500	\$19,500	\$19,500	\$19,500
Education and Travel	\$18,750	\$20,750	\$20,750	\$23,750	\$19,937	\$26,500	\$26,500	\$28,250	\$28,250	\$28,250
Member Services	\$800	\$800	\$800	\$800	\$600	\$1,200	\$1,700	\$2,300	\$1,500	\$800



**Ohio Public Employees Retirement System
2025 ORSC BUDGET PRESENTATION**

Staff Training and Travel

	FY 2025	FY 2024	Increase (Decrease)	% Increase (Decrease)
Administration				
Conferences & Seminars	\$124,764	\$94,913	\$29,851	31.5 %
In-House Training	\$13,229	\$8,546	\$4,683	54.8
#FTE	64	65	(1)	(1.5)
Training Expense per FTE	\$2,156	\$1,592	\$564	35.4

	FY 2025	FY 2024	Increase (Decrease)	% Increase (Decrease)
Finance and Benefits				
Conferences & Seminars	\$56,481	\$46,368	\$10,113	21.8 %
In-House Training	\$8,131	\$7,659	\$472	6.2
#FTE	130	129	1	0.8
Training Expense per FTE	\$497	\$419	\$78	18.6

	FY 2025	FY 2024	Increase (Decrease)	% Increase (Decrease)
Investments				
Conferences & Seminars	\$134,120	\$99,807	\$34,313	34.4 %
In-House Training			\$-	-
#FTE	62	62	0	-
Training Expense per FTE	\$2,163	\$1,610	\$553	34.3

	FY 2025	FY 2024	Increase (Decrease)	% Increase (Decrease)
Information Technology/Information Services				
Conferences & Seminars	\$75,183	\$66,665	\$8,518	12.8 %
In-House Training	\$117,782	\$106,944	\$10,838	10.1
#FTE	147	148	(1)	(0.7)
Training Expense per FTE	\$1,313	\$1,173	\$140	11.9

	FY 2025	FY 2024	Increase (Decrease)	% Increase (Decrease)
Member Services				
Conferences & Seminars	\$17,702	\$12,668	\$5,034	39.7 %
In-House Training	\$4,390	\$4,465	(\$75)	(1.7)
#FTE	109	114	(5)	(4.4)
Training Expense per FTE	\$203	\$150	\$53	35.3

Ohio Public Employees Retirement System
2025 ORSC BUDGET PRESENTATION

Supplementary Statistical Information

	2024 ^a	2023	2022	2021	2020
Active Members	308,456	308,456	297,827	290,321	289,435
Inactive Members	756,757	756,757	730,139	700,884	677,873
Benefit Recipient (Age, Dis., Survivor)	220,876	220,876	220,667	219,088	216,523
Re-employed Retirees	Included Above	Included Above	Included Above	Included Above	Included Above
Total Membership	1,286,089	1,286,089	1,248,633	1,210,293	1,183,831
Members Per FTE	2,483	2,483	2,401	2,284	2,062

^aMember counts for year-end 2024 not available; reflects 2023 counts for calculation purposes.