



Ohio Retirement Study Council

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To: ORSC Members
From: Bethany Rhodes, Director/General Counsel
Date: June 6, 2016
Subject: Proposed Fiscal Year 2017 ORSC Budget

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Director/General Counsel

Bethany Rhodes

Attached for your review is the proposed budget request for the operation of the Ohio Retirement Study Council (ORSC) for Fiscal Year (FY) 2017 beginning July 1, 2016, and ending June 30, 2017. The budget request for FY 2017 is \$759,350.00 which is a **0.64% decrease** from the FY 2016 budget. The total budget request of \$759,350.00 is offset by an estimated ending balance of \$165,820.29 from fiscal year 2016; because of this carryover balance, the systems would be required to pay \$593,529.72 which is an **11.40% increase** from the FY 2016 payment. 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 decreased from \$191.160 billion as of January 1, 2015, to \$185.836 billion as of January 1, 2016. This represents a 2.78% decrease in assets over the past year. The proposed annual ORSC budget represents only 0.000408613% 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 **0.64% decrease** in the budget totals \$4,900. While there is stability in the budget from FY 2016 there are a number of changes to individual line numbers. The greatest reductions are as follows:

- **120-Capital Expenses** is reduced by 75%. The ORSC completed its move from the Key Bank Building to the Rhodes Tower in 2016;
- **130-Communications** is reduced by 28.57%. Communications are now included in rent. This line item will be eliminated next year

and combined as a utility expense (Line item **140-Rent and Utilities**) in the Rhodes Tower;

- **135-Office Expenses/Postage** is reduced by 47.62%. Because the ORSC office purchased a copier in FY 2016, ORSC will no longer pay rental fees for a copier and will instead owe only paper and ink charges. This has achieved substantial savings.
- **190-State Treasurer Bank Fees** is reduced by 50%. The ORSC will be transferring the ORSC custodial bank from 5/3rd Bank to Key Bank. The savings is a result of substantial decreases in wire charges.

These reductions are offset by a 46.94% increase in **115-Insurance**. This \$23,000 increase includes an assumption of a 14% increase in insurance (medical, dental, life) plus the addition of a family coverage. ORSC did not have a 14% increase in medical coverage in FY 2016; however, in the past medical coverage has increased each year by this amount.

Finally, ORSC recommends continuing without change **145-Contract Services**. While the amounts in FY 2016 were not used and compose the majority of the carryover for FY 2017, this is the line item with the greatest variation of spending as it is dependent on the volume of bills requiring actuarial review. As such, ORSC staff recommends maintaining the line item at \$262,000, as recommended in the past. The majority of these expenses are for ORSC's investment review, RVK, and actuarial consultant, PTA/KMS.

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 (the rates are currently frozen pursuant to Am. Sub. H.B. 64/131st GA);
- An actuarial audit of the five state pension funds at least once every ten years paid for by the audited system 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 FY 2017 is the ORSC budget versus final estimated expenditure for FY 2016. Additionally provided is a list of the current ORSC contracts.

I thank you for your attention to this matter, and please do not hesitate to contact me with any questions.

THE OHIO RETIREMENT COUNCIL FY 2017 BUDGET REQUEST

Expense Categories	BUDGET REQUEST FY 2016	ESTIMATED EXPENSES FY 2016	BUDGET REQUEST FY 2017	FY 2016 TO FY 2017 % +/-
101- PERSONNEL	\$ 273,000.00	\$ 268,311.81	\$ 273,000.00	0.00%
110- EMPLOYER- PERS	\$ 38,250.00	\$ 37,056.55	\$ 38,250.00	0.00%
115- INSURANCE	\$ 49,000.00	\$ 43,902.76	\$ 72,000.00	+46.94%
120- CAPITAL EXPENSES	\$ 20,000.00	\$ 24,395.16	\$ 5,000.00	(75.00)%
125- ORSC MEETINGS/TRAVEL	\$ 7,000.00	\$ -	\$ 7,000.00	0.00%
130- COMMUNICATIONS	\$ 7,000.00	\$ 1,538.00	\$ 5,000.00	(28.57)%
135- OFFICE EXPENSES/POSTAGE	\$ 21,000.00	\$ 18,800.08	\$ 11,000.00	(47.62)%
140- RENT & UTILITIES	\$ 45,500.00	\$ 30,788.16	\$ 46,000.00	+1.10%
145- CONTRACT SERVICES	\$ 262,000.00	\$ 137,728.70	\$ 262,000.00	0.00%
150- PUBLICATIONS	\$ 21,000.00	\$ 21,988.03	\$ 22,500.00	+7.14%
151- ORGANIZATIONAL DUES	\$ 2,000.00	\$ 2,071.00	\$ 2,500.00	+25.00%
155- AUDITS	\$ 15,500.00	\$ 11,849.46	\$ 13,600.00	(12.26)%
190- STATE TREASURER BANK FEES	\$ 3,000.00	\$ -	\$ 1,500.00	(50.00)%
TOTAL	\$ 764,250.00	\$ 598,429.71	\$ 759,350.00	(0.64)%
YEARLY BUDGET REQUEST:	\$ 764,250.00		\$ 759,350.00	(0.64)%
BALANCE PER FY 2016		\$ 165,820.29		
\$ AMOUNT INCREASE IN BUDGET REQUEST:			\$ (4,900.00)	(0.64)%
		Total Budget Request for FY 2017:		\$ 759,350.00
			Minus Estimated Balance for FY 2016:	
				\$ 165,820.29
			Minus General Journal Adjustments:	
				(\$0.01)
			BUDGET REQUEST FY 2017 FROM ALL FIVE SYSTEMS:	
				\$ 593,529.72

FY 2017

FY 2016- Comparison Table- Systems' Proportionate Shares of ORSC Budget

SYSTEM	ASSETS AS OF 1/1/2016	% OF BUDGET	FY 17 TOTAL BUDGET	TOTAL DUE MINUS FY 16 BALANCES	TOTAL DUE PER QUARTER
PERS	\$ 87,284,639,206.00	46.96860%	\$ 356,656.03	\$ 278,772.59	\$ 69,693.14
STRS	\$ 71,286,768,764.00	38.36001%	\$ 291,286.71	\$ 227,678.05	\$ 56,919.51
OP&F	\$ 13,825,927,156.00	7.43985%	\$ 56,494.49	\$ 44,157.71	\$ 11,039.43
SERS	\$ 12,633,584,603.00	6.79824%	\$ 51,622.43	\$ 40,349.56	\$ 10,087.39
HPRS	\$ 805,243,492.00	0.43331%	\$ 3,290.34	\$ 2,571.81	\$ 642.96
TOTAL	\$ 185,836,163,221.00	100.000000%	\$ 759,350.00	\$ 593,529.72	\$ 148,382.43

CURRENT ORSC CONTRACTS

Updated: June 6, 2016

Vendor	Contracted Service	Cost	Expiration Date	Notes
DAS-Rhodes Tower	Office Space	\$8,897.31 Qtrly Paid after the quarter is over (\$2,965.77/Mo)		Billed Quarterly Billing changes in Oct
RICOH	Copies for Copier	\$.0450 per color page \$.0070 per black & white page (Includes all parts & labor, supplies & staples)	For as long as we have machine & state has agreement	Contract Term: Same as states
Wells Fargo	Liability and Property Insurance	\$1,340.00 (annually)	March 31, 2016	Policy Year: 3/31/2015-3/31/2016 Policy #L21109 Insurance Company: Acuity
Ohio Farm Bureau	Workers' Compensation Insurance	\$135.00 for 7/1/14-6/30/15 \$115.00 for 7/1/15-6/30/16	June 30, 2016	Policy Year: 7/1/2014-6/30/2015 7/1/2015-6/30/2016 Policy #:488041
RVK, Inc.	Investment Performance Services	Maximum Annual Fee \$150,000.00 (including travel to 2 meetings per year) \$7,500.00 additional per any other reports/meetings	August 14, 2018	Contract Terms: 8/14/2014-8/14/2018 Billed Quarterly
Pension Trustee Advisors, Inc. & KMS Actuaries, LLC	Actuarial Consulting	Hourly Rate: William Forna: \$430.00 Linda Bournival: \$300.00 Maximum Fee for review of OP&F contributions: \$18,635.00 Maximum fee for review of Employer Supplemental Contributions: \$19,955.00 Travel Costs: (Maximum for each trip) \$1,250.00	August 14, 2018	Contract Terms: 8/14/2014-8/14/2018 Billed Monthly