



**Ohio Retirement Study Council**

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**MEMORANDUM**

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Mike Nehf, *STRS*  
Richard Stensrud, *SERS*

**Director/General Counsel**  
Bethany Rhodes

**TO: ORSC Members**  
**FROM: Bethany Rhodes, Director/General Counsel**   
**DATE: May 31, 2017**  
**RE: Proposed Fiscal Year 2018 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 (FY) 2018 beginning July 1, 2017, and ending June 30, 2018. The budget request for FY 2018 is \$773,350.00, which is a **1.84% increase** from the FY 2017 budget. The total budget request of \$773,350.00 is offset by an estimated ending balance of \$117,072.56 from fiscal year 2017; because of this significant carryover balance from FY 2017, the systems would be required to pay only \$656,277.45, which is a **10.57% increase** from the FY 2017 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 increased from nearly \$185.836 billion as of January 1, 2016, to over \$191.131 billion as of January 1, 2017. This represents a 2.84964% increase in assets over the past year. The proposed annual ORSC budget represents only 0.0004046160223078716% 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 **1.84%** increase in the budget totals \$14,000. The entirety of this increase occurs within line **115 – Insurance**, and is due to increased costs as well as changes in ORSC staff spousal and family coverage.

In line **130-Communications**, there is a 100% decrease from last year's \$5,000 request, as all previous expenses for communications (telephone, internet, and website) are now provided by Legislative Information Systems (LIS) free of charge since the ORSC is located within a state-owned building. Furthermore, I

am pleased to report LIS has indicated that this line item can remain at zero so long as ORSC remains located within a state-owned building. In the past twenty years, this single line item has proven to be a significant expense for the ORSC, ranging from \$20,000 (FY 1998) to \$5,000 (FY 2017) in allocations.

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)).

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;
- An actuarial audit of the five state pension funds at least once every ten years that is 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.

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  
FISCAL YEAR 2018 (JULY 1, 2017 – JUNE 30, 2018)  
BUDGET REQUEST**

EXPENSE CATEGORIES	BUDGET REQUEST FY 2017	ESTIMATED EXPENSES FY 2017	BUDGET REQUEST FY 2018	FY 2017 TO FY 2018 % +/-
101- PERSONNEL	\$273,000.00	\$262,757.53	\$273,000	0.00%
110- EMPLOYER- PERS	\$38,250.00	\$37,878.16	\$38,250	0.00%
115- INSURANCE	\$72,000.00	\$56,086.58	\$91,000	+26.39%
120- CAPITAL EXPENSES	\$5,000.00	\$109.85	\$5,000	0.00%
125- ORSC MEETINGS/TRAVEL	\$7,000.00	\$460.86	\$7,000	0.00%
130- COMMUNICATIONS	\$5,000.00	\$1,991.74	\$0.00	-100.00%
135- OFFICE EXPENSES/POSTAGE	\$11,000.00	\$5,797.72	\$11,000	0.00%
140- RENT & UTILITIES	\$46,000.00	\$49,379.72	\$46,000	0.00%
145- PROFESSIONAL SERVICES	\$262,000.00	\$195,100.00	\$262,000	0.00%
150- PUBLICATIONS	\$22,500.00	\$20,385.78	\$22,500	0.00%
151- ORGANIZATIONAL DUES	\$2,500.00	\$1,783.50	\$2,500	0.00%
155- AUDIT (STATE AUDITOR)	\$13,600.00	\$10,546.00	\$13,600	0.00%
190- STATE TREASURER BANK FEES	\$1,500.00	\$0.00	\$1,500	0.00%
<b>TOTAL</b>	<b>\$759,350.00</b>	<b>\$642,277.44</b>	<b>\$773,350.00</b>	<b>+1.84%</b>
<b>YEARLY BUDGET REQUEST:</b>	<b>\$759,350.00</b>		<b>\$773,350.00</b>	<b>+1.84%</b>
<b>BALANCE PER FY 2017</b>		<b>\$117,072.56</b>		
<b>\$ AMOUNT DECREASE IN BUDGET REQUEST:</b>			<b>+\$14,000.00</b>	<b>+1.84%</b>
<b>Total Budget Request for FY 2018:</b>				<b>\$773,350.00</b>
Minus Estimated Balance for FY 2017:				\$117,072.56
Minus General Journal Adjustments:				-\$0.01
<b>BUDGET REQUEST FY 2018 FROM ALL FIVE SYSTEMS:</b>				<b>\$656,277.45</b>

<b>ORSC EXPENSE CATEGORIES</b>	
<b>EXPENSE CATEGORIES</b>	<b>DISCRPTION &amp; EXAMPLES</b>
<b>101- PERSONNEL</b>	Net pay; federal, state, city, school district income taxes; Medicare withholdings; PERS employee contribution; Deferred Compensation
<b>110- EMPLOYER- PERS</b>	Statutorily required employer contribution (14% of individual salary)
<b>115- INSURANCE</b>	Workers' Compensation; property insurance; health insurance; dental insurance; life insurance
<b>120- CAPITAL EXPENSES</b>	Individual items costing \$500 or more (such as computers, copier, etc.)
<b>125- ORSC MEETINGS/TRAVEL</b>	Council member meeting reimbursements
<b>130- COMMUNICATIONS</b>	Local and long distance telephone services; internet service; website services- SEE RENT & UTILITIES
<b>135- OFFICE EXPENSES/POSTAGE</b>	Postage; paper; general office supplies
<b>140- RENT &amp; UTILITIES</b>	Rent for Rhodes Tower office space; parking (all previous "130- Communications" expenses are now included in the rent since the ORSC is now located in a state-owned building)
<b>145- PROFESSIONAL SERVICES</b>	Legislative reports required of ORSC; actuarial services (PTA/KMS) and Investment Performance Reports (RVK)
<b>150- PUBLICATIONS</b>	Lexis Nexis for Ohio Revised Code; Gongwer; Hannah; newspapers; Pensions and Investments; Economist; Bloomberg BNA
<b>151- ORGANIZATIONAL DUES</b>	Ohio Ethics Commission; Joint Legislative Ethics Commission; Supreme Court of Ohio; American Bar Association; Ohio Bar Association; International Foundation of Employee Benefit Plans
<b>155- AUDITS</b>	Statutorily required Audits conducted by State Auditor's office
<b>190-STATE TREASURER BANK FEES</b>	Fees associated with contracts entered into between the State Treasurer and the custodial banks. ORSC is not a party to these contracts but is required to pay the fees agreed to by the Treasurer.

**FISCAL YEAR 2018 (July 1, 2017 – June 30, 2018)**

**FY 2018- Comparison Table- Systems' Proportionate Shares of ORSC Budget**

<b>SYSTEM</b>	<b>ASSETS AS OF 1/1/17</b>	<b>% OF BUDGET</b>	<b>FY 2018 TOTAL BUDGET</b>	<b>TOTAL DUE MINUS FY 2017 BALANCES</b>	<b>TOTAL DUE PER QUARTER</b>
<b>PERS</b>	\$90,610,824,225	47.40750%	\$366,625.91	\$311,124.73	\$77,781.18
<b>STRS</b>	\$72,098,769,054	37.72201%	\$291,723.17	\$247,561.05	\$61,890.26
<b>OP&amp;F</b>	\$14,581,209,831	7.62888%	\$58,997.91	\$50,066.62	\$12,516.65
<b>SERS</b>	\$13,017,701,629	6.81085%	\$52,671.71	\$44,698.07	\$11,174.52
<b>HPRS</b>	\$823,323,306	.43076%	\$3,331.30	\$2,826.98	\$706.75
<b>TOTAL</b>	<b>\$191,131,828,045</b>	<b>100.00000%</b>	<b>\$773,350.00</b>	<b>\$656,277.45</b>	<b>\$164,069.36</b>

**ORSC'S FY 2018 Budget is .0004046160223078716% of Reported Systems' Total Assets**  
**INCREASE IN SYSTEMS' TOTAL ASSETS FROM FY 2017: 2.84964% (\$5,295,664,824)**