



**Ohio
Retirement
Study
Council**

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MEMORANDUM

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Director/General Counsel

Bethany Rhodes

TO: ORSC Members
FROM: Bethany Rhodes, Director/General Counsel
DATE: May 13, 2021
RE: Proposed Fiscal Year 2022 ORSC Budget

[Redacted box]

Attached for your review is the proposed budget request for the operation of the Ohio Retirement Study Council (ORSC) for the Fiscal Year (FY) 2022 beginning July 1, 2021, and ending June 30, 2022. The budget request for FY 2022 is \$765,500.00, which is **flat** from the FY 2021 budget. The total budget request of \$765,500.00 is offset by an estimated ending balance of \$222,093.04 from FY 2021; because of this carryover balance from FY 2021, the systems would be required to pay only \$543,406.96. This carryover balance varies annually depending upon the previous fiscal year's meeting activity, General Assembly activity, staff turnover, etc.

The total assets of the five state retirement systems have increased from over \$221.8 billion as of January 1, 2020, to over \$237.1 billion as of January 1, 2021. This represents a 6.923448613707901% increase in assets over the past year. The proposed annual ORSC budget represents only 0.00032275724186404167% 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.

This year's large carryover balance is due, in large part, to the fact that the Research Associate position was not filled. This allowed for a notable carryover in not only the **101 – Personnel** line, but also in the **110 – Employer- PERS** and the **115 – Insurance** lines. Due to the COVID-19 pandemic, it did not seem prudent or practical to attempt to interview, hire, and train new staff. Further, the General Assembly's activity was rather focused elsewhere, which minimized discussions regarding pensions and made it possible for ORSC staff to carry out its duties without the addition of a Research Associate. As activity is beginning

to return to normal, however, it is already clear that the Research Associate position will need to be filled in the near future.

Line **120 – Capital Expenses** shows no estimated year end expenses. This line is for more expensive, individual pieces of equipment. While we were fortunate this year, I would request this line remain unchanged to \$5,000 in the event something must be replaced.

Line **125 – ORSC Meetings/Travel** also shows no estimated year end expenses, however, I would also request this line remain unchanged. This line is what funds mileage and parking reimbursement for the ORSC members. Under Ohio Revised Code §171.02, ORSC members are uncompensated for their service, but are to “reimbursed for actual and necessary expenses incurred in the performance of their duties.” While none of the current Governor’s appointees have ever sought reimbursement, it is likely we will have at least one new upcoming appointee and it would be that member’s right to request mileage and parking reimbursement.

Line **145 – Professional Services** is the line that funds the ORSC’s contracted independent actuary (PTA/KMS) and contracted investment consultant (RVK). The expenses in this line are heavily dependent upon the activity of the General Assembly and how many matters require actuarial analysis. The General Assembly has, rightfully, had their attention focused elsewhere and few proposals have required actuarial analysis. Additionally, both contracts will be expiring in 2022. While I know the ORSC members have been extremely pleased with the services rendered by PTA/KMS and RVK, I believe it would be prudent for the ORSC to advertise requests for proposals for both vendors in the near future, which also would be funded by this line.

Line **155 – State Auditor- Audit** shows only small estimated expenses, although we have already been contacted to begin the new biennial audit. While the total amount of \$14,000 does not cover the total cost of the audit, the audit process and billing does not take place over one single fiscal year, so this amount should be sufficient for the costs that will incurred in FY 2022.

Line **190 – State Treasurer- Bank Fees** covers fees are associated with contracts entered into between the State Treasurer and the custodial bank. ORSC is not a party to these contracts but is required to pay the fees agreed to by the State Treasurer for custodial banking services. In the recent past, the ORSC’s bank credits which covered the fees were absorbed, leaving the ORSC scrambling to cover the cost of these fees; therefore, I would request the amount remain unchanged.

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. §742.311;
- 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.

FISCAL YEAR 2022 (July 1, 2021 – June 30, 2022)

FY 2022- Comparison Table- Systems' Proportionate Shares of ORSC Budget

SYSTEM	ASSETS AS OF 1/1/21	% OF BUDGET	FY 2022 TOTAL BUDGET	TOTAL DUE MINUS FY 2021 BALANCES	TOTAL DUE PER QUARTER
PERS	\$114,269,154,929.00	48.17923%	\$368,812.01	\$261,809.29	\$65,452.32
STRS	\$87,847,247,156.00	37.03897%	\$283,533.31	\$201,272.34	\$50,318.08
OP&F	\$17,292,709,674.00	7.29111%	\$55,813.45	\$39,620.40	\$9,905.10
SERS	\$16,761,522,179.00	7.06715%	\$54,099.03	\$38,403.38	\$9,600.85
HPRS	\$1,004,524,574.00	0.42354%	\$3,242.20	\$2,301.55	\$575.39
TOTAL	\$237,175,158,512.00	100.00000%	\$765,500.00	\$543,406.96	\$135,851.74

ORSC'S FY 22 Budget is 0.00032275724186404167% of Reported Systems' Total Assets.

INCREASE IN SYSTEMS' TOTAL ASSETS FROM FY 2021: 6.923448613707901%

**THE OHIO RETIREMENT STUDY COUNCIL
FISCAL YEAR 2022 (JULY 1, 2021 – JUNE 30, 2022)
BUDGET REQUEST**

EXPENSE CATEGORIES	BUDGET REQUEST FY 2021	ESTIMATED EXPENSES FY 2021	BUDGET REQUEST FY 2022	FY 2021 TO FY 2022 % +/-
101- PERSONNEL	\$300,000.00	\$244,122.83	\$300,000.00	0.00%
110- EMPLOYER- PERS	\$42,000.00	\$34,177.19	\$42,000.00	0.00%
115- INSURANCE	\$60,000.00	\$26,709.94	\$60,000.00	0.00%
120- CAPITAL EXPENSES	\$5,000.00	\$0.00	\$5,000.00	0.00%
125- ORSC MEETINGS/TRAVEL	\$2,500.00	\$0.00	\$2,500.00	0.00%
135- OFFICE EXPENSES/POSTAGE	\$8,000.00	\$5,433.45	\$8,000.00	0.00%
140- RENT & UTILITIES	\$58,000.00	\$55,687.80	\$58,000.00	0.00%
145- PROFESSIONAL SERVICES	\$262,000.00	\$162,682.50	\$262,000.00	0.00%
150- PUBLICATIONS	\$11,000.00	\$8,623.25	\$11,000.00	0.00%
151- ORGANIZATIONAL DUES	\$2,500.00	\$1,970.00	\$2,500.00	0.00%
155- STATE AUDITOR- AUDIT	\$14,000.00	\$4,000.00	\$14,000.00	0.00%
190- STATE TREASURER- BANK FEES	\$500.00	\$0.00	\$500.00	0.00%
TOTAL	\$765,500.00	\$543,406.96	\$765,500.00	0.00%
YEARLY BUDGET REQUEST:	\$765,500.00		\$765,500.00	0.00%
BALANCE PER FY 2021		\$222,093.04		
\$ AMOUNT INCREASE IN BUDGET REQUEST:			\$0.00	0.00%
Total Budget Request for FY 2022:				\$ 765,500.00
Minus Estimated Balance for FY 2021:				\$222,093.04
Minus General Journal Adjustments:				-\$0.00
BUDGET REQUEST FY 2022 FROM ALL FIVE SYSTEMS:				\$543,406.96

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