

April 17, 2020

Ms. Bethany Rhodes, Director
Ohio Retirement Study Council
88 E. Broad St., Suite 1175
Columbus, OH 43215

Dear Ms. Rhodes:

In accordance with Section 3307.041, Revised Code, STRS Ohio is submitting its proposed fiscal 2021 budgets. The attached information is composed of the following:



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- Page 1 is a statement of planned operating expenditures, including comparisons to the fiscal 2020 budget.
- Page 2 is a statement of capital expenditures, including comparisons to the fiscal 2020 budget and summary of investment assets and related management costs for fiscal 2019 including comparisons to fiscal 2018.
- Page 3 is a schedule of retirement board-related expenses for the last 10 years and a 10-year trend chart.
- Page 4 is a summary of staff training and travel expenses, including comparisons to the fiscal 2020 budget.
- Page 5 is supplementary statistical information for fiscal years 2015–2019.

The proposed operating budget total for the fiscal year ended June 30, 2021, is a decrease of 0.2% from the current year budget. Decreases are primarily due to a decrease in salaries and wages and a decrease in health insurance costs for personnel. The proposed operating budget has an increase in professional services such as investment consulting and an increase in computer technology. The proposed capital budget provides for major planned initiatives and includes computer equipment, capitalized software, building improvements and building maintenance.

In an independent pension administration benchmarking report from CEM Benchmarking for fiscal 2019, STRS Ohio achieved the second highest service level, following four years with the highest score. The survey benchmarked 45 participating pension systems primarily from the United States, Canada and Scandinavia. The administrative cost per active member and annuitant remained the same.

Another report from CEM showed STRS Ohio has top quartile investment returns and low investment costs compared to peer retirement systems. The report compared investment data for the five-year period ending Dec. 31, 2018, from 17 large U.S. public fund sponsors. Results of the study showed STRS Ohio's strategy of using internal investment managers for about 70% of the system's assets was the primary reason for its low overall costs.

STRS Ohio was again awarded the Government Finance Officers Association Award for Excellence in Financial Reporting and the Public Pension Coordinating Council Standards Award for Funding and Administration.

Overall, the proposed budgets continue to provide the resources we need to pay timely and accurate pension and health care benefits to members, successfully manage investment assets, and ensure we meet all fiduciary responsibilities and legal requirements. Additionally, the proposed budgets comply with all Retirement Board policies and demonstrate to members that STRS Ohio is managing operating expenses prudently.

These proposed fiscal 2021 budgets were provided to the Retirement Board this month to review. Please feel free to contact me if you need additional information.

Sincerely,

A handwritten signature in black ink that reads 'Michael J. Nehf'.

Michael J. Nehf
Executive Director

State Teachers Retirement System of Ohio
2021 ORSC Budget Presentation

FY2020 to FY2021 Operating Budget and Increases (Decreases)

Budget Category	Fiscal 2021 Budget	Fiscal 2020 Budget	Fiscal 2020 Estimated Actual	Fiscal 2021 Increase (Decrease)	Percent Increase/ Decrease
Personnel	\$ 80,154,100	\$ 81,456,900	\$ 80,466,100	\$ (1,302,800)	-1.6%
Salaries and Wages	62,473,200	63,432,100	62,491,900	(958,900)	-1.5%
OPERS Contributions	8,387,200	8,320,600	8,314,000	66,600	0.8%
Health Insurance	8,215,400	8,646,300	8,712,900	(430,900)	-5.0%
Miscellaneous Expenses	1,078,300	1,057,900	947,300	20,400	1.9%
Professional Services	11,132,300	10,703,800	10,041,800	428,500	4.0%
Actuarial	216,000	255,000	220,000	(39,000)	-15.3%
Audit	180,000	207,500	195,500	(27,500)	-13.3%
Custodial Banking Fees	2,200,000	2,250,000	1,782,600	(50,000)	-2.2%
Investment Consulting	6,458,600	6,098,600	6,042,000	360,000	5.9%
Other Consulting	1,877,700	1,817,700	1,726,300	60,000	3.3%
Banking Expense	200,000	75,000	75,400	125,000	166.7%
Communications Expense	2,142,200	2,158,300	2,075,500	(16,100)	-0.7%
Printing and Postage	1,665,200	1,708,200	1,665,400	(43,000)	-2.5%
Telecommunications	340,000	310,000	306,300	30,000	9.7%
Member/Employer Education	137,000	140,100	103,800	(3,100)	-2.2%
Other Operating Expense	8,800,100	8,143,400	7,580,500	656,700	8.1%
Conferences and Education	347,100	333,100	235,600	14,000	4.2%
Travel	858,300	705,500	389,200	152,800	21.7%
Computer Technology	5,304,900	4,922,500	4,921,600	382,400	7.8%
Other Operating	1,926,800	1,818,800	1,747,200	108,000	5.9%
Ohio Retirement Study Council	300,000	300,000	225,000	0	0.0%
Treasury of State Warrant Clearing Charges	3,000	3,500	1,900	(500)	-14.3%
Attorney General Charges	60,000	60,000	60,000	0	0.0%
Net Building Expense	2,358,600	2,311,600	2,344,100	47,000	2.0%
Total Operating Budget*	\$ 104,587,300	\$ 104,774,000	\$ 102,508,000	\$ (186,700)	-0.2%
Full-time Equivalent (FTE) Associates	530	535			

State Teachers Retirement System of Ohio
2021 ORSC Budget Presentation
FY2020 to FY2021 Capital Budget

	Fiscal 2021 Budget	Fiscal 2020 Budget	Fiscal 2020 Projected Actual
Total Capital Budget	\$ 5,155,200	\$ 4,930,900	\$ 2,299,000
Building Improvements	529,000	3,226,500	620,100
Building Maintenance Equipment	303,800	327,400	309,500
Infrastructure and Upgrades	4,258,500	1,303,000	1,303,000
General Capital	63,900	74,000	66,400

Investment Expenses

	Fiscal 2019 Actual	Fiscal 2018 Actual	Percent Change 2018 to 2019
Total Investment Assets*	\$ 79,030,693,000	\$ 78,015,837,000	1.3%
Total Internally Managed Assets	\$ 56,748,375,000	\$ 55,513,479,000	2.2%
Total Externally Managed Assets	\$ 22,282,318,000	\$ 22,502,358,000	-1.0%
Total Investment Expenses	\$ 293,071,600	\$ 285,522,600	2.6%
Total Internal Investment Expenses	\$ 38,524,200	\$ 39,059,400	-1.4%
Total External Investment Expenses	\$ 233,098,600	\$ 218,308,200	6.8%
Investment Consulting	\$ 761,600	\$ 733,600	3.8%
Brokerage/Commissions - Internal	\$ 13,582,600	\$ 17,921,300	-24.2%
Brokerage/Commissions - External	\$ 5,323,100	\$ 7,207,200	-26.1%
Custodian Fees	\$ 1,781,500	\$ 2,292,900	-22.3%
Total Investment Expenses as a Percent of Total Investment Assets	0.37%	0.37%	1.3%
Expenses as Percent of Internally Managed	0.52%	0.51%	0.4%
Expenses as Percent of Externally Managed	1.32%	1.27%	3.7%

*Investment assets are net of real estate debt.

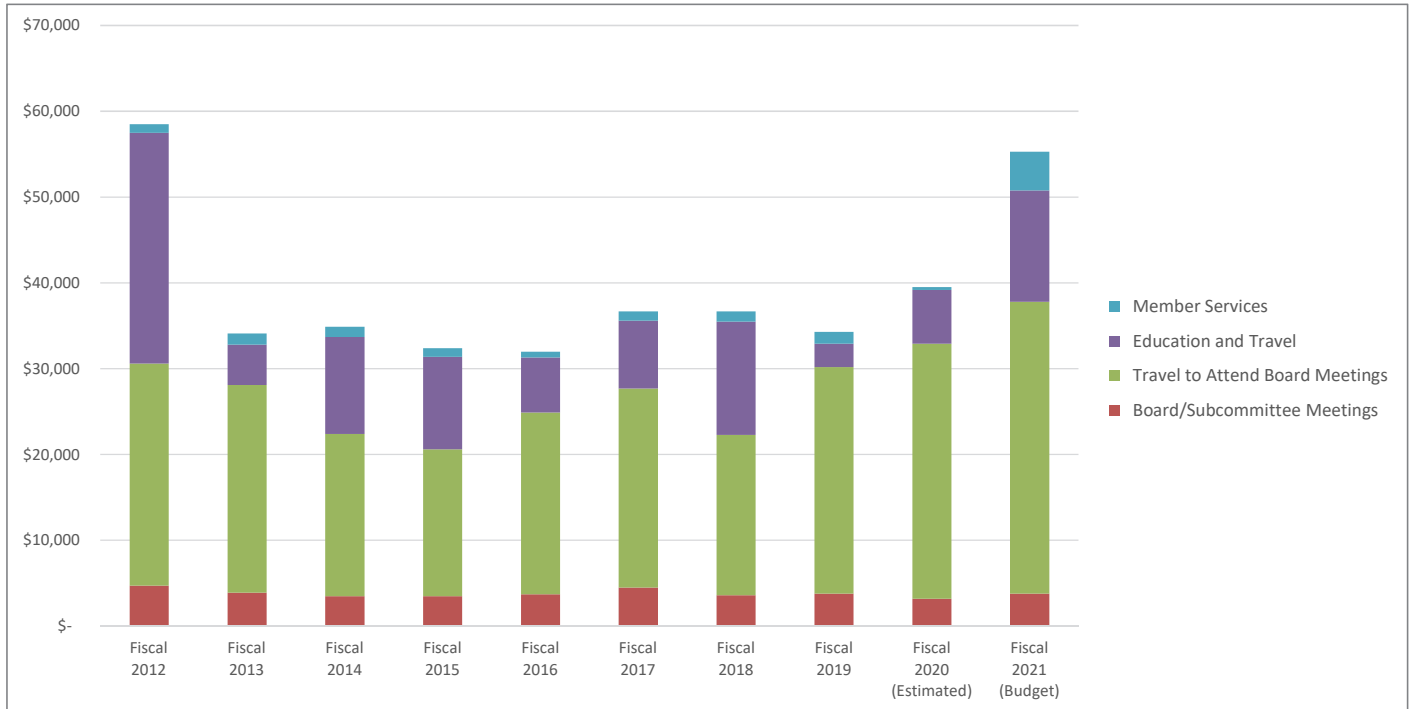
Please note: Fiscal 2020 information is not yet available.

State Teachers Retirement System of Ohio
2021 ORSC Budget Presentation

Board Member Expenses

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020 (Estimated)	Fiscal 2021 (Budget)
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Total Board Expenses	\$ 58,500	\$ 34,100	\$ 34,900	\$ 32,400	\$ 32,000	\$ 36,700	\$ 36,700	\$ 34,300	\$ 39,500	\$ 55,300
Board/Subcommittee Meetings	\$ 4,700	\$ 3,900	\$ 3,500	\$ 3,500	\$ 3,700	\$ 4,500	\$ 3,600	\$ 3,800	\$ 3,200	\$ 3,800
Travel to Attend Board Meetings	\$ 25,900	\$ 24,200	\$ 18,900	\$ 17,100	\$ 21,200	\$ 23,200	\$ 18,700	\$ 26,400	\$ 29,700	\$ 34,000
Education and Travel	\$ 26,900	\$ 4,700	\$ 11,300	\$ 10,800	\$ 6,400	\$ 7,900	\$ 13,200	\$ 2,700	\$ 6,300	\$ 13,000
Member Services	\$ 1,000	\$ 1,300	\$ 1,200	\$ 1,000	\$ 700	\$ 1,100	\$ 1,200	\$ 1,400	\$ 300	\$ 4,500



State Teachers Retirement System of Ohio
2021 ORSC Budget Presentation

Staff Training and Travel

	Fiscal 2021 Budget	Fiscal 2020 Budget	Increase (Decrease)	% Increase (Decrease)
Administration				
Conferences, Seminars and Travel	\$ 72,900	\$ 63,500	\$ 9,400	14.8%
In-House Training	\$ 20,300	\$ 7,700	\$ 12,600	163.6%
# FTE	67	67		
Expense per FTE	\$ 1,393	\$ 1,060		

	Fiscal 2021 Budget	Fiscal 2020 Budget	Increase (Decrease)	% Increase (Decrease)
Finance				
Conferences, Seminars and Travel	\$ 24,700	\$ 25,100	\$ (400)	-1.6%
In-House Training	\$ 12,100	\$ 7,700	\$ 4,400	57.1%
# FTE	102	103		
Expense per FTE	\$ 359	\$ 317		

	Fiscal 2021 Budget	Fiscal 2020 Budget	Increase (Decrease)	% Increase (Decrease)
Investments				
Conferences, Seminars and Travel	\$ 614,000	\$ 474,000	\$ 140,000	29.5%
In-House Training	\$ -	\$ -	\$ -	0.0%
# FTE	119	121		
Expense per FTE	\$ 5,173	\$ 3,904		

	Fiscal 2021 Budget	Fiscal 2020 Budget	Increase (Decrease)	% Increase (Decrease)
Information Technology Services				
Conferences, Seminars and Travel	\$ 97,800	\$ 82,000	\$ 15,800	19.3%
In-House Training	\$ 80,000	\$ 102,800	\$ (22,800)	-22.2%
# FTE	124	124		
Expense per FTE	\$ 1,436	\$ 1,490		

	Fiscal 2021 Budget	Fiscal 2020 Budget	Increase (Decrease)	% Increase (Decrease)
Member Benefits				
Conferences, Seminars and Travel	\$ 104,700	\$ 101,700	\$ 3,000	2.9%
In-House Training	\$ 4,300	\$ 4,500	\$ (200)	-4.4%
# FTE	118	120		
Expense per FTE	\$ 922	\$ 885		

State Teachers Retirement System of Ohio
 2021 ORSC Budget Presentation
Supplementary Statistical Information

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Active Members	173,720	178,394	177,462	180,009	179,850
Inactive Members	152,668	153,365	157,936	156,491	158,224
Benefit Recipients (Age, Disability, Survivor)	158,116	157,938	158,039	157,422	157,418
Reemployed Retirees	24,806	26,228	25,009	22,038	21,026
Total Membership	509,310	515,925	518,446	515,960	516,518
Members per FTE	923	950	975	979	1,001

Please note: Fiscal 2020 information is not yet available. Fiscal 2015 information is included for five-year comparison.