




**Ohio
Retirement
Study
Council**

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MEMORANDUM

TO: ORSC Members
FROM: Bethany Rhodes, Director/General Counsel 
DATE: June 11, 2020
RE: Proposed Fiscal Year 2021 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) 2021 beginning July 1, 2020, and ending June 30, 2021. The budget request for FY 2021 is \$765,500.00, which is a **2.9539% decrease** from the FY 2020 budget. The total budget request of \$765,500.00 is offset by an estimated ending balance of \$128,810.89 from FY 2020; because of this carryover balance from FY 2020, the systems would be required to pay only \$636,689.11. 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 \$197 billion as of January 1, 2019, to over \$221.8 billion as of January 1, 2020. This represents a 12.5837921% increase in assets over the past year. The proposed annual ORSC budget represents only 0.0003460048148628886% 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 largest line increase (\$6,000.00) occurs in line **140 – Rent & Utilities** and is increased 11.5385% to anticipate increased rent costs for the ORSC office space in the Rhodes Tower. The cost of the Rhodes Tower renovations are borne by its tenants and while the ORSC increased this line in FY 2020, it was still insufficient to cover those increases in cost. The ORSC Staff has not yet been informed as to the amount of this year's rent increases, but this line increase is still not expected to cover that cost based on the past two years' experience.

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Hearcel Craig
Jay Hottinger

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Derek Merrin

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Carl Roark, *HPRS*
Richard Stensrud, *SERS*

Director/General Counsel

Bethany Rhodes

Should the need arise, economies in other areas of the budget will simply have to be realized in order to meet this demand.

Line **155 – State Auditor- Audit** received a small increase of \$400.00 (2.9412%) as the Auditor’s rates are increasing. This amount is neither expected nor intended to cover the entire costs of the audit; however, past experience has shown that the process and billing does not take place over one single fiscal year, so this increase should be sufficient for the costs to be incurred in FY 2021.

Line **101 – Personnel** received a small decrease of 1.6393% due to staff turnover and a significant delay in hiring. This line also contains prudent funding for the required leave time pay-outs in the event existing staff does choose to leave employment at the ORSC.

Line **110 – Employer- PERS** received a commensurate decrease to the decrease in line **101 – Personnel**.

Line **115 – Insurance** shows a significant decrease of \$20,000.00 (-25.00%) between the FY 2020 and FY 2021 budgets, despite the 7.00% increase in medical and dental insurance costs. Due to the delay in hiring staff and previous staff utilization, the ORSC Staff believes this decrease should be sufficient to cover the insurance costs for the upcoming year.

Line **150 - Publications** has been reduced by \$4,000.00 (-26.6667%) to account for a continued reduction in subscriptions. During the last fiscal year, the ORSC Staff canceled its subscription to Bloomberg BNA as they changed their formatting and memberships in such a way that it no longer was prudent or useful at the previous cost. Since the ORSC Staff has yet to identify another subscription useful to meet its needs, the ORSC Staff believes it fiscally prudent to reduce this line.

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.

**THE OHIO RETIREMENT STUDY COUNCIL
FISCAL YEAR 2021 (JULY 1, 2020 – JUNE 30, 2021)
BUDGET REQUEST**

EXPENSE CATEGORIES	BUDGET REQUEST FY 2020	ESTIMATED EXPENSES FY 2020	BUDGET REQUEST FY 2021	FY 2020 TO FY 2021 % +/-
101- PERSONNEL	\$305,000.00	\$280,766.58	\$300,000.00	-1.6393%
110- EMPLOYER- PERS	\$42,700.00	\$39,307.30	\$42,000.00	-1.6393%
115- INSURANCE	\$80,000.00	\$33,364.08	\$60,000.00	-25.00%
120- CAPITAL EXPENSES	\$5,000.00	\$51.31	\$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	\$5,433.21	\$8,000.00	0.00%
140- RENT & UTILITIES	\$52,000.00	\$56,581.65	\$58,000.00	11.5385%
145- PROFESSIONAL SERVICES	\$262,000.00	\$230,877.50	\$262,000.00	0.00%
150- PUBLICATIONS	\$15,000.00	\$7,767.48	\$11,000.00	-26.6667%
151- ORGANIZATIONAL DUES	\$2,500.00	\$2,232.00	\$2,500.00	0.00%
155- STATE AUDITOR- AUDIT	\$13,600.00	\$3,608.00	\$14,000.00	2.9412%
190- STATE TREASURER- BANK FEES	\$500.00	\$0.00	\$500.00	0.00%
TOTAL	\$788,800.00	\$659,989.11	\$765,500.00	-2.9539%
YEARLY BUDGET REQUEST:	\$788,800.00		\$765,500.00	-2.9539%
BALANCE PER FY 2020		\$128,810.89		
\$ AMOUNT INCREASE IN BUDGET REQUEST:			-\$23,300.00	-2.9539%
Total Budget Request for FY 2021:				\$765,500.00
Minus Estimated Balance for FY 2020:				\$128,810.89
Minus General Journal Adjustments:				-\$0.00
BUDGET REQUEST FY 2021 FROM ALL FIVE SYSTEMS:				\$636,689.11

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 banks. ORSC is not a party to these contracts but is required to pay the fees agreed to by the State Treasurer.

FISCAL YEAR 2020 (July 1, 2020 – June 30, 2021)

FY 2021- Comparison Table- Systems' Proportionate Shares of ORSC Budget

SYSTEM	ASSETS AS OF 1/1/20	% OF BUDGET	FY 2021 TOTAL BUDGET	TOTAL DUE MINUS FY 2020 BALANCES	TOTAL DUE PER QUARTER
PERS	\$106,338,554,721	47.93961%	\$366,977.71	\$305,226.28	\$76,306.57
STRS	\$82,521,597,851	37.20244%	\$284,784.68	\$236,863.88	\$59,215.97
OP&F	\$16,515,279,804	7.44543%	\$56,994.77	\$47,404.24	\$11,851.06
SERS	\$15,514,590,898	6.99430%	\$53,541.37	\$44,531.95	\$11,132.98
HPRS	\$927,699,206	0.41822%	\$3,201.47	\$2,662.76	\$665.69
TOTAL	\$221,817,722,480	100.00000%	\$765,500.00	\$636,689.11	\$159,172.27

ORSC'S FY 21 Budget is 0.0003460048148628886% of Reported Systems' Total Assets.

INCREASE IN SYSTEMS' TOTAL ASSETS FROM FY 2020: 12.5837921%