



**Ohio
Retirement
Study
Council**

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MEMORANDUM

TO: ORSC Members
FROM: Bethany Rhodes, Director/General Counsel *fr*
DATE: June 9, 2022
RE: Proposed Fiscal Year 2023 ORSC Budget

[Redacted box]

Voting Members

Representatives

Phil Plummer, Chairman
Adam Bird
Mary Lightbody

Senators

Kirk Schuring, Vice- Chair
Hearcel Craig
Jay Hottinger

Governor's Appointees

Lora Miller
Dr. Anthony Podojil
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Karen Carraher, *PERS*
Mary Beth Foley, *OP&F*
William Neville, *STRS*
Dr. Carl Roark, *HPRS*
Richard Stensrud, *SERS*

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) 2023 beginning July 1, 2022, and ending June 30, 2023. The budget request for FY 2023 is \$848,400.00, which is a **10.83% increase** from the FY 2022 budget. The total budget request of \$848,400.00 is offset by an estimated ending balance of \$171,891.57 from FY 2022; because of this carryover balance from FY 2022, the systems would be required to pay only \$676,508.43. 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 \$237.1 billion as of January 1, 2021, to over \$265.8 billion as of January 1, 2022. This represents a 12.072877% increase in assets over the past year. The FY 2023 proposed annual ORSC budget represents only 0.000319% 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 remained vacant. 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 continued COVID-19 pandemic, it did not seem prudent or practical to attempt to interview, hire, and train new staff.

While it was possible to complete the duties without the addition of a Research Associate in FY 2022, continued high workload has made it essential to fill the Research Associate position in FY 2023. The position has been advertised and the application period closes on June 10th; it is anticipated the Research Associate will be filled by July 1, 2022.

Line **101 – Personnel** includes 3% cost of living raises for the two existing ORSC staff, but not the Director/General Counsel. There are sufficient funds built in for the same 3% cost of living raise for the Director/General Counsel position; however, this matter is exclusively at the discretion of the ORSC and would require ORSC action prior to implementation.

Also included in this line would be a portion of the additional funds necessary for leave time payouts in the event that any ORSC staff should terminate employment. ORSC staff would recommend, in total, an increase from \$300,000 to \$335,000.

Line **110 – PERS** is commensurate with Line 101-Personnel.

Line **115 – Insurance** includes an increase for the insurance coverage premiums of the new Research Associate as well as this year's increased costs; insurance costs typically increase 7% annually. Since the new Research Associate is unknown at this point, it is prudent to budget for the cost of family coverage. ORSC staff would recommend an increase from \$60,000 to \$72,000.

Line **120 – Capital Expenses** shows a minimal estimated year-end expense. This line is for more expensive, individual pieces of equipment. While the ORSC was fortunate again this year, ORSC staff would recommend this line remain unchanged at \$5,000 in the event of replacement.

Line **125 – ORSC Meetings/Travel** shows estimated year-end expenses of \$796.20. ORSC staff would recommend this line remain unchanged at \$2,500. This line is what funds mileage and parking reimbursement for the eligible 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."

Line **135 – Office Expenses/Postage** estimated year-end expenses were within the projections and ORSC staff would recommend this line remain unchanged at \$8,000.

Line **140– Rent & Utilities** shows a year-end estimated expenses slightly over the budget, but that number is slightly misleading. In this case, end of year billing from the previous fiscal year was delayed, so a portion of the estimated expenses is actually from the previous fiscal year. As the costs have not increased markedly, ORSC staff would recommend this line remain unchanged at \$60,000.

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. There has been a recent increase in the actuarial needs of the ORSC and it is anticipated to continue into FY 2023. Additionally, both contracts will be expiring in 2023 and will require rebidding late in FY 2023. ORSC staff would recommend this line increase from \$262,000 to \$290,000.

Line **150 – Publications** shows estimated year end expenses significantly over the projected costs. All invoices due to advertisements for audits are paid from this line and the ORSC had four audits to advertise in FY 22. Similar to Line 140- Rent & Utilities, end of year billing from the previous fiscal year was delayed, so a portion of the estimated expenses is actually from the previous fiscal year in which the ORSC had two audits to advertise. In FY 2023, ORSC staff anticipate advertisements for one audit and for the two professional services contracts. Due to increased costs, ORSC staff would recommend this line increase from \$11,000 to \$12,000.

Line **151 – Organizational Dues** estimated year end expenses were within the projections and ORSC staff would recommend this line remain unchanged at \$2,500.

Line **155 – State Auditor- Audit** estimated year end expenses were within the projections and ORSC staff would recommend this line remain unchanged at \$14,000.

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, ORSC staff would request this line remain unchanged at \$500.

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 2022 (JULY 1, 2022 – JUNE 30, 2023)
BUDGET REQUEST**

EXPENSE CATEGORIES	BUDGET REQUEST FY 2022	ESTIMATED EXPENSES FY 2022	BUDGET REQUEST FY 2023	FY 2022 TO FY 2023 % +/-
101- PERSONNEL	\$300,000.00	\$246,744.84	\$335,000.00	11.67%
110- EMPLOYER- PERS	\$42,000.00	\$34,544.28	\$46,900.00	11.67%
115- INSURANCE	\$60,000.00	\$33,650.37	\$72,000.00	20.00%
120- CAPITAL EXPENSES	\$5,000.00	\$288.83	\$5,000.00	0.00%
125- ORSC MEETINGS/TRAVEL	\$2,500.00	\$796.20	\$2,500.00	0.00%
135- OFFICE EXPENSES/POSTAGE	\$8,000.00	\$7,344.03	\$8,000.00	0.00%
140- RENT & UTILITIES	\$58,000.00	\$61,668.17	\$60,000.00	3.45%
145- PROFESSIONAL SERVICES	\$262,000.00	\$178,440.00	\$290,000.00	10.69%
150- PUBLICATIONS	\$11,000.00	\$15,190.71	\$12,000.00	9.09%
151- ORGANIZATIONAL DUES	\$2,500.00	\$2,215.00	\$2,500.00	0.00%
155- STATE AUDITOR- AUDIT	\$14,000.00	\$12,726.00	\$14,000.00	0.00%
190- STATE TREASURER- BANK FEES	\$500.00	\$0.00	\$500.00	0.00%
TOTAL	\$765,500.00	\$593,608.43	848,400.00	10.83%
YEARLY BUDGET REQUEST:	\$765,500.00		\$848,400.00	10.83%
BALANCE PER FY 2022		\$171,891.57		
\$ AMOUNT INCREASE IN BUDGET REQUEST:			\$82,900.00	10.83%
Total Budget Request for FY 2023: \$848,400.00				
Minus Estimated Balance for FY 2022: \$171,891.57				
Minus General Journal Adjustments: -\$0.00				
BUDGET REQUEST FY 2023 FROM ALL FIVE SYSTEMS: \$676,508.43				

FISCAL YEAR 2023 (July 1, 2022 – June 30, 2023)

FY 2023- Comparison Table- Systems' Proportionate Shares of ORSC Budget

SYSTEM	ASSETS AS OF 1/1/22	% OF BUDGET	FY 2023 TOTAL BUDGET	TOTAL DUE MINUS FY 2022 BALANCES	TOTAL DUE PER QUARTER
PERS	\$126,632,441,127.00	47.64039%	\$404,181.07	\$322,291.25	\$80,572.81
STRS	\$99,441,582,621.00	37.41091%	\$317,394.16	\$253,087.96	\$63,271.99
OP&F	\$19,608,530,012.00	7.37692%	\$62,585.79	\$49,905.49	\$12,476.37
SERS	\$19,011,526,340.00	7.15233%	\$60,680.37	\$48,386.12	\$12,096.53
HPRS	\$1,114,945,000.00	0.41945%	\$3,558.61	\$2,837.61	\$709.40
TOTAL	\$265,809,025,100.00	100.00000%	\$848,400.00	\$676,508.43	\$169,127.10

ORSC'S FY 23 Budget is 0.00031917652144460614 of Reported Systems' Total Assets.

INCREASE IN SYSTEMS' TOTAL ASSETS FROM FY 2022: 12.072877601366189%

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	ORSC Member meeting reimbursements (per R.C. 171.02)
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)- Please note: both contracts end 8/2023 and will need to be rebid
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 of ORSC
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.