



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

300 E. BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746
614-222-5853 • Toll-Free 800-878-5853 • www.ohsers.org

RICHARD STENSRUD
Executive Director

KAREN D. ROGGENKAMP
Deputy Executive Director

April 26, 2022

Bethany Rhodes, Director/General Counsel
Ohio Retirement Council
30 East Broad Street, 2nd Floor
Columbus, OH 43215

Dear Ms. Rhodes:

In accordance with Section 3309.041 of the Ohio Revised Code, enclosed please find SERS' proposed FY2023 operating budget, presented in the ORSC's required format. SERS budgeting practices are aligned with our Mission, Vision, and Values, while continuously evaluating the long-range needs of our membership. For FY2023, SERS' total operating budget increased by 4.9% (\$35.9 million to \$37.7 million). The significant drivers of this change are a budgeted merit increase and salary adjustments based on CBIZ recommendations from our FY2022 compensation study, upgrade and expansion of communications services and increases in the cost of software licenses. Included in the FY2023 submission is the five-year Technology Infrastructure Project Budget (\$8.3 million). Additional category details are provided as follows:

Personnel category increase of 4.7% is attributed to consistent budgeting of health care expenses based on actuarial rates derived from actual plan claims and health care cost trends supplied by our actuary; an additional full-time employee; salary adjustments and a performance-based merit increase of 3.2% for staff recommended as part of the compensation study.

Professional Services category decrease of 4.8% includes ongoing operational resources such as actuarial services, investment related expenses, banking costs, and other technical services associated with member and health care support, lower medical and prescription program pricing consulting, completion of telecommunications assessment and inclusion of FY2023 infrastructure into a five-year Technology Infrastructure Project Budget.

Communications Expense category increase of 9.8% reflects plans to resume more in-person meetings post COVID-19 for Employer Services, Health Care, and Member Services groups to continue to meet the needs of SERS' customers and stakeholders. Also included is an expansion of services and technology supporting voice over internet communications and other multi-media outreach.

Other Operating Expense increase of 12.6% is a result of an increase in travel as continuing education and professional development opportunities return to in-person sessions, increased costs of software licenses, and cyber security tools to protect hardware, systems, and data on SERS networks. SERS is also completing the transition of Disaster Recovery as a Service with cloud storage for daily data backups and business continuity services. This service model type becomes an on-going software subscription cost instead of capital investment. SERS continues to see higher insurance policy rates and expects this to continue in FY2023.

In FY2023, Capital costs include the cyclical replacement of the network traffic firewall.

RETIREMENT BOARD

BARBRA M. PHILLIPS
Chair, Employee-Member

JEFFREY DELEONE
Vice-Chair, Appointed Member

HUGH GARSIDE, JR.
Employee-Member

JAMES H. HALLER
Employee-Member

MATTHEW A. KING
Employee-Member

CATHERINE P. MOSS
Retiree-Member

JAMES A. ROSSLER, JR.
Appointed Member

FRANK A. WEGLARZ
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SERS will begin a major Technology Infrastructure Project initiative in FY2023. This five-year plan will improve digital, mobile, and electronic service delivery for employers and members, add pension administration enhancements, and expand business tools. The initiative will also include a replacement of the 20-year end of life telecommunications platform with internet voice capabilities including call back assist and chat features, network and server infrastructure improvements, and expanded security.

Net Building Occupancy Expense budget is higher by 32.7% due to reduced tenant rental income in a soft commercial real estate environment. Tenant income from leases and parking help offset overall building expenses. SERS is aggressively marketing the vacant space, expanding the amenities, adjusting parking garage rates, and reviewing building expenses to potentially mitigate some of the increase. Although FY2023 planned overall leasehold improvements have been scaled back, the budget includes floor lighting control panel upgrades and physical security hardware.

I look forward to reviewing the draft budget with you and answering any questions that you have. Please feel free to contact me at 614-222-5801.

Sincerely,

Richard Stensrud

Executive Director

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School Employees Retirement System
2023 ORSC Budget Presentation

FY2022 to FY2023 Operating Budget and Increase (Decrease)

Budget category	2023 Budget	2022 Budget	2022 Estimated Actual	2022-2023 Increase (Decrease)	Percent Change (2022 to 2023)
Personnel	\$ 24,392,195	\$ 23,290,659	\$ 23,605,672	\$ 1,101,536	4.7
Salaries and Wages	\$ 17,783,788	\$ 16,861,478	\$ 16,758,527	\$ 922,310	5.5
PERS Contributions	\$ 2,389,275	\$ 2,268,381	\$ 2,253,819	\$ 120,894	5.3
Health Insurance	\$ 4,219,132	\$ 4,160,800	\$ 4,593,326	\$ 58,332	1.4
Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	0
Professional Services	\$ 6,502,883	\$ 6,829,361	\$ 6,557,328	\$ (326,478)	-4.8
Actuarial	\$ 421,008	\$ 344,725	\$ 338,428	\$ 76,283	22.1
Audit	\$ 244,000	\$ 224,984	\$ 191,404	\$ 19,016	8.5
Custodial Banking Fees	\$ 1,073,544	\$ 1,105,200	\$ 1,156,992	\$ (31,656)	-2.9
Master Recordkeeper	\$ 1,116,000	\$ 1,010,400	\$ 1,027,583	\$ 105,600	10.5
Investment Consulting	\$ 1,548,622	\$ 1,543,817	\$ 1,513,214	\$ 4,805	0.3
Other Consulting	\$ 1,904,787	\$ 2,401,815	\$ 2,141,004	\$ (497,028)	-20.7
Banking Expenses	\$ 194,922	\$ 198,420	\$ 188,703	\$ (3,498)	-1.8
Communications Expense	\$ 1,045,873	\$ 952,450	\$ 982,503	\$ 93,423	9.8
Printing and Postage	\$ 729,669	\$ 730,138	\$ 728,888	\$ (469)	-0.1
Telecommunications	\$ 264,184	\$ 187,722	\$ 236,441	\$ 76,462	40.7
Member/Employer Education	\$ 52,020	\$ 34,590	\$ 17,174	\$ 17,430	50.4
Other Operating Expenses	\$ 3,910,979	\$ 3,472,980	\$ 3,374,104	\$ 437,999	12.6
Conferences and Education	\$ 230,451	\$ 252,480	\$ 93,794	\$ (22,029)	-8.7
Travel	\$ 209,234	\$ 167,622	\$ 83,657	\$ 41,612	24.8
Computer Technology	\$ 2,342,370	\$ 2,028,408	\$ 2,192,502	\$ 313,962	15.5
Other Operating	\$ 1,076,924	\$ 972,470	\$ 962,848	\$ 104,454	10.7
Ohio Retirement Study Council	\$ 52,000	\$ 52,000	\$ 41,303	\$ -	0
Net Building Expense	\$ 1,813,137	\$ 1,366,292	\$ 1,179,629	\$ 446,845	32.7
Total Operating Budget	\$ 37,665,067	\$ 35,911,742	\$ 35,699,236	\$ 1,753,325	4.9
Full-Time Equivalent (FTE) Associates	182	181			

School Employees Retirement System
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FY2022 to FY2023 Capital Budget

	2023 Budget (includes carryover from previous years)	2022 Budget	2022 Estimate
Total Capital Budget	\$ 54,109	\$ 200,351	\$ 133,321
Computer Hardware > \$5,000	54,109	147,018	133,321
Computer Software > \$25,000	-	53,333	-

Technology Infrastructure Project

	FY23 to FY27		
Total Project Budget	\$ 8,300,000		

Investment Expenses

	FY 2021 Actual	FY 2020 Actual	Percent Change (2020 to 2021)
Total Investment Assets	18,147,988,143	\$ 14,609,390,168	24.221%
Total Internally Managed Assets	611,279,230	255,188,900	139.540%
Total Externally Managed Assets	17,536,708,913	14,354,201,268	22.171%
Total Investment Expenses	101,460,922	\$ 93,218,420	8.842%
Total Internal Investment Expenses	3,171,580	3,371,337	(5.925%)
Total External Investment Expenses	93,244,536	84,368,944	10.520%
Investment Consulting	2,714,244	2,995,073	(9.376%)
Brokerage/Commissions-Internal	-	-	0.000%
Brokerage/Commissions-External	1,449,238	1,538,364	(5.794%)
Custodian Fees	881,324	944,702	(6.709%)

School Employees Retirement System
2023 ORSC Budget Presentation

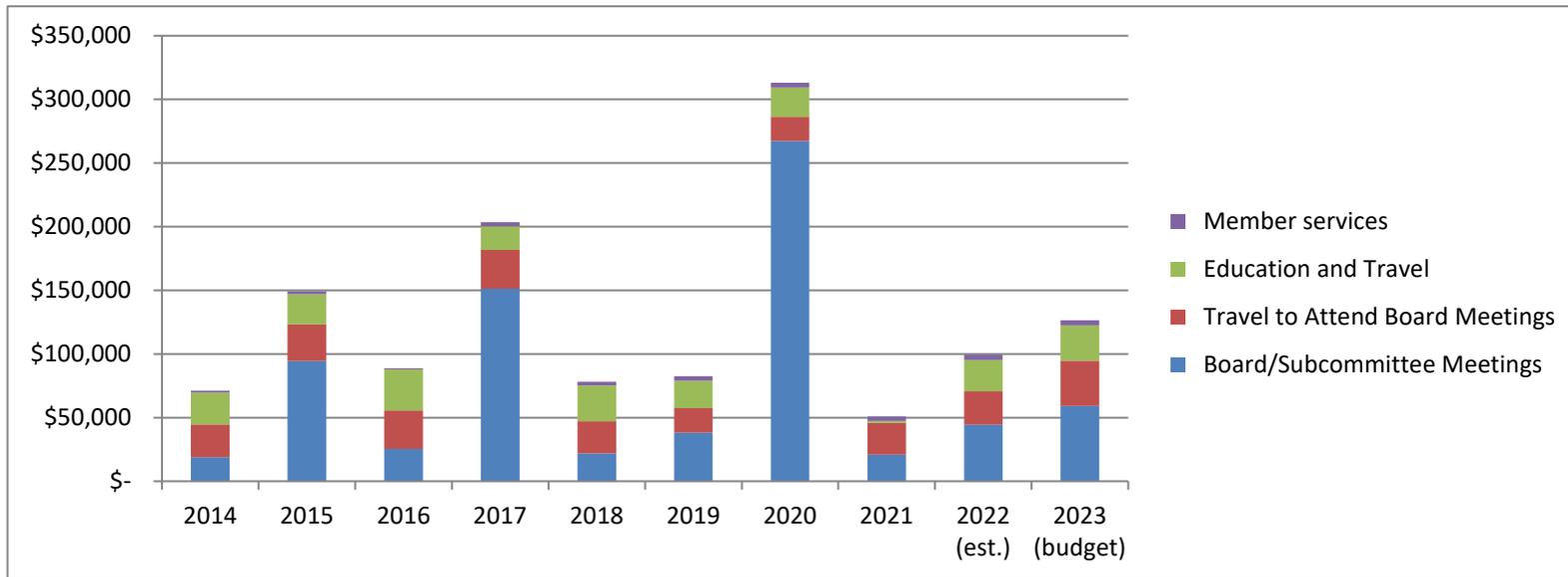
Total Investment Expenses as a % of Total Investment Assets	0.559%	0.638%	(12.381%)
Expenses as % of Internally Managed*	0.519%	1.321%	(60.715%)
Expenses as % of Externally Managed*	0.540%	0.598%	(9.772%)

*Excludes Investment Consulting and Custodian Fees

School Employees Retirement System
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Fiscal Year Board Member Expenses

	2014	2015	2016	2017	2018	2019	2020	2021	2022 (est.)	2023 (budget)
Total Board Expenses	\$ 71,179	\$ 149,339	\$ 88,590	\$ 203,406	\$ 78,112	\$ 82,534	\$ 313,113	\$ 50,974	\$ 99,528	\$ 126,509
Board/Subcommittee Meetings	\$ 19,014	\$ 94,442	\$ 25,459	\$ 151,328	\$ 21,861	\$ 38,065	\$ 267,297	\$ 20,995	\$ 44,516	\$ 59,175
Travel to Attend Board Meetings	\$ 25,719	\$ 28,863	\$ 30,279	\$ 30,363	\$ 25,183	\$ 19,244	\$ 19,021	\$ 24,957	\$ 26,252	\$ 35,408
Education and Travel	\$ 24,891	\$ 23,573	\$ 32,192	\$ 18,675	\$ 28,083	\$ 21,533	\$ 23,093	\$ 1,500	\$ 24,500	\$ 28,000
Member services	\$ 1,555	\$ 2,461	\$ 660	\$ 3,040	\$ 2,985	\$ 3,692	\$ 3,702	\$ 3,522	\$ 4,260	\$ 3,926



Board expenses include the cost of the Internal Auditor search in FY2015 and FY2020 as well as an Executive Director search in FY2017.

SERS Board hired a Consultant to facilitate an evaluation of SERS plan design and to help strengthen the future sustainability and adaptability of the System. The expenses associated with the Pension and Health Care Sustainability initiative occur beginning in FY2019 and are on-going.

School Employees Retirement System
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Staff Training and Travel (Budget to Budget)

	2023	2022	Increase (Decrease)	% Increase (Decrease)
Executive				
Conferences, Seminars & Travel	\$ 35,016	\$ 30,709	\$ 4,307	14.0
In-House Training	\$ -	\$ -	\$ -	-
#FTE	10	10	-	-
Expense per FTE	\$ 3,502	\$ 3,071	\$ 431	

	2023	2022	Increase (Decrease)	% Increase (Decrease)
Investments				
Conferences, Seminars & Travel	\$ 69,000	\$ 53,250	\$ 15,750	29.6
In-House Training	\$ -	\$ -	\$ -	-
#FTE	12	12	-	-
Expense per FTE	\$ 5,750	\$ 4,438	\$ 1,313	

	2023	2022	Increase (Decrease)	% Increase (Decrease)
Legal & Communications				
Conferences, Seminars & Travel	\$ 15,670	\$ 12,075	\$ 3,595	29.8
In-House Training	\$ -	\$ -	\$ -	-
#FTE	16	17	(1)	
Expense per FTE	\$ 979	\$ 710	\$ 269	

	2023	2022	Increase (Decrease)	% Increase (Decrease)
Finance*				
Conferences, Seminars & Travel	\$ 45,516	\$ 40,943	\$ 4,573	11.2
In-House Training	\$ -	\$ -	\$ -	-
#FTE	25.5	25.5	-	
Expense per FTE	\$ 1,785	\$ 1,606	\$ 179	

	2023	2022	Increase (Decrease)	% Increase (Decrease)
Information Technology				
Conferences, Seminars & Travel	\$ 139,946	\$ 140,198	\$ (252)	(0.2)
In-House Training	\$ -	\$ -	\$ -	-
#FTE	37	36	1	
Expense per FTE	\$ 3,782	\$ 3,894	\$ (112)	

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	2023	2022	Increase (Decrease)	% Increase (Decrease)
Member Services				
Conferences, Seminars & Travel	\$ 5,016	\$ 4,750	\$ 266	5.6
In-House Training	\$ -	\$ -	\$ -	-
#FTE	51.5	51.5	-	
Expense per FTE	\$ 97	\$ 92	\$ 5	

	2023	2022	Increase (Decrease)	% Increase (Decrease)
Health Care				
Conferences, Seminars & Travel	\$ 16,656	\$ 15,849	\$ 807	5.1
In-House Training	\$ -	\$ -	\$ -	-
#FTE	15	14	1	
Expense per FTE	\$ 1,110	\$ 1,132	\$ (22)	

	2023	2022	Increase (Decrease)	% Increase (Decrease)
Administrative Services				
Conferences, Seminars & Travel	\$ 7,512	\$ 7,063	\$ 449	6.4
In-House Training	\$ -	\$ -	\$ -	-
#FTE	10	11	(1)	
Expense per FTE	\$ 751	\$ 642	\$ 109	

	2023	2022	Increase (Decrease)	% Increase (Decrease)
Human Resources**				
Conferences, Seminars & Travel	\$ 4,500	\$ 4,271	\$ 229	5.4
In-House Training	\$ 15,895	\$ 8,500	\$ 7,395	87.0
#FTE	4	4	-	
Expense per FTE	\$ 5,099	\$ 3,193	\$ 1,906	

*Travel costs for Investment and Finance include costs attributed to due diligence visits.

**The Human Resources In-House Training is system-wide employee training, across all departments.

School Employees Retirement System

2023 ORSC Budget Presentation

Supplementary Statistical Information

	2018	2019	2020	2021	2022
Active Members	158,343	159,363	156,579	146,646	NA
Inactive Members	283,014	265,785	265,068	284,631	NA
Benefit Recipient (Age, Dis., Survivor)	68,005	67,767	67,864	68,518	NA
Re-employed Retirees	13,327	13,257	12,987	12,203	NA
Total Membership	522,689	506,172	502,498	511,998	NA

Members Per FTE	2,888	2,797	2,776	2,893	NA
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