FY2027
ADMINISTRATIVE BUDGET
May 14, 2026

ACCOMPLISHMENTS IN FY2026

- Professional Services
  - Administrative - Board appointed a new Chief Audit Officer and completed several comprehensive audits
  - Actuarial and Financial
    - Completed the master recordkeeper conversion streamlining operations and enhancing data management capabilities
    - Finalized the quinquennial experience study
    - Completed the check clearing project from Treasurer of State to Huntington National Bank
  - Strategy
    - Implemented year two of the 5-year strategic plan

ACCOMPLISHMENTS IN FY2026, CONT.

- Technology/Information Security
  - Continued the expansion of risk management integration into all business processes including fraud prevention and security tools
  - Implemented Live Chat for Employers and Members in SMART - SERS' pension administration system
  - Completed the Refund Reimagination project giving the ability to complete application online
  - Completed enhancements to the network and server infrastructure
- Net Building Occupancy Costs
  - Increased revenue and tenant occupancy; SERS rents half of the 1st floor and all the 3-5 floors to outside tenants

FY2027 PROPOSED PROJECTS

- Retirement system 10-year fiduciary performance audit
- Implementation of new security tools and consulting services to better protect SERS data and systems
- Customization of SMART to accommodate School District Income Tax withholding as mandated by House Bill 96
- System portal enhancements focusing on modernization, fraud prevention and security
- Additional SMART enhancements for improved automation and efficiencies for multiple processes across departments
- Network and server infrastructure improvements focusing on backup and recovery and evaluation of security tools

PROPOSED FY2027 DRAFT BUDGET

Comparison of FY2027 proposed to FY2026 budget and FY2026 forecast

	Budget		Forecast
Budget Category	**FY2027**	**FY2026**	**FY2026**
Personnel	$ 29,515,714	$ 28,514,219	$ 29,316,709
Professional Services	$ 7,394,313	$ 7,044,466	$ 6,334,309
Communications	$ 939,498	$ 821,240	$ 743,955
Other Operating Expense	$ 5,355,831	$ 4,853,745	$ 4,260,594
Capital	$ 30,150	$ 13,000	$ 7,457
Net Building Occupancy	$ 1,489,134	$ 2,419,594	$ 2,083,767
TOTAL ADMINISTRATIVE BUDGET	**$ 44,724,640**	**$ 43,666,264**	**$ 42,746,791**

FY2027 DRAFT BUDGET DRIVERS

The 2.4% increase in the FY2027 budget over FY2026 is attributed to the following:

- **Personnel category increase:**
  - Salary adjustments and a performance-based merit pool of 4.0% as recommended by an independent compensation consultant
  - An expected increase in employee health care expenses based on actuarial rates derived from actual plan claims and health care cost trends
  - Offset by a reduction in sick leave expenses. FY26 included a large increase due to several employees required addition to the accrued sick liability per accounting rules
- **Professional Services increase:**
  - System fiduciary performance audit offset by reduction due to the change in the Master Recordkeeper and fee schedule change for banking fees.
- **Communications Expense increase**
  - Active member board election and rising cost of postage

PROPOSED FY2027 DRAFT BUDGET

Personnel Services: 3.5% ⬆

- 66.0% of the Total Budget
- ⬆ Performance-based merit pool of 4.0%
- ⬆ Increase in benefits by 5.7% due to an increase in health care expense
- ⬇ Offset by a reduction in sick leave expense

Professional Service: 5.0% ⬆

- 16.5% of the Total Budget
- ⬆ Actuarial and Audit fees – Fiduciary audit
- ⬇ Banking and Custodial fees
- ⬇ Investment Related Services – Reduction due to change in Master Recordkeeper, also includes Investment Consulting & Advisory services, Performance Analytics
- Other Consulting fees were relatively flat and include support for cyber security and business continuity, federal lobbyist, Attorney General fees, and IT and security advisory services

PROPOSED FY2027 DRAFT BUDGET

Communications:14.4% ⬆

- 2.1% of the Total Budget
- ⬆ Printing and Postage:
    - Increase due to active member election and rising cost of postage
- Telecommunication - includes web services, video/audio communication resources
- Member/Employer Education - includes costs associated with conducting meetings and outreach services

Other Operating: 10.3% ⬆

- 12.0 % of the Total Budget
- ⬆ Computer Support Services – includes Hardware and Software Maintenance as well as Software Subscriptions
    - New software subscriptions and increased renewal costs
    - Expansion of information security tools
- Also includes:
    - Conferences, Education and Travel
    - Memberships and Subscriptions
    - Property and Fiduciary Insurance
    - Office equipment and supplies
    - Mandatory ORSC costs

PROPOSED FY2027 DRAFT BUDGET

Capital: 131.9%⬆

- 0.1% of the Total Budget
- A replacement of stand-alone postage machine and inline meter

Net Building Occupancy Expense: 38.5%⬇

- 3.3% of the Total Budget
- ⬆ Operating Revenue - includes Suite Lease revenue for tenants and parking
- ⬆ Operating Expenses
  - Property Management and Labor \ Other Administrative Expenses
  - Building Operations and Maintenance (inflation driven)
    - Security
    - Building equipment maintenance
    - Janitorial
  - Utilities & Building/Equipment Insurance
- ⬇ Non-Operating Expenses
  - Special Counsel
  - Remodeling – reduction due to the completion of several projects in FY26
- Capital – includes a service elevator upgrade

FIVE-YEAR TECHNOLOGY ROADMAP BUDGET

	FY2023 through FY2027 Plan	FY2023-FY2025 Actual Spend	FY2026 Forecast	FY2027 Plan	Remaining Roadmap Amount
Total Project Budget	$8,283,054	$3,655,372	$1,095,628	$2,475,255	$1,056,799

- Telecommunications
- Security Stack
- Network Infrastructure
- Technology Replacement
- Server Infrastructure
- Backup and Recovery
- SMART Portals
- SMART Framework
- SMART Enhancements
- SMART Business Tools

FY2027 Plan includes:

- Fifth year of technology enhancement projects:
  - Pension administration system enhancements around modernization, fraud prevention, security, and improved automation and efficiencies
  - Ransomware resiliency program
  - Network and server infrastructure improvements focusing on backup and recovery and evaluation of security tools
  - Hardware and software technology refresh

INVESTMENT EXPENSES

- Most of SERS' investments are externally managed, overseen by 11 investment officers.
- Starting in FY24, SERS begin investing in Exchange Traded Funds (ETF) internally. An ETF is an investment fund that holds multiple underlying assets that is bought and sold on an exchange.
- Also included in Internally Managed Assets are certain Cash Equivalents, where transactions do not generate a brokerage fee.
- Internal investment expenses consist of salary and benefits of the investment/investment accounting departments. In addition, it includes custodial, master recordkeeper, and various investment consulting and performance/analytical fees. Most of the the internal investment expenses result from overseeing the externally managed assets.
- FY2025 internal brokerage/commissions fees increased from $8,565 in FY2024 to $118,023 due to the growth of ETF trading.

QUESTIONS?