



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

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RICHARD STENSRUD
Executive Director

HELEN M. NINOS
Deputy Executive Director

April 23, 2018

Bethany Rhodes, Director/General Counsel
Ohio Retirement Study 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 FY2019 operating budget, presented in the ORSC's required format. SERS took a conservative approach to budgeting, tied to the organization's Mission, Vision and Values. For FY2019, SERS' total operating budget increases 4.3% over the current fiscal year.

In the Personnel Category, there is an increase of 4.7%, which includes a 3.0% performance-based merit increase for staff, an increase in costs associated with employee leave payouts as more staff near retirement eligibility, and a 5.5% increase in health insurance. SERS continues to budget health care expenses based on actuarial rates that are derived from actual plan claims experience and health care cost trends supplied by our actuary. This increase in health care costs is consistent with the last few years as well as the projected national trend assumptions for health care plans similar to SERS'.

The Professional Services Category increased 6.9% in FY2019. The increase is driven by increases in investment-related expenses, which are tied to asset valuations. These increases are offset by a decrease in actuarial expenses. FY2018 included actuarial fees resulting from the implementation of GASB 74 and 75, and support for legislative changes.

The Communications Expense Category remains flat in FY2019. SERS will continue to meet the evolving communication needs of its membership. Member Services will maintain its level of in-house counseling and remote sessions around the state. Member Services has been able to reduce costs associated with pre-retirement education by holding remote sessions at school locations, thus eliminating the need to rent space. Health Care will continue open enrollment conferences and remain in partnership with the Ohio Senior Health Insurance Information Program (OSHIIP) to reach SERS' under-65 members and retirees, while reducing the number of overnight stays and sessions based on attendance. In FY2019, Employer Services will return to normal operations after increasing facilitated Employer group training sessions related to the recently deployed member benefits system in FY2018. The Postage expense reflects a nominal increase in the price per item and also includes amounts for an election of two member and one retiree Board member seats.

The Other Operating Expense increased 10.7%. Enhancements and improvements necessary to support the new member benefits system continue in FY2019. These support enhancements include improvements to the network infrastructure and additional hardware and software

requirements. Computer Support services for the SMART system are being realized after the warranty period expired in FY2018.

The Net Building Occupancy Expense budget decreased 20.7%. The decrease is a result of the building being fully leased, a reduction in tenant improvement costs, and a smaller number of capital improvements. In FY2019, the building will remain 100% occupied and continue to operate a safe and efficient environment.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Stensrud". The signature is fluid and cursive, with a large initial "R" and a long, sweeping tail.

Richard Stensrud
Executive Director

Enclosures

School Employees Retirement System
2019 ORSC Budget Presentation

FY2018 to FY2019 Operating Budget and Increase (Decrease)

Budget Category	2019 Budget	2018 Budget	2018 Estimated Actual	2018-19 Increase (Decrease)	% Change (2018 to 2019)
Personnel	\$ 22,087,259	\$ 21,086,623	\$ 21,108,931	\$ 1,000,636	4.7
Salaries and Wages	16,593,884	15,751,907	15,507,983	841,977	5.3
PERS Contributions	2,194,158	2,182,812	2,184,905	11,346	0.5
Health Insurance	3,299,217	3,126,904	3,370,192	172,313	5.5
Miscellaneous Expenses	-	25,000	45,851	(25,000)	(100.0)
Professional Services	\$ 6,515,947	\$ 6,093,327	\$ 6,500,016	\$ 422,620	6.9
Actuarial	345,000	425,500	302,678	(80,500)	(18.9)
Audit	342,700	324,134	265,384	18,566	5.7
Banking Fees	1,076,400	825,206	1,184,330	251,194	30.4
Master Recordkeeper	1,525,200	1,297,800	1,656,043	227,400	17.5
Investment Consulting	1,626,332	1,585,782	1,668,009	40,550	2.6
Other Consulting	1,475,735	1,512,445	1,294,553	(36,710)	(2.4)
Banking Expenses	124,580	122,460	129,019	2,120	1.7
Communications Expense	\$ 1,034,780	\$ 1,036,990	\$ 989,261	\$ (2,210)	(0.2)
Printing and Postage	800,020	785,150	748,528	14,870	1.9
Telecommunications	165,160	162,240	162,356	2,920	1.8
Member/Employer Education	69,600	89,600	78,377	(20,000)	(22.3)
Other Operating Expenses	\$ 3,474,186	\$ 3,138,666	\$ 2,562,952	\$ 335,520	10.7
Conferences and Education	307,119	359,848	258,699	(52,729)	(14.7)
Travel	296,247	310,054	201,423	(13,807)	(4.5)
Computer Technology	1,864,421	1,398,130	1,156,448	466,291	33.4
Other Operating	956,399	1,028,234	899,971	(71,835)	(7.0)
Ohio Retirement Study Council	50,000	42,400	46,411	7,600	17.9
Net Building Expense	\$ 1,261,348	\$ 1,589,713	\$ 1,076,777	\$ (328,365)	(20.7)
Total Operating Budget	\$ 34,373,520	\$ 32,945,319	\$ 32,237,937	\$ 1,428,201	4.3
Full-Time Equivalent (FTE) Associates		181	181		

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FY2018 to FY2019 Capital Budget

	2019 Budget	2018 Budget	2018 Estimate
Total Capital Budget	\$ 269,500	\$ 374,000	\$ 363,550
Furniture & Equipment	-	-	-
Computer Hardware > \$5,000	-	209,000	363,550
Computer Software > \$25,000	269,500	165,000	-
Vehicles	-	-	-

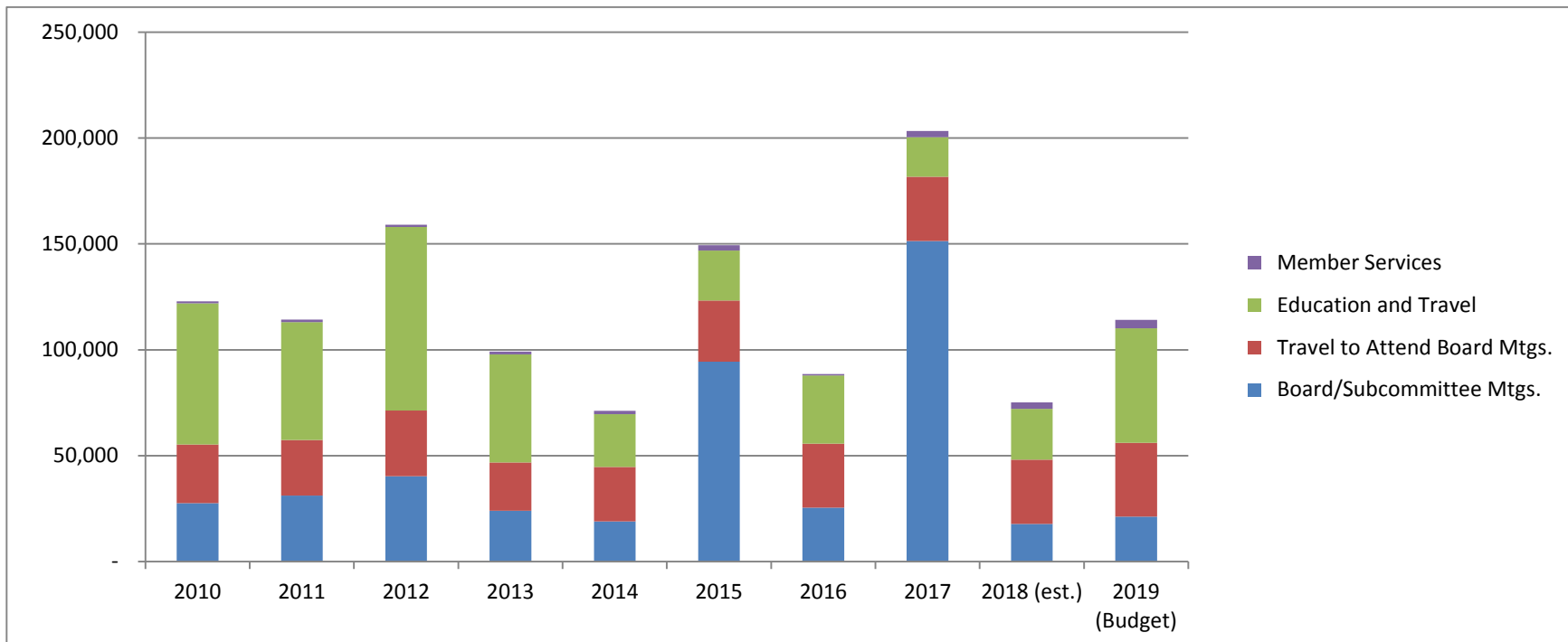
Investment Expenses

	FY 2017 Actual	FY 2016 Actual	% Change
Total Investment Assets	\$ 13,702,753,983	\$ 12,536,514,353	9.30
Total Internally Managed Assets	280,899,616	168,590,680	66.62
Total Externally Managed Assets	13,421,854,367	12,367,923,673	8.52
Total Investment Expenses	\$ 95,496,918	\$ 88,079,012	8.42
Total Internal Investment Expenses	3,648,037	3,635,326	0.35
Total External Investment Expenses	85,801,157	78,934,055	8.70
Investment Consulting	3,009,474	3,060,779	(1.68)
Brokerage/Commissions-Internal	-	-	0.00
Brokerage/Commissions-External	2,602,834	1,829,306	42.29
Custodian Fees	435,416	619,546	(29.72)
Total Investment Expenses as a % of Total Investment Assets	0.697%	0.703%	-0.81%
Expenses as % of Internally Managed	33.997%	52.244%	-34.93%
Expenses as % of Externally Managed	0.712%	0.712%	-0.09%

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Fiscal Year Board Member Expenses

	2010	2011	2012	2013	2014	2015	2016	2017	2018 (est.)	2019 (Budget)
Total Board Expenses	\$ 122,951	\$ 114,329	\$ 159,077	\$ 99,148	\$ 71,179	\$ 149,339	\$ 88,590	\$ 203,406	\$ 75,151	\$ 114,123
Board/Subcommittee Mtgs.	27,595	31,133	40,364	23,979	19,014	94,442	25,459	151,328	17,812	21,279
Travel to Attend Board Mtgs.	27,699	26,316	30,895	22,833	25,719	28,863	30,279	30,363	30,364	34,768
Education and Travel	66,629	55,630	86,742	50,963	24,891	23,573	32,192	18,675	23,990	54,150
Member Services	1,028	1,250	1,076	1,373	1,555	2,461	660	3,040	2,985	3,926



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

The increase in Education and Travel is attributable to new Board members who participate in training in FY2019.

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Staff Training and Travel (Budget to Budget)

	2019	2018	Increase (Decrease)	% Increase (Decrease)
Executive				
Conferences, Seminars & Travel	\$ 67,345	\$ 69,620	\$ (2,275)	(3.3)
In-House Training	\$ -	\$ -	\$ -	-
#FTE	21	21	-	-
Expense per FTE	\$ 3,207	\$ 3,315	\$ (108)	(3.3)

	2019	2018	Increase (Decrease)	% Increase (Decrease)
Investments*				
Conferences, Seminars & Travel	\$ 111,000	\$ 111,000	\$ -	-
In-House Training	\$ -	\$ -	\$ -	-
#FTE	12	12	-	-
Expense per FTE	\$ 9,250	\$ 9,250	\$ -	-

	2019	2018	Increase (Decrease)	% Increase (Decrease)
Finance*				
Conferences, Seminars & Travel	\$ 54,755	\$ 49,625	\$ 5,130	10.3
In-House Training	\$ -	\$ -	\$ -	-
#FTE	25.5	24.5	1.0	4.1
Expense per FTE	\$ 2,147	\$ 2,026	\$ 122	6.0

	2019	2018	Increase (Decrease)	% Increase (Decrease)
Information Technology				
Conferences, Seminars & Travel	\$ 133,700	\$ 159,960	\$ (26,260)	(16.4)
In-House Training	\$ -	\$ -	\$ -	-

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#FTE	35	35	-	-
Expense per FTE	\$ 3,820	\$ 4,570	\$ (750)	(16.4)

	2019	2018	Increase (Decrease)	% Increase (Decrease)
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Member Services

Conferences, Seminars & Travel	\$ 4,460	\$ 6,100	\$ (1,640)	(26.9)
In-House Training	\$ -	\$ -	\$ -	-
#FTE	51.5	51	0.5	0.98
Expense per FTE	\$ 87	\$ 120	\$ (33)	(27.6)

	2019	2018	Increase (Decrease)	% Increase (Decrease)
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Health Care

Conferences, Seminars & Travel	\$ 18,800	\$ 23,980	\$ (5,180)	(21.6)
In-House Training	\$ -	\$ -	\$ -	-
#FTE	14	14.5	(0.5)	(3.4)
Expense per FTE	\$ 1,343	\$ 1,654	\$ (311)	(18.8)

	2019	2018	Increase (Decrease)	% Increase (Decrease)
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Administrative Services

Conferences, Seminars & Travel	\$ 29,120	\$ 26,030	\$ 3,090	11.9
In-House Training	\$ -	\$ -	\$ -	-
#FTE	18	19	(1.00)	(5.26)
Expense per FTE	\$ 1,618	\$ 1,370	\$ 248	18.1

	2019	2018	Increase (Decrease)	% Increase (Decrease)
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Human Resources**

Conferences, Seminars & Travel	\$ 8,493	\$ 7,020	\$ 1,473	21.0
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In-House Training	\$ 12,000	\$ 17,000	\$ (5,000)	(29.4)
#FTE	4	4	-	-
Expense per FTE	\$ 5,123	\$ 6,005	\$ (882)	(14.7)

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

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

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Supplementary Statistical Information

	2014	2015	2016	2017*	2018
Active Members	121,251	122,855	124,540	157,981	NA
Inactive Members	107,170	96,657	90,448	272,632	NA
Benefit Recipient (Age, Dis., Survivor)	62,214	62,756	63,964	66,406	NA
Re-employed Retirees	10,391	11,616	12,316	12,751	NA
Total Membership	301,026	293,884	291,268	509,770	NA

Members Per FTE	1,740	1,689	1,609	2,816	NA
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Total membership statistics used for valuation purposes.

* Member headcounts include members who have earned .25 or less of a year of service credit during the 2017 fiscal year.