



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 STENSURD
Executive Director

KAREN D. ROGGENKAMP
Deputy Executive Director

April 22, 2019

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 FY2020 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 FY2020, SERS' total operating budget increases less than 1% over the current fiscal year.

The Personnel Category has a decrease of 0.2% attributable to consistent budgeting of health care expenses based on actuarial rates derived from actual plan claims experience and health care cost trends supplied by our actuary; a reduction in the number of employee leave payouts as fewer staff near retirement eligibility for the fiscal year; along with a 2.25% performance-based merit increase for staff.

The Professional Services category includes ongoing operational resources such as actuarial services, investment related expenses, banking costs and other technical services associated with member and health care support. In addition, resources are designated to support SERS investment in continuous improvement through strategies such as audits related to SERS' pharmacy benefits manager, medical claims, and financial reporting, as well as Board initiatives around pension and health care sustainability. In the upcoming fiscal year, the decrease in investment-related expenses is directly correlated to asset valuations, while the increase in Other Consulting is driven by the need for record retention management and member benefit system consulting.

The Communications Expense Category remains flat in FY2020. The Employer Services, Health Care and Member Services groups will continue to meet the needs of SERS' membership with ongoing Employer group training sessions for the member benefits system, open enrollment conferences and under-65 member and retiree partnerships, as well as in-house and remote counseling around the state. The Postage expense reflects a nominal increase in the price per item and includes amounts for an election of one retiree Board member seat.

The Other Operating Expense increased 2.2%. SERS will remain committed to supporting staff in their continuing education and professional development requirements. Ongoing computer technology improvements and maintenance needs continue in FY2020. These include computer support for SERS' member benefits system, data storage devices, virtualization technology advancement and network security.

In FY2020, Capital costs include the cyclical replacement of enterprise level virtualization and data storage management platforms as well as module additions to existing IT software to enhance data center operations and project management.

RETIREMENT BOARD

JAMES A. ROSSLER, JR. <i>Chair, Appointed Member</i>	CATHERINE D. MOSS <i>Vice-Chair, Retiree-Member</i>	JEFFREY DELEONE <i>Appointed Member</i>	HUGH GARSIDE, JR. <i>Employee-Member</i>
JAMES H. HALLER <i>Employee-Member</i>	CHRISTINE D. HOLLAND <i>Employee-Member</i>	BARBRA M. PHILLIPS <i>Employee-Member</i>	DANIEL L. WILSON <i>Appointed Member</i>
			BEVERLY A. WOOLRIDGE <i>Retiree-Member</i>



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The Net Building Occupancy Expense budget decreased by 3.4%. The decrease is a result of the building being fully leased and a reduction in tenant improvement costs, offsetting capital improvement costs. In FY2020, the building will remain 100% occupied and continue to operate a safe and efficient environment.

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

Sincerely,

Richard Stensrud
Executive Director

Enclosures

RETIREMENT BOARD

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School Employees Retirement System
2020 ORSC Budget Presentation

FY2019 to FY2020 Operating Budget and Increase (Decrease)

Budget Category	2020 Budget	2019 Budget	2019 Estimated Actual	2019-20 Increase (Decrease)	% Change (2019 to 2020)
Personnel	\$ 22,034,653	\$ 22,087,259	\$ 21,797,302	\$ (52,606)	(0.2)
Salaries and Wages	16,523,485	16,593,884	16,418,817	(70,399)	(0.4)
PERS Contributions	2,225,318	2,194,158	2,160,764	31,160	1.4
Health Insurance	3,283,350	3,299,217	3,214,721	(15,867)	(0.5)
Miscellaneous Expenses	2,500	-	3,000	2,500	0.0
Professional Services	\$ 6,683,192	\$ 6,412,991	\$ 6,358,710	\$ 270,201	4.2
Actuarial	328,260	330,000	248,909	(1,740)	(0.5)
Audit	270,000	342,700	220,000	(72,700)	(21.2)
Banking Fees	1,052,400	1,076,400	1,034,215	(24,000)	(2.2)
Master Recordkeeper	1,489,200	1,525,200	1,503,407	(36,000)	(2.4)
Investment Consulting	1,651,057	1,626,332	1,668,305	24,725	1.5
Other Consulting	1,744,135	1,387,779	1,551,963	356,356	25.7
Banking Expenses	148,140	124,580	131,911	23,560	18.9
Communications Expense	\$ 1,028,100	\$ 1,032,780	\$ 928,080	\$ (4,680)	(0.5)
Printing and Postage	810,160	800,020	724,466	10,140	1.3
Telecommunications	158,680	165,160	151,473	(6,480)	(3.9)
Member/Employer Education	59,260	67,600	52,141	(8,340)	(12.3)
Other Operating Expenses	\$ 3,427,925	\$ 3,354,443	\$ 3,214,287	\$ 73,482	2.2
Conferences and Education	287,774	262,459	211,713	25,315	9.6
Travel	256,197	258,557	196,177	(2,360)	(0.9)
Computer Technology	1,897,694	1,846,401	1,855,070	51,293	2.8
Other Operating	936,260	937,026	902,989	(766)	(0.1)
Ohio Retirement Study Council	50,000	50,000	48,338	-	0.0
Net Building Expense	\$ 1,169,064	\$ 1,209,804	\$ 1,020,067	\$ (40,740)	(3.4)
Total Operating Budget	\$ 34,342,934	\$ 34,097,277	\$ 33,318,446	\$ 245,657	0.7
Full-Time Equivalent (FTE) Associates	181	181			

School Employees Retirement System
2020 ORSC Budget Presentation

FY2019 to FY2020 Capital Budget

	2020 Budget	2019 Budget	2019 Estimate
Total Capital Budget	\$ 634,868	\$ 269,500	\$ 93,948
Furniture & Equipment	-	-	-
Computer Hardware > \$5,000	427,018	-	-
Computer Software > \$25,000	177,850	269,500	93,948
Vehicles	30,000	-	-

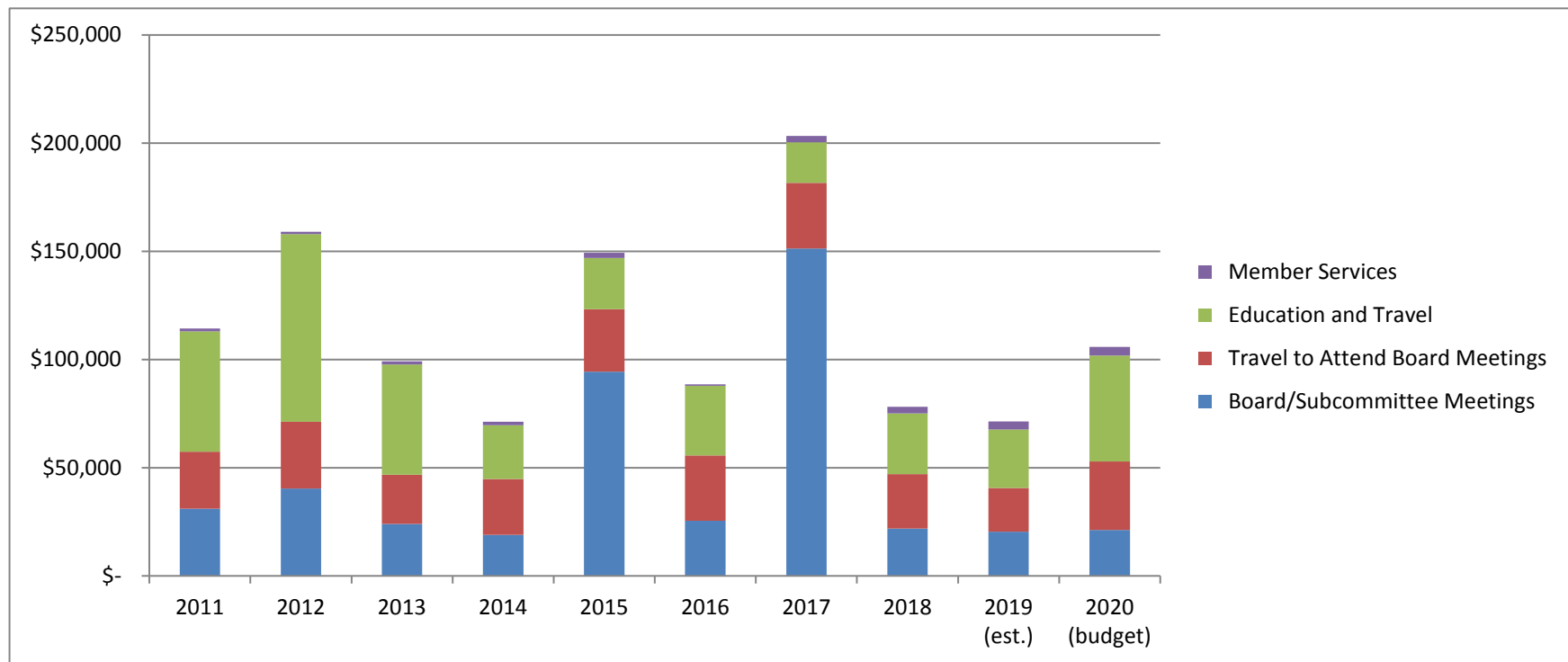
Investment Expenses

	FY 2018 Actual	FY 2017 Actual	% Change
Total Investment Assets	\$ 14,458,296,105	\$ 13,702,753,983	5.51
Total Internally Managed Assets	769,649,520	280,899,616	1.74
Total Externally Managed Assets	13,688,646,585	13,421,854,367	0.02
Total Investment Expenses	\$ 99,755,303	\$ 95,496,918	0.04
Total Internal Investment Expenses	3,625,532	3,648,037	(0.01)
Total External Investment Expenses	89,249,943	85,801,157	4.02
Investment Consulting	3,015,455	3,009,474	0.20
Brokerage/Commissions-Internal	-	-	0.00
Brokerage/Commissions-External	2,659,630	2,602,834	2.18
Custodian Fees	1,204,743	435,416	176.69
Total Investment Expenses as a % of Total Investment Assets	0.690%	0.697%	-99.95%
Expenses as % of Internally Managed	12.961%	33.997%	-61.88%
Expenses as % of Externally Managed	0.729%	0.712%	2.42%

School Employees Retirement System
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Fiscal Year Board Member Expenses

	2011	2012	2013	2014	2015	2016	2017	2018	2019 (est.)	2020 (budget)
Total Board Expenses	\$ 114,329	\$ 159,077	\$ 99,148	\$ 71,179	\$ 149,339	\$ 88,590	\$ 203,406	\$ 78,113	\$ 71,389	\$ 105,798
Board/Subcommittee Meetings	\$ 31,133	\$ 40,364	\$ 23,979	\$ 19,014	\$ 94,442	\$ 25,459	\$ 151,328	\$ 21,862	\$ 20,371	\$ 21,279
Travel to Attend Board Meetings	\$ 26,316	\$ 30,895	\$ 22,833	\$ 25,719	\$ 28,863	\$ 30,279	\$ 30,363	\$ 25,183	\$ 20,264	\$ 31,618
Education and Travel	\$ 55,630	\$ 86,742	\$ 50,963	\$ 24,891	\$ 23,573	\$ 32,192	\$ 18,675	\$ 28,083	\$ 27,002	\$ 48,975
Member Services	\$ 1,250	\$ 1,076	\$ 1,373	\$ 1,555	\$ 2,461	\$ 660	\$ 3,040	\$ 2,985	\$ 3,752	\$ 3,926



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

School Employees Retirement System
2020 ORSC Budget Presentation

Staff Training and Travel (Budget to Budget)

	2020	2019	Increase (Decrease)	% Increase (Decrease)
Executive				
Conferences, Seminars & Travel	\$ 55,955	\$ 45,030	\$ 10,925	24.3
In-House Training	\$ -	\$ -	\$ -	-
#FTE	21	21	-	-
Expense per FTE	\$ 2,665	\$ 2,144	\$ 520	24.3

	2020	2019	Increase (Decrease)	% Increase (Decrease)
Investments				
Conferences, Seminars & Travel	\$ 94,800	\$ 99,800	\$ (5,000)	(5.0)
In-House Training	\$ -	\$ -	\$ -	-
#FTE	12	12	-	-
Expense per FTE	\$ 7,900	\$ 8,317	\$ (417)	(5.0)

	2020	2019	Increase (Decrease)	% Increase (Decrease)
Finance				
Conferences, Seminars & Travel	\$ 52,146	\$ 51,270	\$ 876	1.7
In-House Training	\$ -	\$ -	\$ -	-
#FTE	25.5	25.5	-	-
Expense per FTE	\$ 2,045	\$ 2,011	\$ 34	1.7

	2020	2019	Increase (Decrease)	% Increase (Decrease)
Information Technology				
Conferences, Seminars & Travel	\$ 150,648	\$ 118,930	\$ 31,718	26.7
In-House Training	\$ -	\$ -	\$ -	-
#FTE	35	35	-	-
Expense per FTE	\$ 4,304	\$ 3,398	\$ 906	26.7

	2020	2019	Increase (Decrease)	% Increase (Decrease)
Member Services				
Conferences, Seminars & Travel	\$ 5,175	\$ 2,000	\$ 3,175	158.8
In-House Training	\$ -	\$ -	\$ -	-
#FTE	51.5	51.5	-	-
Expense per FTE	\$ 100	\$ 39	\$ 62	158.8

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	2020	2019	Increase (Decrease)	% Increase (Decrease)
Health Care				
Conferences, Seminars & Travel	\$ 22,540	\$ 13,050	\$ 9,490	72.7
In-House Training	\$ -	\$ -	\$ -	-
#FTE	14	14	-	-
Expense per FTE	\$ 1,610	\$ 932	\$ 678	72.7

	2020	2019	Increase (Decrease)	% Increase (Decrease)
Administrative Services				
Conferences, Seminars & Travel	\$ 12,375	\$ 9,620	\$ 2,755	28.6
In-House Training	\$ -	\$ -	\$ -	-
#FTE	18	18	-	-
Expense per FTE	\$ 688	\$ 534	\$ 153	28.6

	2020	2019	Increase (Decrease)	% Increase (Decrease)
Human Resources**				
Conferences, Seminars & Travel	\$ 4,798	\$ 5,623	\$ (825)	(14.7)
In-House Training	\$ 17,500	\$ 12,000	\$ 5,500	45.8
#FTE	4	4	-	-
Expense per FTE	\$ 5,575	\$ 4,406	\$ 1,169	26.5

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.

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2020 ORSC Budget Presentation

Supplementary Statistical Information

	2015	2016	2017	2018	2019
Active Members	122,855	124,540	157,981	158,343	NA
Inactive Members	96,657	90,448	272,632	283,014	NA
Benefit Recipient (Age, Dis., Survivor)	62,756	63,964	66,406	68,005	NA
Re-employed Retirees	11,616	12,316	12,751	13,327	NA
Total Membership	293,884	291,268	509,770	522,689	NA

Members Per FTE	1689	1609	2816	2888	NA
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