



Proposed Fiscal 2025 Budgets

(July 1, 2024-June 30, 2025)

June 20, 2024

- **Budget reflects what is necessary to:**
 - Align with our mission – to provide Ohio’s public educators a foundation for their financial security
 - Professionally fulfill all legal, regulatory and other requirements
 - Use best practices for budgeting, financial management and reporting

- **Feb/March: Departments develop and meet with controller and CFO on proposed budgets**
- **March/April: Consolidated budgets presented internally**
- **April 12: Proposed budgets submitted to the board**
- **April 19: Proposed budgets submitted to Ohio Retirement Study Council (ORSC)**
- **May 9: Proposed budgets presented to ORSC**
- **May 16: Proposed budgets presented to the board**
- **June 20: Board action on fiscal 2025 budgets for adoption July 1, 2024**

- Pharmacy transition from Express Scripts to CVS
- Implemented a cloud-based investment portfolio system to replace a system that has been in place since 1995
- Relocated and improved data center equipment and services while reducing costs
- Completed several fiduciary audit recommendations including:
 - External review of internal audit functions
 - Hired an internal compliance director
 - Added a new Defined Contribution (DC) program director and selected DC advisor
 - External firm to validate and present external manager fees, carried interest and other fund expenses

- Review of supplemental benefit option
- Replacement of Member Services call center hardware with a cloud-based solution
- Implementation of health care premium subsidy changes
- Evaluation of new cybersecurity vendor
- Implementation of new financial management and accounting system
- Asset-liability study
- Evaluation of Defined Contribution Plan design
- Evaluation of total fund risk models
- Next phase of improvements on recently implemented investment portfolio system

Summary – Operating Budget



- Total proposed operating budget increase is \$2.7 million or 2.3%
- Compensation and Benefits increasing \$2.0 million or 2.2%
- 3% is budgeted for merit increase compared to other Ohio systems that range from 4% to 6.5% and the national average of 3.85%
- Incentive budget is for incentives earned in fiscal 2024, not fiscal 2025
- Headcount reduction of 14 positions year over year
- Professional and Technical Services is increasing \$0.9 million or 6.9%, with increased Bloomberg data usage
- All Other Operating Expenses is decreasing \$0.2 million or -1.7%

Proposed Fiscal 2025 Operating Budget



| | Proposed Budget Fiscal 2025 | Budget Fiscal 2024 | Estimated Actual Fiscal 2024 | \$ Change From Budget | % Change From Budget |
|--|--------------------------------|-----------------------------|---------------------------------|---------------------------|----------------------------|
| Total Compensation | \$ 70,922,300 | \$ 69,361,200 | \$ 68,374,300 | \$ 1,561,100 | 2.3% |
| Benefits | 20,837,800 | 20,392,000 | 19,579,000 | 445,800 | 2.2% |
| Professional and Technical Services | 14,014,500 | 13,106,500 | 11,572,900 | 908,000 | 6.9% |
| All Other Operating Expenses | 12,535,300 | 12,750,200 | 11,966,400 | (214,900) | -1.7% |
| Total Operating | <u><u>\$118,309,900</u></u> | <u><u>\$115,609,900</u></u> | <u><u>\$111,492,600</u></u> | <u><u>\$2,700,000</u></u> | <u><u>2.3%</u></u> |

- **Total proposed capital budget is increasing by \$0.1 million or 1.7%**
- **Organization continues with virtualization of multi-year technology projects (cloud-based solutions)**
- **Few building projects/updates are planned in the future**

Proposed Fiscal 2025 Capital Budget



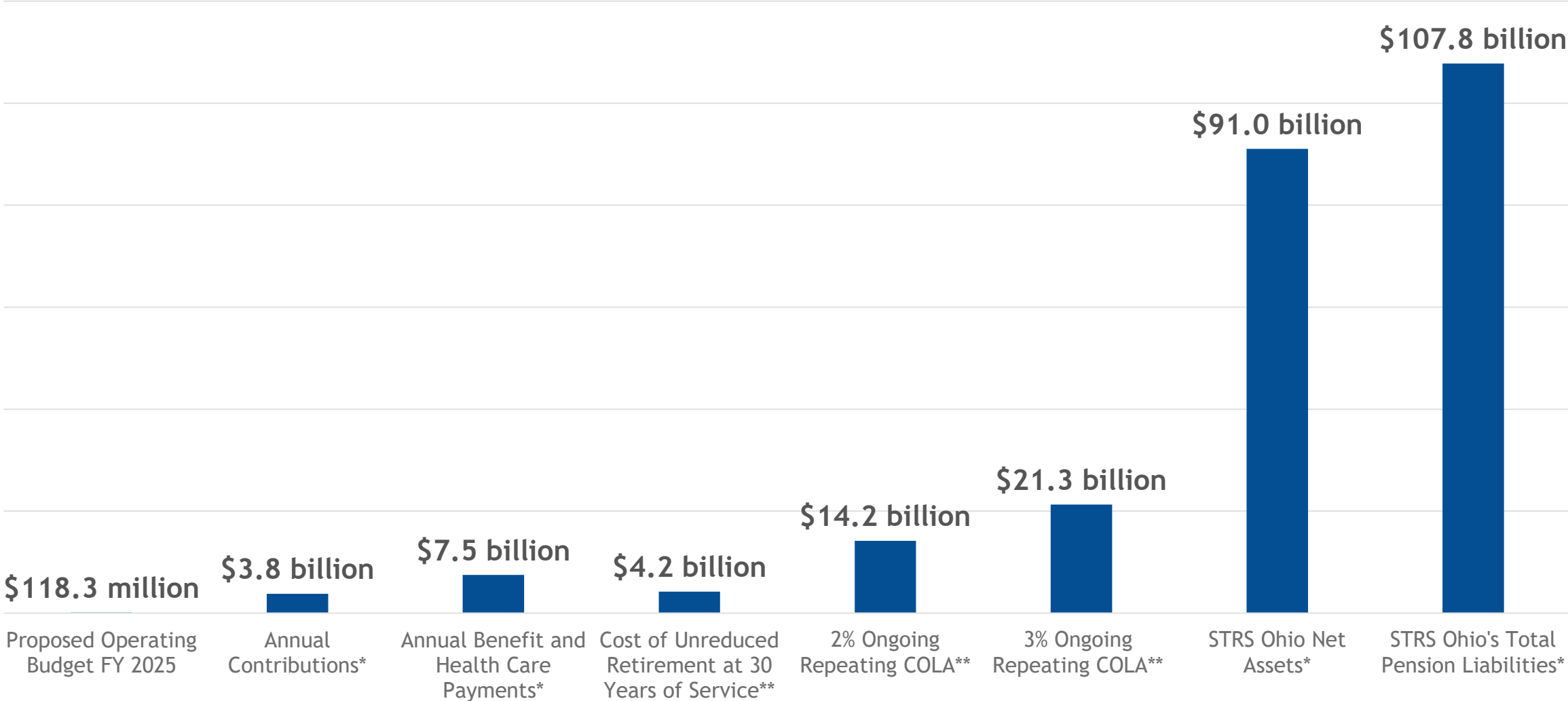
| | Proposed Budget Fiscal 2025 | Budget Fiscal 2024 | Estimated Actual Fiscal 2024 | \$ Change From Budget | % Change From Budget |
|--|-----------------------------|--------------------|------------------------------|-----------------------|----------------------|
| Information processing and computer software | \$ 7,198,600 | \$ 7,263,400 | \$ 6,145,600 | \$ (64,800) | -0.9% |
| Building improvements and maintenance | 1,279,300 | 1,040,100 | 824,500 | 239,300 | 23.0% |
| Office | 0 | 30,000 | 0 | (30,000) | (100%) |
| Total Capital | \$8,477,900 | \$8,333,500 | \$6,970,199 | \$144,400 | 1.7% |

- **Most recent review presented to the board in May 2022**
 - Building completed in multiple phases over 40 years
 - Existing building is owned by STRS Ohio
 - Designed for use by STRS Ohio as a single tenant
 - Approximately 60% occupied
 - Outlined possible options for the board
- **Next steps**
 - Recommend that we engage a consultant
 - To provide third-party analysis
 - Provide recommendations for the building and staff location

Questions?

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Appendix: Costs In Perspective



*Source: Fiscal 2023 Annual Comprehensive Financial Report

**Source: Cheiron SBEP Analysis, March 2024