



# SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

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LISA J. MORRIS  
*Executive Director*

HELEN M. NINOS  
*Deputy Executive Director*

May 2, 2012

Bethany Rhodes, Director  
Ohio Retirement Study Council  
88 East Broad St., Suite 1175  
Columbus, Ohio 43215

Dear Ms. Rhodes,

*Bethany*  
Enclosed please find a revised draft of SERS' FY2013 operating budget for the Ohio Retirement Study Council's review. Please let me know if I can assist you with any additional information. I can be reached at (614) 222-5801.

Sincerely,

**Lisa J. Morris**  
Executive Director

Enclosure

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## RETIREMENT BOARD

MADONNA D. FARAGHER  
*Chair*

MARK E. ANDERSON  
*Vice-Chair*

NANCY D. EDWARDS  
*Appointed Member*

MARY ANN HOWELL  
*Retiree Member*

CATHERINE P. MOSS  
*Retiree Member*

BARBRA M. PHILLIPS  
*Employee Member*

JAMES A. ROSSLER, JR.  
*Appointed Member*

RICHARD W. SENSENBRENNER  
*Appointed Member*

BEVERLY A. WOOLRIDGE  
*Employee Member*

**School Employees Retirement System  
FY2013 Draft Budget (Revised as of 5/2/2012)  
Compared to FY2012 Approved Budget**

Budget Category	FY2013 Draft Budget	FY2012 Approved Budget	Increase (Decrease)	Budgeted % Change
<b>Personnel</b>	<b>\$ 16,105,342</b>	<b>\$ 15,560,375</b>	<b>\$ 544,967</b>	<b>3.5</b>
Salaries and Wages	12,443,661	12,092,278	351,383	2.9
OPERS Retirement Contributions	1,722,602	1,683,262	39,340	2.3
Insurance *	1,939,079	1,784,835	154,244	8.6
<b>Professional Services, including Investment Costs</b>	<b>\$ 6,493,455</b>	<b>\$ 6,903,609</b>	<b>\$ (410,154)</b>	<b>(5.9)</b>
Actuarial	145,450	175,450	(30,000)	(17.1)
Audit	226,500	161,000	65,500	40.7
Custodial Banking Fees	876,764	1,211,184	(334,420)	(27.6)
Master Record Keeper	1,149,873	1,124,388	25,485	2.3
Investment Consulting	1,729,302	1,751,797	(22,495)	(1.3)
Other Consulting (IT, HR, Legal, Medical)	2,221,066	2,332,833	(111,767)	(4.8)
Banking Expense	144,500	146,957	(2,457)	(1.7)
<b>Communications Expense</b>	<b>\$ 1,232,818</b>	<b>\$ 1,214,645</b>	<b>\$ 18,173</b>	<b>1.5</b>
Printing & Postage	1,000,108	999,925	183	0.0
Telephone	137,710	116,720	20,990	18.0
Member/Employer Education	95,000	98,000	(3,000)	(3.1)
<b>Other Operating Expense</b>	<b>\$ 2,726,002</b>	<b>\$ 2,557,698</b>	<b>\$ 168,304</b>	<b>6.6</b>
Conferences & Education	473,091	433,021	40,070	9.3
Travel	353,156	366,243	(13,087)	(3.6)
Computer Technology	832,842	730,808	102,034	14.0
Other Operating Expenses (Insurance, Maintenance, Memberships, Supplies)	1,002,063	959,826	42,237	4.4
Mandatory Costs (ORSC and TOS Warrant Charges)	64,850	67,800	(2,950)	(4.4)
<b>Net Building Occupancy Expense</b>	<b>\$ 1,262,817</b>	<b>\$ 1,290,040</b>	<b>\$ (27,223)</b>	<b>(2.1)</b>
<b>Operating Budget</b>	<b>\$ 27,820,434</b>	<b>\$ 27,526,367</b>	<b>\$ 294,277</b>	<b>1.1</b>
<b>Capital</b>	<b>\$ 154,000</b>	<b>\$ 229,000</b>	<b>\$ (75,000)</b>	<b>(32.8)</b>
<b>Total Operating and Capital Budgets</b>	<b>\$ 27,974,434</b>	<b>\$ 27,755,367</b>	<b>\$ 219,277</b>	<b>0.8</b>

<b>Four-Year SMART Project Capital Budget (FY2012-2015)**</b>	<b>\$ 5,769,758</b>	<b>\$ 7,661,752</b>
FY 2013 Operating Expenditure	5,769,758	4,709,044
FY 2013 Capital Expenditure	-	2,952,708

\* SERS has a self-funded health insurance plan, and experience has been adjusted per employee to better reflect national trends and SERS' average actual health care expenses.

\*\* Total Four-Year SMART (SERS Member and Retiree Tracking) Project Budget is \$29,192,859. This system will be replacing the current Member and Retiree computer benefits system.

**School Employees Retirement System  
FY2012 & FY2013 Draft Capital Budgets**

Budget Category	FY2013 Draft Budget	FY2012 Approved Budget	Increase (Decrease)	Budgeted % Change
<b>Computer Hardware &gt; \$5,000</b>	\$ 106,000	\$ 199,000	\$ (93,000)	(46.7)
<b>Software &gt; \$25,000</b>	48,000	30,000	18,000	60.0
<b>Capital</b>	<b>\$ 154,000</b>	<b>\$ 229,000</b>	<b>\$ (75,000)</b>	<b>(32.8)</b>

**School Employees Retirement System  
 FY2009-FY2011 Investment Expense Comparison  
 in ORSC Presentation Format**

<b>Major Category</b>	<b>FY2011 Year-End Investment Assets</b>	<b>FY2010 Year-End Investment Assets</b>	<b>FY2009 Year-End Investment Assets</b>
<b>Internally Managed Total</b>	\$ 171,890,393	\$ 73,727,433	\$ 225,158,598
<b>Externally Managed Total</b>	\$ 10,467,909,114	\$ 8,975,504,587	\$ 7,961,943,003
<b>Gross Investment Assets Under Management</b>	<b>\$ 10,639,799,507</b>	<b>\$ 9,049,232,020</b>	<b>\$ 8,187,101,601</b>

<b>Major Category</b>	<b>FY2011 Actual Investment Expenses</b>	<b>FY2010 Actual Investment Expenses</b>	<b>FY2009 Actual Investment Expenses</b>
<b>Administrative Costs of Investment Function</b>	\$ 2,794,780	\$ 2,629,384	\$ 2,672,882
<b>Investment-Related Professional Services</b>	\$ 3,869,143	\$ 5,311,782	\$ 5,329,615
<b>Brokerage Fees</b>	\$ 4,993,512	\$ 5,265,371	\$ 5,613,204
<b>External Investment Management Fees</b>	\$ 77,777,388	\$ 67,273,916	\$ 57,700,425
<b>Total Investment Expenses</b>	<b>\$ 89,434,823</b>	<b>\$ 80,480,453</b>	<b>\$ 71,316,126</b>

<b>Total Investment Expenses as a % of Total Investment Assets</b>	<b>0.841%</b>	<b>0.889%</b>	<b>0.871%</b>
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**School Employees Retirement System  
FY2011-2013 Board Expenditures**

Board Expense Category	Description	FY2013 Draft Budget	FY2012 Approved Budget	FY2011 Actual Expenses	FY12-FY13 Budget Increase (Decrease)	Budgeted % Change
<b>Board / Subcommittee Meetings and Board Attendance at Member Meetings, including Travel to Meetings Total</b>		\$ 54,351	\$ 52,408	\$ 32,373	\$ 1,943	4%
<b>Out of State Education and Travel Total</b>		\$ 69,335	\$ 67,565	\$ 53,487	\$ 1,770	3%
<b>Other Board Expenses</b>		\$ 41,516	\$ 39,388	\$ 28,470	\$ 2,128	5%
<b>Total Board Expenditures</b>		<b>\$ 165,202</b>	<b>\$ 159,361</b>	<b>\$ 114,330</b>	<b>\$ 5,841</b>	<b>4%</b>

**School Employees Retirement System  
FY2011-FY2013 Staff Travel**

<b>Dept</b>	<b>Type of Travel</b>	<b>FY2013 Draft Budget</b>	<b>FY2012 Approved Budget</b>	<b>FY2011 Actual Expenses</b>	<b>Budgeted % Change</b>
<b>Executive</b>		<b>\$ 26,855</b>	<b>\$ 22,440</b>	<b>\$ 13,143</b>	<b>20</b>
	# FTES	17.5	14.5	16.5	21
	Travel Expense per FTE	\$ 1,535	\$ 1,548	\$ 797	(1)
<b>Investments</b>		<b>\$ 158,000</b>	<b>\$ 182,300</b>	<b>\$ 145,239</b>	<b>(13)</b>
	# FTES	14.0	14.0	14.0	0
	Travel Expense per FTE	\$ 11,286	\$ 13,021	\$ 10,374	(13)
<b>Finance</b>		<b>\$ 26,400</b>	<b>\$ 31,050</b>	<b>\$ 28,804</b>	<b>(15)</b>
	# FTES	24.0	25.0	24.0	(4)
	Travel Expense per FTE	\$ 1,100	\$ 1,242	\$ 1,200	(11)
<b>Information Technology</b>		<b>\$ 43,200</b>	<b>\$ 33,600</b>	<b>\$ 24,859</b>	<b>29</b>
	# FTES	31.0	32.0	31.0	(3)
	Travel Expense per FTE	\$ 1,394	\$ 1,050	\$ 802	33
<b>Member Services</b>		<b>\$ -</b>	<b>\$ 2,400</b>	<b>\$ 2,735</b>	<b>(100)</b>
	# FTES	49.0	48.5	48.5	1
	Travel Expense per FTE	\$ -	\$ 49	\$ 56	(100)
<b>Health Care</b>		<b>\$ 8,900</b>	<b>\$ 7,545</b>	<b>\$ 3,395</b>	<b>18</b>
	# FTES	13.0	13.0	11	0
	Travel Expense per FTE	\$ 685	\$ 580	\$ 309	18
<b>Administrative Services</b>		<b>\$ 7,200</b>	<b>\$ 8,000</b>	<b>\$ 3,768</b>	<b>(10)</b>
	# FTES	27.0	28.5	27	(5)
	Travel Expense per FTE	\$ 267	\$ 281	\$ 140	(5)
<b>Total SERS Staff</b>		<b>\$ 270,555</b>	<b>\$ 287,335</b>	<b>\$ 221,943</b>	<b>(6)</b>
	# FTES	175.5	175.5	172.0	0
	Travel Expense per FTE	\$ 1,542	\$ 1,637	\$ 1,290	(6)

**School Employees Retirement System**  
**FY2011-FY2013 Staff Training (Conference Registration and In-House)**

Dept	Type of Training	FY2013 Draft Budget	FY2012 Approved Budget	FY2011 Actual Expenses	Budgeted % Change
<b>Executive</b>		\$ 20,760	\$ 15,455	\$ 4,710	34
	Conferences & Seminars	\$ 20,760	\$ 15,455	\$ 4,710	34
	In-House Training	\$ -	\$ -	\$ -	0
	# FTES	17.5	14.5	16.5	21
	Training Expense per FTE	\$ 1,186	\$ 1,066	\$ 285	11
<b>Investments</b>		\$ 27,315	\$ 24,301	\$ 13,393	12
	Conferences & Seminars	\$ 27,315	\$ 24,301	\$ 13,393	12
	In-House Training	\$ -	\$ -	\$ -	0
	# FTES	14.0	14.0	14.0	0
	Training Expense per FTE	\$ 1,951	\$ 1,736	\$ 957	12
<b>Finance</b>		\$ 24,565	\$ 26,640	\$ 14,385	(8)
	Conferences & Seminars	\$ 24,565	\$ 26,640	\$ 14,385	(8)
	In-House Training	\$ -	\$ -	\$ -	0
	# FTES	24.0	25.0	24.0	(4)
	Training Expense per FTE	\$ 1,024	\$ 1,066	\$ 599	(4)
<b>Information Technology</b>		\$ 111,875	\$ 123,815	\$ 47,864	(10)
	Conferences & Seminars	\$ 111,875	\$ 93,815	\$ 47,864	19
	In-House Training	\$ -	\$ 30,000	\$ -	(100)
	# FTES	31.0	32.0	31.0	(3)
	Training Expense per FTE	\$ 3,188	\$ 2,932	\$ 1,544	9
<b>Member Services</b>		\$ 4,800	\$ 6,540	\$ 4,665	(27)
	Conferences & Seminars	\$ 4,800	\$ 6,540	\$ 4,665	(27)
	In-House Training	\$ -	\$ -	\$ -	0
	# FTES	49.0	48.0	48.5	2
	Training Expense per FTE	\$ 98	\$ 136	\$ 96	(28)
<b>Health Care</b>		\$ 11,275	\$ 9,045	\$ 4,336	25
	Conferences & Seminars	\$ 11,275	\$ 9,045	\$ 4,336	25
	In-House Training	\$ -	\$ -	\$ -	0
	# FTES	13.0	13.5	11	(4)
	Training Expense per FTE	\$ 867	\$ 670	\$ 394	29

Dept	Type of Training	FY2013 Draft Budget	FY2012 Approved Budget	FY2011 Actual	Budgeted % Change
<b>Administrative Services</b>					
	Conferences & Seminars	\$ 28,600	\$ 25,715	\$ 8,356	11
	In-House Training	\$ 43,500	\$ 18,900	\$ 3,295	130
	# FTES	27.0	28.5	27	(5)
	Training Expense per FTE	\$ 1,059	\$ 902	\$ 432	17
<b>Total SERS Staff</b>					
	Conferences & Seminars	\$ 229,190	\$ 201,511	\$ 97,709	14
	In-House Training	\$ 43,500	\$ 48,900	\$ 3,295	(11)
	# FTES	175.5	175.5	172.0	0
	Training Expense per FTE	\$ 1,554	\$ 1,427	\$ 587	9

SERS is making a concerted effort to provide job-related skills development for every employee.

SERS will continue to utilize local training providers wherever possible for professional development and certifications. Budgeted local seminars and conferences include: The Ohio State University's MAPS series and CPE courses for our CPAs, CFAs, attorneys, and Human Resources and Information Technology certificants. All out-of-town seminars are assigned to specific individuals and must be considered essential to attain (or retain) certifications or critical training for SERS' operations. SERS also provides organizational wide in-house training facilitated by both the Human Resources and Information Technology departments.