

April 19, 2013

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



STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO

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Columbus, OH 43215-3771
614-227-4090
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Dear Ms. Rhodes:

In accordance with Section 3307.041, Revised Code, STRS Ohio is submitting its proposed 2013–2014 fiscal year budgets. The attached information is composed of three parts in the uniform format adopted by the five Ohio public retirement systems.

- Page 1 is a statement of planned operating and capital expenditures, including comparisons to the 2012–2013 fiscal year budget.
- A separate schedule of Retirement Board-related budget items and a three-year historical summary of investment assets and related management costs are shown on Page 2. Anticipated board expenses are included in the overall organization operating budget.

The proposed operating budget total for the fiscal year ended June 30, 2014, is an increase of .04% from the current year budget. Along with normal operations, it includes funding to implement pension legislation changes into business rules and systems, refinements to the DC and Combined Plans, continued development of Health Care Fund options and ongoing succession planning, leadership development and depth in investments. The proposed capital budget provides for additional investment in technology upgrades and facilities maintenance.

STRS Ohio members value the benefits and services provided by their retirement system. A recent independent survey showed that roughly nine out of 10 members and benefit recipients have positive overall impressions of STRS Ohio. More than 60% of active members and 90% of retirees rate the benefits they receive as an excellent or good value for the contributions they paid. Additionally, an independent benchmarking company rated STRS Ohio service quality as third best for 2012 among 51 participating U.S. and international pension funds.

STRS Ohio has again been awarded the Government Finance Officers Association Award for Excellence in Financial Reporting and the Public Pension Coordinating Council Standards Award for Funding and Administration.

Overall, the proposed budgets continue to provide the resources we need to pay timely and accurate pension and health care benefits to members, successfully manage investment assets, and ensure we meet all fiduciary responsibilities and legal requirements. Additionally, the proposed budgets comply with all Retirement Board policies and demonstrate to members that STRS Ohio is managing operating expenses prudently.

These proposed budgets were presented to the Retirement Board at its April 18 meeting. We anticipate making a formal presentation to the ORSC in May. Please feel free to contact me if you need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Nehf". The signature is written in a cursive, flowing style.

Michael J. Nehf
Executive Director

Enclosure

RETIREMENT BOARD CHAIR
MARK HILL

RETIREMENT BOARD VICE CHAIR
DALE PRICE

EXECUTIVE DIRECTOR
MICHAEL J. NEHF

**Ohio Retirement System Budget Presentation to ORSC
STRS Ohio 2013–2014 Budget to 2012–2013 Budget
and Increase (Decrease)**

Budget Periods	7/01/2013- 6/30/2014 2014 Budget	7/01/2012- 6/30/2013 2013 Budget	Increase (Decrease)	% Increase/ Decrease
Personnel	\$ 68,576,100	\$ 68,115,400	\$ 460,700	0.68%
Salaries and Wages	53,661,700	53,556,700	105,000	0.20%
OPERS Contributions	7,162,200	7,154,400	7,800	0.11%
Health Insurance	6,789,100	6,451,400	337,700	5.23%
Miscellaneous Expenses	963,100	952,900	10,200	1.07%
Professional Services	7,887,900	8,180,200	(292,300)	-3.57%
Actuarial	220,000	275,000	(55,000)	-20.00%
Audit	299,000	236,500	62,500	26.43%
Custodial Banking Fees	1,750,000	1,800,000	(50,000)	-2.78%
Investment Consulting	3,387,000	3,463,000	(76,000)	-2.19%
Other Consulting	1,946,900	2,120,700	(173,800)	-8.20%
Banking Expense	285,000	285,000	0	0.00%
Communications Expense	2,554,200	2,694,300	(140,100)	-5.20%
Printing and Postage	2,078,000	2,225,000	(147,000)	-6.61%
Telecommunications	285,700	273,900	11,800	4.31%
Member/Employer Education	185,000	189,900	(4,900)	-2.58%
Other Communications	5,500	5,500	0	0.00%
Other Operating Expense	9,523,800	9,376,000	147,800	1.58%
Conferences and Education	391,100	323,700	67,400	20.82%
Travel	628,700	637,200	(8,500)	-1.33%
Computer Technology	4,535,900	4,500,200	35,700	0.79%
Other Operating	3,603,100	3,590,900	12,200	0.34%
Ohio Retirement Study Council	300,000	260,000	40,000	15.38%
Treasury of State Warrant Clearing Charges	5,000	4,000	1,000	25.00%
Attorney General Charges	60,000	60,000	0	0.00%
Net Building Expense	\$ 2,327,600	2,471,500	\$ (143,900)	-5.82%
Total Operating Budget	\$ 90,869,600	\$ 90,837,400	\$ 32,200	0.04%
Total Capital Budget	\$ 1,684,300	\$ 1,845,700	\$ (161,400)	-8.74%
Building Improvements	450,000	510,000		
Building Maintenance Equipment	141,200	159,400		
Infrastructure and Upgrades	1,053,100	1,176,300		
General Capital	40,000			



**Ohio Retirement System Budget Presentation to ORSC
STRS Ohio Board Budget**

	2014 Budget	2013 Budget	Increase (Decrease)	% Increase Decrease
Board Expenses				
Board Education and Travel	\$ 22,000	\$ 30,000	\$ (8,000)	-26.67%
Travel to Attend Board Meetings	23,000	25,000	(2,000)	-8.00%
Other Board Expense	10,500	9,300	1,200	12.90%
Total Board Expense	<u>\$ 55,500</u>	<u>\$ 64,300</u>	<u>\$ (8,800)</u>	-13.69%

**Ohio Retirement System Budget Presentation to ORSC
STRS Ohio Historical Investment Expenses**

	Fiscal 2012 Actuals	Fiscal 2011 Actuals	Fiscal 2010 Actuals
Investment Assets			
Total Internally Managed Assets	\$ 47,914,733,000	\$ 50,571,446,200	\$ 44,322,557,000
Total Externally Managed Assets	15,790,034,000	15,708,299,800	12,517,776,000
Total Investment Assets *	<u>\$ 63,704,767,000</u>	<u>\$ 66,279,746,000</u>	<u>\$ 56,840,333,000</u>
Investment Expenses			
Total Internal Investment Expenses	\$ 28,962,590	\$ 33,282,726	\$ 27,201,004
Total External Investment Expenses	152,316,396	139,944,517	129,794,675
Investment Consulting	839,233	771,787	745,800
Brokerage/Commissions	14,911,837	16,164,629	17,726,451
Custodian Fees	1,438,378	1,849,227	3,287,624
Total Investment Expenses	<u>\$ 198,468,434</u>	<u>\$ 192,012,886</u>	<u>\$ 178,755,554</u>
Total Investment Expenses as a Percent of Total Investment Assets	0.31%	0.29%	0.31%

* Real estate debt is removed from investment assets.

