



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

300 EAST BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746
614-222-5853 • Toll-Free 800-878-5853 • www.ohsers.org

LISA J. MORRIS
Executive Director

HELEN M. NINOS
Deputy Executive Director

May 11, 2015

Bethany Rhodes, Director/General Counsel
Ohio Retirement Study Council
88 East Broad Street, Suite 1175
Columbus, OH 43215

Dear Ms. Rhodes:

In accordance with Section 3309.041 of the Ohio Revised Code, enclosed please find SERS' proposed FY2016 operating budget. This was originally submitted to the ORSC in April and has been updated so information from SERS and STRS is consistently presented.

The proposed budget has a 2.5% increase from the current year budget. In the Personnel category, this budget includes two additional staff positions for Information Security and Enterprise Risk Management, and an increase in employee health care expense. There is a notable decrease in both Custodial Banking and Master Record Keeper expenses. SERS continues to decrease investment expenses in these categories by reducing the number of managers and transactions. The significant decrease in Other Consulting is the result of transferring disability exam fees from the Administrative budget to benefit expenses. In the Other Operating Expense category, the increase is mainly attributable to technology needs related to SERS' new member and retiree benefits system.

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

Enclosures

RETIREMENT BOARD

DANIEL L. WILSON. <i>Chair, Appointed Member</i>	CATHERINE P. MOSS <i>Vice-Chair, Retiree-Member</i>	DEBRA J. BASHAM <i>Employee-Member</i>	NANCY D. EDWARDS <i>Appointed Member</i>
MADONNA D. FARAGHER <i>Employee-Member</i>	CHRISTINE D. HOLLAND <i>Employee-Member</i>	BARBRA M. PHILLIPS <i>Employee-Member</i>	JAMES A. ROSSLER, JR <i>Appointed Member</i>
			FRANK A. WEGLARZ <i>Retiree-Member</i>

**School Employees Retirement System
FY2016 Draft Budget
Compared to FY2015 Approved Budget**

Budget Category	FY2016 Draft Budget	FY2015 Approved Budget	FY2015 Estimated Actual	Increase (Decrease)	Budgeted % Change
Personnel	\$ 19,611,537	\$ 18,774,156	\$ 18,485,311	\$ 837,381	4.5
Salaries and Wages	\$ 14,753,822	\$ 14,221,827	\$ 13,665,591	\$ 531,995	3.7
OPERS Retirement Contributions	2,035,831	1,949,025	1,755,454	86,806	4.5
Insurance	2,821,884	2,603,304	3,064,266	218,580	8.4
Professional Services	\$ 6,097,942	\$ 6,886,674	\$ 5,917,092	\$ (788,732)	(11.5)
Actuarial	397,400	347,200	337,200	50,200	14.5
Audit	403,000	326,426	334,486	76,574	23.5
Custodial Banking Fees	707,376	840,737	677,357	(133,361)	(15.9)
Master Record Keeper	1,425,294	1,621,040	1,387,256	(195,746)	(12.1)
Investment Consulting	1,706,367	1,745,907	1,606,446	(39,540)	(2.3)
Other Consulting	1,294,695	1,837,294	1,421,842	(542,599)	(29.5)
Banking Expense	163,810	168,070	152,505	(4,260)	(2.5)
Communications Expense	\$ 1,090,310	\$ 1,171,956	\$ 911,360	\$ (81,646)	(7.0)
Printing & Postage	899,550	961,300	773,114	(61,750)	(6.4)
Telephone	108,760	108,760	94,503	-	0.0
Member/Employer Education	82,000	101,896	43,743	(19,896)	(19.5)
Other Operating Expense	\$ 3,510,996	\$ 3,304,409	\$ 2,811,008	\$ 206,587	6.3
Conferences & Education	445,597	404,256	242,861	41,341	10.2
Travel	326,716	345,791	213,202	(19,075)	(5.5)
Computer Technology	1,689,029	1,499,167	1,433,000	189,862	12.7
Other Operating	998,398	1,007,195	885,499	(8,797)	(0.9)
Ohio Retirement Study Council	51,256	48,000	36,446	3,256	6.8
Net Building Occupancy Expense	\$ 2,163,807	\$ 1,543,206	\$ 1,369,713	\$ 620,601	40.2
Total Operating Budget	\$ 32,474,592	\$ 31,680,401	\$ 29,494,484	\$ 794,191	2.5

Capital	\$ 64,000	\$ 131,000	\$ 94,990	\$ (67,000)	(51.1)
Furniture and Equipment > \$5,000	48,000	-	-	48,000	0.0
Computer Hardware > \$5,000	16,000	113,000	94,990	(97,000)	(85.8)
Computer Software > \$25,000	-	18,000	-	(18,000)	(100.0)

SMART Project Capital Budget *	Actual	Budget
FY 2012 Expense	\$ 5,285,941	\$ -
FY 2013 Expense	3,850,849	-
FY 2014 Expense	4,479,046	-
FY 2015 Expense (Forecast)	6,482,045	10,848,171
FY 2016 Budget	-	5,066,077

* Total 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.

Total SERS Staff	FY2016 Draft Budget	FY2015 Approved Budget
# of Full-time equivalents (FTES)	181	179

**School Employees Retirement System
FY2012-FY2014 Investment Expense Comparison**

Major Category	FY2014 Year-End Investment Assets	FY2013 Year-End Investment Assets	FY2012 Year-End Investment Assets
Internally Managed Total	\$ 321,071,177	\$ 144,219,375	\$ 102,138,893
Externally Managed Total	\$ 12,546,361,173	\$ 11,241,379,016	\$ 10,269,543,226
Gross Investment Assets Under Management	\$ 12,867,432,350	\$ 11,385,598,391	\$ 10,371,682,119

Major Category	FY2014 Actual Investment Expenses	FY2013 Actual Investment Expenses	FY2012 Actual Investment Expenses
Administrative Costs of Investment Function	\$ 3,315,755	\$ 3,377,845	\$ 2,929,831
Investment-Related Professional Services	\$ 3,497,130	\$ 3,638,934	\$ 3,516,481
Investment Advisors	1,293,745	1,470,769	1,470,769
Custody Service	739,549	867,389	842,341
Master Record Keeper	1,353,325	1,186,661	977,074
Technical Support	110,511	114,115	226,297
Brokerage Fees	\$ 3,395,916	\$ 3,948,854	\$ 4,426,296
External Investment Management Fees	\$ 79,533,409	\$ 81,178,662	\$ 77,719,095
Total Investment Expenses	\$ 89,742,210	\$ 92,144,295	\$ 88,591,703

<i>Total Investment Expenses as a Percent of Total Investment Assets</i>	<i>0.697%</i>	<i>0.809%</i>	<i>0.854%</i>
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Gross Investment Assets Under Management and Total Investment Expenses agree to SERS' CAFR publications.

**School Employees Retirement System
10-year Trend of Retirement Board Expense Budgets**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Budget	\$ 40,975	\$ 35,375	\$ 35,975	\$ 36,975	\$ 44,040	\$ 50,293	\$ 61,785	\$ 45,895	\$ 40,473	\$ 29,459
Board & Committee meetings/School Board Reimbursement	36,489	36,721	36,050	35,602	38,550	34,643	36,586	34,572	30,497	31,862
Board travel to attend Board meetings	43,600	46,350	46,950	76,975	73,130	74,065	75,834	53,500	60,500	50,550
Board meetings with constituency groups / dues and subscriptions	-	-	-	360	360	360	1,076	1,256	2,305	2,350
Board Travel Expenses	\$ 121,064	\$ 118,446	\$ 118,975	\$ 149,912	\$ 156,080	\$ 159,361	\$ 175,281	\$ 135,223	\$ 133,775	\$ 114,221

