



April 25, 2006

Mr. Aristotle Hutras, Director
Ohio Retirement Study Council
88 East Broad St., Suite 1175
Columbus, OH 43215

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Dear Mr. Hutras:

In accordance with Section 3307.041, Revised Code, we are submitting the proposed 2006–2007 budget for STRS Ohio. The attached information is composed of four parts in the uniform format adopted by the five Ohio public retirement systems.

RETIREMENT BOARD CHAIR
ROBERT B. BROWN
RETIREMENT BOARD VICE CHAIR
CONSTANCE K. RAMSER
EXECUTIVE DIRECTOR
DAMON F. ASBURY

- The first page is a statement of planned operating and capital expenditures, including comparisons to the 2005–2006 fiscal year budget.
- The second page is a separate schedule of Retirement Board-related budget items in compliance with Section 3307.041, Revised Code. These anticipated Board expenses are included in the overall organization operating budget of \$89,977,000.
- The third page is a three-year historical summary of investment assets and related management costs.
- The fourth page shows statistical information about the number of participants in STRS Ohio and the number of associates providing benefits and services.

The proposed operating budget (including State of Ohio expenses) reflects a 4.7% increase from the current year's budget. However, it is 7.1% lower than the peak budget for the 2002–2003 fiscal year. Overall staffing levels have been reduced by more than 100 associates since then; continued significant decreases in such areas as board and staff travel, communications, professional and technical services, and repairs and maintenance have also been experienced.

This proposed budget provides the resources needed to pay timely and accurate benefits, manage investment assets, and maintain current service levels for members and benefit recipients. Additionally, the proposed budget complies with all Retirement Board policies and demonstrates to members that STRS Ohio is managing operating expenses prudently.

We anticipate making a formal presentation to the Ohio Retirement Study Council in May. Please feel free to contact me if you need additional information.

Sincerely,

Damon F. Asbury
Executive Director

Enclosures

Ohio Retirement System Budget Presentation to ORSC
STRS Ohio Proposed 2006–2007 Budget to 2005–2006 Budget
and Increase (Decrease)

Budget Periods	07/01/2006– 06/30/2007 2007 Budget	07/01/2005– 06/30/2006 2006 Budget	Increase (Decrease)	% Increase Decrease
Personnel	\$ 59,887,000	\$ 55,571,000	\$ 4,316,000	7.77%
Salaries and Wages	47,780,600	44,172,100	3,608,500	8.17%
OPERS Contributions	6,542,000	5,932,900	609,100	10.27%
Health Insurance	4,781,300	4,727,200	54,100	1.14%
Miscellaneous Expenses	783,100	738,800	44,300	6.00%
Professional Services	13,252,100	12,659,100	593,000	4.68%
Actuarial	550,000	600,000	(50,000)	-8.33%
Audit	293,000	250,000	43,000	17.20%
Custodial Banking Fees	6,365,000	6,065,000	300,000	4.95%
Investment Consulting	2,810,000	2,223,000	587,000	26.41%
Other Consulting	3,009,100	3,306,100	(297,000)	-8.98%
Banking Expense	225,000	215,000	10,000	4.65%
Communications Expense	3,369,600	3,729,500	(359,900)	-9.65%
Printing and Postage	2,665,000	2,953,200	(288,200)	-9.76%
Telephone	502,300	533,600	(31,300)	-5.87%
Member/Employer Education	183,200	195,000	(11,800)	-6.05%
Other Communications	19,100	47,700	(28,600)	-59.96%
Other Operating Expense	10,985,700	11,715,100	(729,400)	-6.23%
Conferences and Education	540,500	635,800	(95,300)	-14.99%
Travel	652,000	881,400	(229,400)	-26.03%
Computer Technology	6,134,300	7,518,900	(1,384,600)	-18.41%
Other Operating	3,239,900	2,329,000	910,900	39.11%
Attorney General Reimbursement	54,000	0	54,000	
Ohio Retirement Study Council	340,000	325,000	15,000	4.62%
Treasury of State Warrant Clearing Charges	25,000	25,000	0	0.00%
Net Building Expense	2,482,600	2,279,100	203,500	8.93%
Total Operating Budget	\$ 89,977,000	\$ 85,953,800	\$ 4,023,200	4.68%
Legacy Replacement Project	\$ 11,440,300	\$ 0	\$ 11,440,300	
Total Capital Budget	\$ 3,164,200	\$ 2,994,900	\$ 169,300	5.65%
Building Improvements	84,000	60,000		
Building Maintenance Equipment	115,900	140,500		
Infrastructure and Upgrades	2,738,400	2,516,900		
Copiers	80,400	77,500		
General Capital	145,500	200,000		



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

	<u>2007 Budget</u>	<u>2006 Budget</u>	<u>Increase (Decrease)</u>	<u>% Increase Decrease</u>
Board Expenses				
Board Education and Travel	\$ 69,000	\$ 79,000	\$ (10,000)	-12.66%
Travel to Attend Board Meetings	16,000	16,000	0	0.00%
Other Board Expense	50,800	62,700	(11,900)	-18.98%
Total Board Expense	<u><u>\$ 135,800</u></u>	<u><u>\$ 157,700</u></u>	<u><u>\$ (21,900)</u></u>	<u><u>-13.89%</u></u>

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

	<u>Fiscal 2005 Actuals</u>	<u>Fiscal 2004 Actuals</u>	<u>Fiscal 2003 Actuals</u>
Investment Assets			
Total Internally Managed Assets	\$ 46,140,679,149	\$ 42,528,388,546	\$ 37,783,500,320
Total Externally Managed Assets	13,496,115,000	12,131,471,684	10,083,430,409
Total Investment Assets	<u>\$ 59,636,794,149</u>	<u>\$ 54,659,860,230</u>	<u>\$ 47,866,930,729</u>
Investment Expenses			
Total Internal Investment Expenses	\$ 17,921,550	\$ 17,145,181	\$ 19,443,013
Total External Investment Expenses	97,215,017	97,899,776	86,238,373
Investment Consulting	961,974	902,243	880,849
Brokerage/Commissions	24,276,006	26,601,742	23,718,181
Custodian Fees	6,011,721	5,775,337	4,196,532
Total Investment Expenses	<u>\$ 146,386,268</u>	<u>\$ 148,324,279</u>	<u>\$ 134,476,948</u>
Total Investment Expenses as a Percent of Total Investment Assets	0.25%	0.27%	0.28%

Ohio Retirement System Budget Presentation to ORSC
STRS Ohio Statistical Information

Description	<u>July 1, 2005</u>	<u>July 1, 2004</u>	<u>July 1, 2003</u>	<u>July 1, 2002</u>
STRS Ohio Associates (Full-time Equivalents)	597	623	673	709
Active Members	181,940	183,594	183,604	181,238
Inactive Members	138,324	134,501	131,600	124,584
Benefit Recipients	115,395	111,853	108,294	105,300
Reemployed Retirees	19,033	17,929	16,933	15,730

