



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

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LISA J. MORRIS
Executive Director

HELEN M. NINOS
Deputy Executive Director

April 11, 2014

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

Dear Ms. Rhodes: (with handwritten signature 'Bethany')

In accordance with Section 3309.041 of the Ohio Revised Code, enclosed please find SERS' proposed FY2015 operating budget.

The proposed budget has an 8.6% increase from the current year budget. In the Personnel category, this budget includes two additional IT staff positions and an increase in employee health care expense. There is a significant increase to both Actuarial and Audit expense under Professional Services, due to the implementation of GASB Statements 67 and 68. In the Other Operating Expense category, the increase is mainly attributable to technology upgrades and e-Discovery litigation services.

Please let me know if I can assist you with any additional information. I can be reached at (614) 222-5801.

Sincerely,

(Handwritten signature of Lisa J. Morris)

Lisa J. Morris
Executive Director

Enclosures

RETIREMENT BOARD

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

**School Employees Retirement System
FY2015 Draft Budget
Compared to FY2014 Approved Budget**

Budget Category	FY2015 Draft Budget	FY2014 Approved Budget	FY2014 Estimated Actual	FY2015 Draft-to-FY2014 Approved	
				Increase (Decrease)	Budgeted % Change
Personnel	\$ 18,774,156	\$ 17,401,526	\$ 17,158,151	\$ 1,372,630	7.9
Salaries and Wages	14,221,827	13,288,130	12,430,522	933,697	7.0
OPERS Retirement Contributions	1,949,025	1,823,393	1,693,217	125,632	6.9
Insurance	2,603,304	2,290,003	3,034,412	313,301	13.7
Professional Services, including Investment Costs	\$ 6,871,424	\$ 6,389,812	\$ 5,868,232	\$ 481,612	7.5
Actuarial	347,200	226,250	309,924	120,950	53.5
Audit	326,426	141,500	201,518	184,926	130.7
Custodial Banking Fees	840,737	852,894	540,000	(12,157)	(1.4)
Master Record Keeper	1,621,040	1,429,717	1,391,129	191,323	13.4
Investment Consulting	1,745,907	1,712,790	1,705,229	33,117	1.9
Other Consulting (IT, HR, Legal, Medical)	1,837,294	1,879,861	1,569,982	(42,567)	(2.3)
Banking Expense	152,820	146,800	150,450	6,020	4.1
Communications Expense	\$ 1,171,956	\$ 1,205,010	\$ 944,450	\$ (33,054)	(2.7)
Printing & Postage	961,300	1,030,600	776,613	(69,300)	(6.7)
Telephone	108,760	109,210	108,200	(450)	(0.4)
Member/Employer Education	101,896	65,200	59,637	36,696	56.3
Other Operating Expense	\$ 3,319,419	\$ 2,636,692	\$ 2,221,107	\$ 682,727	25.9
Conferences & Education	404,256	470,427	284,168	(66,171)	(14.1)
Travel	345,551	325,461	228,639	20,090	6.2
Computer Technology	1,499,167	803,943	731,113	695,224	86.5
Other Operating Expenses (Insurance, Maintenance, Memberships, Supplies)	1,007,195	972,461	924,174	34,734	3.6
Mandatory Costs (ORSC and TOS Warrant Charges)	63,250	64,400	53,013	(1,150)	(1.8)
Net Building Occupancy Expense	\$ 1,439,192	\$ 1,193,405	\$ 1,154,273	\$ 245,787	20.6
Operating Budget	\$ 31,576,147	\$ 28,826,445	\$ 27,346,213	\$ 2,749,702	9.5
Capital	\$ 131,000	\$ 364,350	\$ 271,044	\$ (233,350)	(64.0)
Total Operating and Capital Budgets	\$ 31,707,147	\$ 29,190,795	\$ 27,617,257	\$ 2,516,352	8.6

Four-Year SMART Project Capital Budget (FY2012-2015)*	\$ 10,848,171	\$ 4,913,178
FY 2015 Operating Expenditure	10,848,171	4,913,178

* 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
FY2014 -FY2015 Capital Budgets**

Budget Category	FY2015 Draft Budget	FY2014 Approved Budget	Increase (Decrease)	Budgeted % Change
Computer Hardware > \$5,000	\$ 113,000	\$ 306,350	\$ (193,350)	(63.1)
Software > \$25,000	18,000	58,000	(40,000)	(69.0)
Capital	\$ 131,000	\$ 364,350	\$ (233,350)	(64.0)

**School Employees Retirement System
FY2011-FY2013 Investment Expense Comparison**

Major Category	FY2013 Year-End Investment Assets	FY2012 Year-End Investment Assets	FY2011 Year-End Investment Assets
Internally Managed Total	\$ 144,219,375	\$ 102,138,893	\$ 171,890,393
Externally Managed Total	\$ 11,241,379,016	\$ 10,269,543,226	\$ 10,467,909,114
Gross Investment Assets Under Management	<u>\$ 11,385,598,391</u>	<u>\$ 10,371,682,119</u>	<u>\$ 10,639,799,507</u>

Major Category	FY2013 Actual Investment Expenses	FY2012 Actual Investment Expenses	FY2011 Actual Investment Expenses
Administrative Costs of Investment Function	\$ 3,377,845	\$ 2,929,831	\$ 2,794,780
Investment-Related Professional Services	\$ 3,638,934	\$ 3,516,481	\$ 3,869,143
Custodial Banking	867,389	842,341	882,549
Master Record Keeper	1,186,661	977,074	1,002,969
Technical Support	114,115	226,297	236,519
Investment Advisors	1,470,769	1,470,769	1,747,106
Brokerage Fees	\$ 3,948,854	\$ 4,426,296	\$ 4,993,512
External Investment Management Fees	<u>\$ 81,178,662</u>	<u>\$ 77,719,095</u>	<u>\$ 77,777,388</u>
Total Investment Expenses	<u>\$ 92,144,295</u>	<u>\$ 88,591,703</u>	<u>\$ 89,434,823</u>

<i>Total Investment Expenses as a % of Total Investment Assets</i>	<i>0.809%</i>	<i>0.854%</i>	<i>0.841%</i>
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**School Employees Retirement System
FY2014-2015 Board Budget**

Board Expense Category	Description	FY2015 Draft Budget	FY2014 Approved Budget	FY14-FY15 Budget Increase (Decrease)	Budgeted % Change
Board / Subcommittee Meetings and Board Attendance at Member					
	Meetings, including Travel to Meetings Total	\$ 46,456	\$ 51,847	\$ (5,391)	-10%
	Out of State Education and Travel Total	\$ 54,000	\$ 47,000	\$ 7,000	15%
	Other Board Expenses	\$ 33,319	\$ 38,788	\$ (5,469)	-14%
	Total Board Expenditures	\$ 133,775	\$ 137,635	\$ (3,860)	-3%

**School Employees Retirement System
FY2014-FY2015 Staff Travel**

Dept	Type of Travel	FY2015 Draft Budget	FY2014 Approved Budget	Budgeted % Change
Executive		\$ 30,145	\$ 31,114	(3)
	# FTES	19.0	17.5	9
	Travel Expense per FTE	\$ 1,587	\$ 1,778	(11)
Investments		\$ 157,000	\$ 135,000	16
	# FTES	13.0	13.0	0
	Travel Expense per FTE	\$ 12,077	\$ 10,385	16
Finance		\$ 27,800	\$ 27,000	3
	# FTES	23.5	23.5	0
	Travel Expense per FTE	\$ 1,183	\$ 1,149	3
Information Technology		\$ 40,500	\$ 39,400	3
	# FTES	34.0	32.0	6
	Travel Expense per FTE	\$ 1,191	\$ 1,231	0
Member Services		\$ 1,350	\$ 1,350	0
	# FTES	51.0	51.0	0
	Travel Expense per FTE	\$ 26	\$ 26	0
Health Care		\$ 13,350	\$ 16,200	(18)
	# FTES	13.5	14.0	(4)
	Travel Expense per FTE	\$ 989	\$ 1,157	(15)
Administrative Services		\$ 4,050	\$ 5,400	(25)
	# FTES	21.0	22.0	(5)
	Travel Expense per FTE	\$ 193	\$ 245	(21)
Human Resources		\$ 3,500	\$ 7,150	(51)
	# FTES	4.0	4.0	0
	Travel Expense per FTE	\$ 875	\$ 1,788	(51)
Total SERS Staff		\$ 277,695	\$ 262,614	6
	# FTES	179.0	177.0	1
	Travel Expense per FTE	\$ 1,551	\$ 1,484	5

School Employees Retirement System
FY2014-FY2015 Staff Training (Conference Registration and In-House)

Dept	Type of Training	FY2015 Draft Budget	FY2014 Approved Budget	Budgeted % Change
Executive		\$ 17,000	\$ 20,310	(16)
	Conferences & Seminars	\$ 17,000	\$ 20,310	(16)
	In-House Training	\$ -	\$ -	0
	# FTES	19.0	17.5	9
	Training Expense per FTE	\$ 895	\$ 1,161	(23)
Investments		\$ 29,345	\$ 22,000	33
	Conferences & Seminars	\$ 29,345	\$ 22,000	33
	In-House Training	\$ -	\$ -	0
	# FTES	13.0	13.0	0
	Training Expense per FTE	\$ 2,257	\$ 1,692	33
Finance		\$ 15,926	\$ 20,186	(21)
	Conferences & Seminars	\$ 15,926	\$ 20,186	(21)
	In-House Training	\$ -	\$ -	0
	# FTES	23.5	23.5	0
	Training Expense per FTE	\$ 678	\$ 859	(21)
Information Technology		\$ 104,510	\$ 109,195	(4)
	Conferences & Seminars	\$ 104,510	\$ 94,195	11
	In-House Training	\$ -	\$ 15,000	0
	# FTES	34.0	32.0	6
	Training Expense per FTE	\$ 2,906	\$ 2,944	(1)
Member Services		\$ 6,000	\$ 5,900	2
	Conferences & Seminars	\$ 6,000	\$ 5,900	2
	In-House Training	\$ -	\$ -	0
	# FTES	51.0	51.0	0
	Training Expense per FTE	\$ 118	\$ 116	2
Health Care		\$ 17,800	\$ 19,490	(9)
	Conferences & Seminars	\$ 17,800	\$ 19,490	(9)
	In-House Training	\$ -	\$ -	0
	# FTES	13.5	14.0	(4)
	Training Expense per FTE	\$ 1,319	\$ 1,392	(5)

Dept	Type of Training	FY2015 Draft Budget	FY2014 Approved Budget	Budgeted % Change
Administrative Services		\$ 14,600	\$ 15,240	(4)
	Conferences & Seminars	\$ 14,600	\$ 15,240	(4)
	In-House Training	\$ -	\$ -	0
	# FTES	21.0	22.0	(5)
	Training Expense per FTE	\$ 695	\$ 693	0
Human Resources		\$ 37,928	\$ 58,261	(35)
	Conferences & Seminars	\$ 6,928	\$ 10,461	(34)
	In-House Training	\$ 31,000	\$ 47,800	(35)
	# FTES	4.0	4.0	0
	Training Expense per FTE	\$ 1,732	\$ 2,615	(34)
Total SERS Staff		\$ 243,109	\$ 270,582	(10)
	Conferences & Seminars	\$ 212,109	\$ 207,782	2
	In-House Training	\$ 31,000	\$ 62,800	(51)
	# FTES	179.0	177.0	1.0
	Training Expense per FTE	\$ 1,358	\$ 1,529	(11)

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 certificant. 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.