

April 25, 2014



STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO

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

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Dear Ms. Rhodes:

In accordance with Section 3307.041, Revised Code, STRS Ohio is submitting its proposed 2014–2015 fiscal year budgets. The attached information is composed of three parts in the uniform format adopted by the five Ohio public retirement systems.

RETIREMENT BOARD CHAIR
DALE PRICE
RETIREMENT BOARD VICE CHAIR
ROBERT STEIN
EXECUTIVE DIRECTOR
MICHAEL J. NEHF

- Page 1 is a statement of planned operating and capital expenditures, including comparisons to the 2013–2014 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, 2015, is an increase of 1.08% from the current year budget. Along with normal operations, it includes funding for higher global custodian fees, increases in repairs and maintenance and higher salaries and associated fringe benefits. The proposed capital budget provides for 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 more than eight out of 10 members, both actives and retirees, 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 second best for 2013 among 55 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 24 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", written in a cursive style.

Michael J. Nehf
Executive Director

Enclosure

Ohio Retirement System Budget Presentation to ORSC
STRS Ohio 2014–2015 Budget to 2013–2014 Budget and Increase (Decrease)

	<u>7/01/2014- 6/30/2015 2015 Budget</u>	<u>7/01/2013- 6/30/2014 2014 Budget</u>	<u>7/01/2013- 6/30/2014 Projected Actual</u>	<u>2014 Budget- 2015 Budget Increase (Decrease)</u>	<u>2014 Budget- 2015 Budget % Increase/ Decrease</u>
Personnel	\$ 69,240,300	\$ 68,576,100	\$ 65,728,000	\$ 664,200	0.97%
Salaries and Wages	54,015,000	53,661,700	51,068,400	353,300	0.66%
OPERS Contributions	7,269,400	7,162,200	7,009,600	107,200	1.50%
Health Insurance	6,962,700	6,789,100	6,716,300	173,600	2.56%
Miscellaneous Expenses	993,200	963,100	933,700	30,100	3.13%
Professional Services	9,742,500	9,507,900	9,157,900	234,600	2.47%
Actuarial	235,000	220,000	265,000	15,000	6.82%
Audit	324,500	299,000	299,000	25,500	8.53%
Custodial Banking Fees	2,100,000	1,750,000	1,650,700	350,000	20.00%
Investment Consulting	4,968,000	5,007,000	5,123,000	(39,000)	-0.78%
Other Consulting	1,825,000	1,946,900	1,535,200	(121,900)	-6.26%
Banking Expense	290,000	285,000	285,000	5,000	1.75%
Communications Expense	2,486,100	2,554,200	2,339,600	(68,100)	-2.67%
Printing and Postage	1,998,000	2,078,000	1,876,900	(80,000)	-3.85%
Telecommunications	295,300	285,700	285,700	9,600	3.36%
Member/Employer Education	187,300	185,000	175,000	2,300	1.24%
Other Communications	5,500	5,500	2,000	0	0.00%
Other Operating Expense	8,055,300	7,903,800	7,666,900	151,500	1.92%
Conferences and Education	378,900	391,100	427,600	(12,200)	-3.12%
Travel	687,800	628,700	624,100	59,100	9.40%
Computer Technology	4,644,000	4,535,900	4,415,000	108,100	2.38%
Other Operating	1,979,600	1,983,100	1,835,200	(3,500)	-0.18%
Ohio Retirement Study Council	300,000	300,000	300,000	0	0.00%
Treasury of State Warrant Clearing Charges	5,000	5,000	5,000	0	0.00%
Attorney General Charges	60,000	60,000	60,000	0	0.00%
Net Building Expense	2,323,000	2,327,600	2,394,100	(4,600)	-0.20%
Total Operating Budget	\$ 91,847,200	\$ 90,869,600	\$ 87,286,500	\$ 977,600	1.08%
Total Capital Budget	\$ 1,597,500	\$ 1,684,300	\$ 1,684,300	\$ (86,800)	-5.15%
Building Improvements	400,000	450,000	450,000		
Building Maintenance Equipment	146,500	141,200	141,200		
Infrastructure and Upgrades	1,051,000	1,053,100	1,053,100		
General Capital	0	40,000	40,000		



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

	<u>2015 Budget</u>	<u>2014 Budget</u>	<u>2006 Budget</u>	<u>% Increase Decrease</u>
Board Expenses				
Board Education and Travel	\$ 18,000	\$ 22,000	\$ 79,000	-18.18%
Travel to Attend Board Meetings	17,500	23,000	16,000	-23.91%
Other Board Expense	9,700	10,500	62,700	-7.62%
Total Board Expense	<u>\$ 45,200</u>	<u>\$ 55,500</u>	<u>\$ 157,700</u>	<u>-18.56%</u>

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

	<u>Fiscal 2013 Actuals</u>	<u>Fiscal 2012 Actuals</u>	<u>Fiscal 2011 Actuals</u>
Investment Assets			
Total Internally Managed Assets	\$ 50,951,710,984	\$ 47,914,733,000	\$ 50,571,446,200
Total Externally Managed Assets	17,263,950,016	15,790,034,000	15,708,299,800
Total Investment Assets *	<u>\$ 68,215,661,000</u>	<u>\$ 63,704,767,000</u>	<u>\$ 66,279,746,000</u>
Investment Expenses			
Total Internal Investment Expenses	\$ 28,329,154	\$ 28,962,590	\$ 33,282,726
Total External Investment Expenses	161,884,390	152,316,396	139,944,517
Investment Consulting	720,893	839,233	771,787
Brokerage/Commissions	15,166,886	14,911,837	16,164,629
Custodian Fees	1,438,460	1,438,378	1,849,227
Total Investment Expenses	<u>\$ 207,539,783</u>	<u>\$ 198,468,434</u>	<u>\$ 192,012,886</u>
Total Investment Expenses as a Percent of Total Investment Assets	0.30%	0.31%	0.29%

* Real estate debt is removed from investment assets.

