

April 20, 2012



STATE TEACHERS  
RETIREMENT SYSTEM  
OF OHIO

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

RETIREMENT BOARD CHAIR  
JAMES MCGREEVY

RETIREMENT BOARD VICE CHAIR  
MARK HILL

EXECUTIVE DIRECTOR  
MICHAEL J. NEHF

Dear Ms. Rhodes:

In accordance with Section 3307.041, Revised Code, STRS Ohio is submitting its proposed 2012–2013 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 2011–2012 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, 2013, is an increase of 0.9% over the current year budget with no increase in personnel. Along with normal operations, it includes funding for improvements in member online services, additional investment research, and an audit of health care claims. 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. Nearly 70% 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 fifth best for 2011 among 50 participating U.S. and international pension funds.

STRS Ohio has again been awarded the Government Finance Officers Association Award for Excellence in Financial Reporting, the Public Pension Coordinating Council Standards Award for Administration, and the “Making Your Tax Dollars Work” award from the Ohio Auditor of State.

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 19 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 fluid and cursive.

Michael J. Nehf  
Executive Director

Enclosure

**Ohio Retirement System Budget Presentation to ORSC**  
**STRS Ohio 2012–2013 Budget to 2011–2012 Budget**  
**and Increase (Decrease)**

<b>Budget Periods</b>	<b>7/01/2012- 6/30/2013 2013 Budget</b>	<b>7/01/2011- 6/30/2012 2012 Budget</b>	<b>Increase (Decrease)</b>	<b>% Increase/ Decrease</b>
<b>Personnel</b>	<b>\$ 68,115,400</b>	<b>\$ 66,866,000</b>	<b>\$ 1,249,400</b>	<b>1.87%</b>
Salaries and Wages	53,556,700	52,976,900	579,800	1.09%
OPERS Contributions	7,154,400	6,987,600	166,800	2.39%
Health Insurance	6,451,400	5,939,200	512,200	8.62%
Miscellaneous Expenses	952,900	962,300	(9,400)	-0.98%
<b>Professional Services</b>	<b>8,180,200</b>	<b>8,393,800</b>	<b>(213,600)</b>	<b>-2.54%</b>
Actuarial	275,000	296,400	(21,400)	-7.22%
Audit	236,500	165,000	71,500	43.33%
Custodial Banking Fees	1,800,000	2,075,000	(275,000)	-13.25%
Investment Consulting	3,463,000	3,400,000	63,000	1.85%
Other Consulting	2,120,700	2,159,400	(38,700)	-1.79%
Banking Expense	285,000	298,000	(13,000)	-4.36%
<b>Communications Expense</b>	<b>2,694,300</b>	<b>3,006,700</b>	<b>(312,400)</b>	<b>-10.39%</b>
Printing and Postage	2,225,000	2,375,000	(150,000)	-6.32%
Telephone	273,900	410,500	(136,600)	-33.28%
Member/Employer Education	189,900	217,200	(27,300)	-12.57%
Other Communications	5,500	4,000	1,500	37.50%
<b>Other Operating Expense</b>	<b>9,376,000</b>	<b>9,178,400</b>	<b>197,600</b>	<b>2.15%</b>
Conferences and Education	323,700	300,500	23,200	7.72%
Travel	637,200	620,300	16,900	2.72%
Computer Technology	4,500,200	4,636,700	(136,500)	-2.94%
Other Operating	3,590,900	3,295,900	295,000	8.95%
Ohio Retirement Study Council	260,000	260,000	0	0.00%
Treasury of State Warrant Clearing Charges	4,000	5,000	(1,000)	-20.00%
Attorney General Charges	60,000	60,000	0	0.00%
<b>Net Building Expense</b>	<b>\$ 2,471,500</b>	<b>\$ 2,612,900</b>	<b>\$ (141,400)</b>	<b>-5.41%</b>
<b>Total Operating Budget</b>	<b>\$ 90,837,400</b>	<b>\$ 90,057,800</b>	<b>\$ 779,600</b>	<b>0.87%</b>
<b>Total Capital Budget</b>	<b>\$ 1,845,700</b>	<b>\$ 2,277,100</b>	<b>\$ (431,400)</b>	<b>-18.95%</b>
Building Improvements	510,000	506,000		
Building Maintenance Equipment	159,400	64,400		
Infrastructure and Upgrades	1,176,300	1,706,700		
General Capital				



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

	<u>2013 Budget</u>	<u>2012 Budget</u>	<u>Increase (Decrease)</u>	<u>% Increase Decrease</u>
<b>Board Expenses</b>				
Board Education and Travel	\$ 30,000	\$ 25,000	\$ 5,000	20.00%
Travel to Attend Board Meetings	25,000	25,000	0	0.00%
Other Board Expense	9,300	10,000	(700)	-7.00%
<b>Total Board Expense</b>	<b>\$ <u>64,300</u></b>	<b>\$ <u>60,000</u></b>	<b>\$ <u>4,300</u></b>	<b>7.17%</b>

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

	<u>Fiscal 2011 Actuals</u>	<u>Fiscal 2010 Actuals</u>	<u>Fiscal 2009 Actuals</u>
<b>Investment Assets</b>			
Total Internally Managed Assets	\$ 50,571,446,200	\$ 44,322,557,000	\$ 39,794,093,000
Total Externally Managed Assets	<u>15,708,299,800</u>	<u>12,517,776,000</u>	<u>12,796,110,000</u>
<b>Total Investment Assets *</b>	<b>\$ <u>66,279,746,000</u></b>	<b>\$ <u>56,840,333,000</u></b>	<b>\$ <u>52,590,203,000</u></b>
<b>Investment Expenses</b>			
Total Internal Investment Expenses	\$ 33,282,726	\$ 27,201,004	\$ 31,095,248
Total External Investment Expenses	139,944,517	129,794,675	126,050,499
Investment Consulting	771,787	745,800	674,702
Brokerage/Commissions	16,164,629	17,726,451	19,398,838
Custodian Fees	<u>1,849,227</u>	<u>3,287,624</u>	<u>3,154,044</u>
<b>Total Investment Expenses</b>	<b>\$ <u>192,012,886</u></b>	<b>\$ <u>178,755,554</u></b>	<b>\$ <u>180,373,331</u></b>
<b>Total Investment Expenses as a Percent of Total Investment Assets</b>	0.29%	0.31%	0.34%

\* Real estate debt is removed from investment assets.



