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

Dear Aris:

In accordance with Section 3307.041, Revised Code, STRS Ohio is submitting the proposed 2010-2011 fiscal year budgets. The attached information is composed of three parts in the uniform format adopted by the five Ohio public retirement systems.

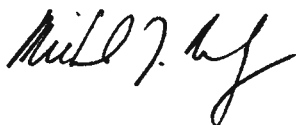
- The first page is a statement of planned operating and capital expenditures, including comparisons to the 2009–2010 fiscal year budget.
- The second page is a separate schedule of Retirement Board-related budget items. These anticipated board expenses, which reflect a 2.19% decrease from this year, are included in the overall organization operating budget.
- The third page is a three-year historical summary of investment assets and related management costs.

The proposed operating budget for next year (July 1, 2010–June 30, 2011) is a 2.01% increase over the current year's budget. Every major budget category except salaries and benefits shows a reduction. There are no merit or cost-of-living salary increases included in the budget, continuing the salary freeze that effectively began in July 2008 for most associates. However, the budget does include payment of expected PBIs for fiscal year 2010 performance, plus expected payment of half of deferred PBI payments for fiscal year 2009 performance. Areas of significant decrease include custodial banking fees and computer technology. The proposed capital budget for next fiscal year totals \$2.1 million.

These budgets were presented to the Retirement Board at its April 16 meeting. 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.

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

Sincerely,



Michael J. Nehf
Executive Director

RETIREMENT BOARD CHAIR
MARK H. MEUSER
RETIREMENT BOARD VICE CHAIR
TIM MYERS
EXECUTIVE DIRECTOR
MICHAEL J. NEHF

and Increase (Decrease)

Budget Periods	07/01/2010- 6/30/2011 2011 Budget	07/01/2009- 6/30/2010 2010 Budget	Increase (Decrease)	% Increase/ Decrease
Personnel	\$ 66,244,000	\$ 62,540,300	\$ 3,703,700	5.92%
Salaries and Wages	52,785,400	49,474,100	3,311,300	6.69%
OPERS Contributions	7,039,000	6,737,400	301,600	4.48%
Health Insurance	5,423,500	5,392,600	30,900	0.57%
Miscellaneous Expenses	996,100	936,200	59,900	6.40%
Professional Services	8,498,400	9,575,600	(1,077,200)	-11.25%
Actuarial	293,000	350,000	(57,000)	-16.29%
Audit	261,000	166,000	95,000	57.23%
Custodial Banking Fees	2,500,000	3,750,000	(1,250,000)	-33.33%
Investment Consulting	3,280,000	3,230,000	50,000	1.55%
Other Consulting	1,879,400	1,839,600	39,800	2.16%
Banking Expense	285,000	240,000	45,000	18.75%
Communications Expense	3,440,800	3,478,800	(38,000)	-1.09%
Printing and Postage	2,765,000	2,770,900	(5,900)	-0.21%
Telephone	443,000	444,500	(1,500)	-0.34%
Member/Employer Education	225,700	253,300	(27,600)	-10.90%
Other Communications	7,100	10,100	(3,000)	-29.70%
Other Operating Expense	9,258,600	10,065,100	(806,500)	-8.01%
Conferences and Education	293,600	321,500	(27,900)	-8.68%
Travel	628,900	686,100	(57,200)	-8.34%
Computer Technology	4,730,100	5,356,400	(626,300)	-11.69%
Other Operating	3,274,000	3,291,100	(17,100)	-0.52%
Ohio Retirement Study Council	260,000	335,000	(75,000)	-22.39%
Treasury of State Warrant Clearing Charges	12,000	15,000	(3,000)	-20.00%
Attorney General Charges	60,000	60,000	0	0.00%
Net Building Expense	2,663,800	2,670,200	(6,400)	-0.24%
Total Operating Budget	\$ 90,105,600	\$ 88,330,000	\$ 1,775,600	2.01%
Legacy Replacement Project	\$ 580,000	\$ 2,755,000	\$ (2,175,000)	-78.95%
Total Capital Budget	\$ 2,101,000	\$ 1,418,900	\$ 682,100	48.07%
Building Improvements	575,000	256,000		
Building Maintenance Equipment	66,000	55,000		
Infrastructure and Upgrades	1,320,000	1,018,500		
General Capital	140,000	89,400		

	<u>2011 Budget</u>	<u>2010 Budget</u>	<u>Increase (Decrease)</u>	<u>% Increase/ Decrease</u>
Board Expenses				
Board Education and Travel	\$ 26,000	\$ 23,500	\$ 2,500	10.64%
Travel to Attend Board Meetings	27,000	30,000	(3,000)	-10.00%
Other Board Expense	<u>14,000</u>	<u>15,000</u>	<u>(1,000)</u>	-6.67%
Total Board Expense	\$ <u>67,000</u>	\$ <u>68,500</u>	\$ <u>(1,500)</u>	-2.19%

	Fiscal 2009 Actuals	Fiscal 2008 Actuals	Fiscal 2007 Actuals
Investment Assets			
Total Internally Managed Assets	\$ 39,794,093,000	\$ 53,072,696,000	\$ 58,663,032,000
Total Externally Managed Assets	<u>12,796,110,000</u>	<u>17,354,859,000</u>	<u>18,539,744,000</u>
Total Investment Assets *	<u>\$ 52,590,203,000</u>	<u>\$ 70,427,555,000</u>	<u>\$ 77,202,776,000</u>
Investment Expenses			
Total Internal Investment Expenses	\$ 31,095,248	\$ 32,150,725	\$ 24,973,471
Total External Investment Expenses	126,050,499	127,228,140	119,969,454
Investment Consulting	674,702	679,791	668,675
Brokerage/Commissions	19,398,838	23,152,262	17,981,643
Custodian Fees	<u>3,154,044</u>	<u>4,917,680</u>	<u>5,040,071</u>
Total Investment Expenses	<u>\$ 180,373,331</u>	<u>\$ 188,128,598</u>	<u>\$ 168,633,314</u>
Total Investment Expenses as a			
Percent of Total Investment Assets	0.34%	0.27%	0.22%

*Real estate debt is removed from investment assets.