



Ohio Public Employees Retirement System

October 16, 2009

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

Dear Mr. Hutras:

Enclosed is the proposed 2010 operating budget for the Ohio Public Employees Retirement System (OPERS). The proposed operating budget reflects a 3.3% decrease in expenses from the prior year's budget. Additionally, this budget reflects decreases in almost every expenditure category. The increase in the computer technology category reflects a change in accounting rules which requires OPERS to expense a portion of the imaging project, which was previously budgeted as a capital project. OPERS is in the final year of a multiple year project to image all member records. Even with the change in accounting rules resulting in the added expense, OPERS' 2010 budget still reflects a net decrease.

This budget continues to 1) position the system to handle the expected large growth in retirees from the retirement of the baby boom generation, 2) ensure we continue to be well funded over the long term, 3) provide good customer service to our almost 1 million members and retirees, and 4) enable OPERS to continue to provide value for the State of Ohio.

Attached you will find budget information presented in the uniform format adopted by the five Ohio public retirement systems.

- The first page is the comparative summary for all five retirement systems. This page has been updated to reflect the OPERS 2010 budget currently being submitted to the ORSC.
- Attachment 1 is a statement of planned operating and capital expenditures including comparisons to the 2009 fiscal year budget for OPERS.
- Attachment 2 is the capital budget detail.
- Attachment 3 is a separate schedule of Retirement Board-related budget items that are included in the overall organization operating budget.
- Attachment 4 is a three-year historical summary of investment costs and management fees.

- Attachment 5 is statistical information about the number of participants in OPERS and the number of staff providing benefits and services and the corresponding cost per participant.
- Attachment 6 shows the OPERS budgeted education and training and due diligence travel detailed by division on a per-FTE basis.

In accordance with the requirements of Section 145.092 of the Ohio Revised Code, the OPERS Board will not adopt the budget sooner than sixty days from the date of this correspondence.

We believe this budget balances the reality of these difficult economic times with the need to continue to fund the operations of a growing and complex multi-billion dollar organization.

Please feel free to contact me if I can assist with questions or provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris DeRose". The signature is written in a cursive, flowing style.

Chris DeRose
Chief Executive Officer

OHIO RETIREMENT SYSTEMS BUDGET PRESENTATION TO ORSC
FY 2010 Budget

	Ohio Public Employees Retirement System				State Teachers Retirement System				School Employees Retirement System				Ohio Police & Fire Pension Fund							
	2010 Budget	2009 Budget	2008 Actual	2007 Actual	2010 Budget	2009 Budget	2008 Actual	2007 Actual	2010 Budget	2009 Budget	2008 Actual	2007 Actual	2010 Budget	2009 Budget	2008 Actual	2007 Actual				
Personnel	64,246,459	66,289,928	55,457,604	(2,054,499)	(2.6%)	71,418,000	67,005,400	59,867,000	4,409,600	6.6%	15,096,580	14,524,718	14,356,080	57,1370	3.9%	12,285,457	12,300,713	12,450,957	(115,256)	(0.8%)
Professional Services	18,478,652	19,479,210	18,328,817	(99,559)	(.5%)	11,751,400	12,304,300	13,252,100	(552,900)	(4.5%)	10,833,536	9,789,942	8,121,472	1,143,994	11.7%	5,042,655	5,112,801	5,014,591	(70,146)	(1.4%)
Communications Expense	3,932,260	4,772,151	3,697,555	(639,891)	(17.6%)	3,626,400	3,392,800	3,360,800	233,600	6.9%	1,460,051	1,423,779	1,163,375	36,372	2.5%	856,555	775,720	1,023,980	(119,195)	(15.4%)
Other Operating Expense	10,665,129	9,546,534	8,963,917	1,115,595	11.7%	10,527,700	11,242,000	10,995,700	(714,300)	(6.4%)	2,680,016	2,791,056	2,742,535	(123,042)	(4.4%)	1,674,914	1,700,489	1,818,318	(174,445)	(10.3%)
Net Building Expenses	3,927,530	4,247,577	3,876,079	(320,047)	(7.5%)	2,534,700	2,487,100	2,482,500	147,600	5.9%	626,983	830,977	700,698	(15,984)	(0.9%)	1,270,110	1,270,110	1,282,900	0	0.0%
Total Operating Budget	\$1,250,000	\$4,348,400	\$0,524,000	(\$1,098,400)	(3.3%)	\$9,829,200	\$6,431,600	\$9,977,000	\$3,523,600	3.7%	\$0,783,775	\$9,760,475	\$7,104,360	\$1,623,300	5.8%	\$1,109,661	\$1,239,813	\$2,379,724	(\$130,152)	(0.8%)
Depreciation	8,327,800	11,571,600	11,000,000	(2,243,800)	(19.4%)	7,125,600	8,448,600	14,604,500	(1,363,900)	(16.1%)	498,500	648,500	631,000	(390,000)	(41.2%)	2,390,000	3,500,000	(1,200,000)	(34.3%)	
Total Capital Budget	8,831,436	3,607,800	11,370,488	2,223,638	61.6%											3,205,461	4,582,694	5,054,135	(1,377,413)	(30.1%)

	Budget Full-time Equivalent Actual Full-time Equivalent				Operating Expense Per Total Member			
	2010	2009	2008	2007	2010 Budget	2009 Budget	2008 Actual	2007 Actual
Budget Full-time Equivalent Actual Full-time Equivalent	622.5	631.0	616	614	\$97.46	\$100.90	\$96.72	\$84.47

	Active Members				Inactive Members				Benefit Recipients				Re-employed Retirees				Total Membership			
	2009 Actual	2007 Actual	2008 Actual	2007 Actual	2009 Actual	2007 Actual	2008 Actual	2007 Actual	2009 Actual	2007 Actual	2008 Actual	2007 Actual	2009 Actual	2007 Actual	2008 Actual	2007 Actual	2009 Actual	2007 Actual		
Active Members	374,002	382,177	381,464	381,464	180,213	180,960	180,960	180,960	123,265	123,265	123,265	123,265	28,454	27,884	27,884	27,884	27,884	27,884		
Inactive Members	385,445	384,823	346,687	346,687	145,697	142,031	142,031	142,031	10,183	10,183	10,183	10,183	148	148	148	148	148	148		
Benefit Recipients	166,516	161,348	156,747	156,747	122,934	119,184	119,184	119,184	63,529	62,821	62,821	62,821	24,683	24,458	24,458	24,458	24,458	24,458		
Re-employed Retirees	830,993	809,348	854,509	854,509	20,031	461,475	461,475	461,475	195,970	195,970	195,970	195,970	155	155	155	155	155	155		
Total Membership	1,656,956	1,633,992	1,739,307	1,739,307	468,875	481,622	481,622	481,622	382,802	382,802	382,802	382,802	53,440	52,792	52,792	52,792	52,792	52,792		

	2010 Budget				2009 Budget				2008 Actual				2007 Actual			
	2010	2009	2008	2007	2010	2009	2008	2007	2010	2009	2008	2007	2010	2009	2008	2007
Operating Expense Per Total Member	\$97.46	\$100.90	\$96.72	\$84.47	\$212.82	\$184.36	\$186.90	\$158.09	\$127.44	\$186.94	\$394.02	\$300.78	\$394.02	\$300.78	\$394.02	\$300.78

OHIO RETIREMENT SYSTEM BUDGET PRESENTATION TO ORSC
Ohio Public Employees Retirement System
FY 2010 Budget

<u>Budget Periods</u>	<u>2010 Budget</u>	<u>2009 Budget</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Salaries and Wages	42,217,696	43,858,670	(1,640,974)	(3.7%)
PERS contributions	6,437,600	6,695,863	(258,263)	(3.9%)
Health Insurance	5,200,000	5,321,099	(121,099)	(2.3%)
Miscellaneous Expenses	390,133	424,296	(34,163)	(8.1%)
Professional Services	19,478,652	19,478,219	(899,558)	(5.1%)
Actuarial	748,225	869,090	(120,865)	(13.9%)
Audit	345,000	497,000	(152,000)	(30.6%)
Custodial Banking Fees	5,050,000	5,810,000	(760,000)	(13.1%)
Investment Consulting	5,514,960	5,056,840	458,120	9.1%
Other Consulting (Medical Exams, TPA Fees, Professional Consultants)	6,725,467	7,206,280	(480,813)	(6.7%)
Banking Expense	96,000	40,000	56,000	140.0%
Printing and Postage	2,987,821	3,692,572	(704,751)	(19.1%)
Telephone	246,774	327,892	(81,118)	(24.7%)
Member/Employer Education	697,665	751,687	(54,022)	(7.2%)
Conferences and Education	440,858	451,593	(10,735)	(2.4%)
Travel	733,316	799,452	(66,136)	(8.3%)
Computer Technology	7,852,315	6,568,886	1,283,429	19.5%
Other Operating (Fiduciary Insurance, Supplies, Dues & Subscriptions)	1,356,640	1,440,603	(83,963)	(5.8%)
Ohio Retirement Study Council	272,000	277,000	(5,000)	(1.8%)
TOS Warrant Clearing Council	10,000	12,000	(2,000)	(16.7%)
Total Operating Budget	\$ 91,250,000	\$94,348,400	\$ (3,098,400)	(3.3%)
Depreciation	\$ 9,327,800	\$11,571,600	\$ (2,243,800)	(19.4%)
Total Capital Budget	\$ 5,831,438	\$ 3,607,800	\$ 2,223,638	61.6%

**OHIO RETIREMENT SYSTEM BUDGET PRESENTATION TO ORSC
Ohio Public Employees Retirement System
2010 Capital Budget**

<u>General Office Capital Items</u>	<u>Total</u>
Building	\$ 350,000
Computer Software and Equipment	4,365,692
Office Equipment & Furniture	135,746
Transportation Equipment	0
Total General Office Capital Items	\$ 4,851,438
<u>Capital Projects</u>	
Portal Replacement - New	\$ 484,000
Final Average Salary Projections - Additional for Existing Project	496,000
Total IT Capital Project	\$ 980,000
Total 2010 IT Capital Project	\$ 5,831,438

**OHIO RETIREMENT SYSTEM BUDGET PRESENTATION TO ORSC
Ohio Public Employees Retirement System
FY 2010 Retirement Board Expense Budgets**

	<u>2010 Budget</u>	<u>2009 Budget</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Board/Subcommittee meetings	\$ 3,300	\$ 2,856	\$ 444	15.55%
Board travel to attend Board meetings	22,000	19,200	2,800	14.58%
Board education and travel	40,000	48,400	(8,400)	-17.36%
Board meetings with constituency groups / dues and subscriptions	4,860	4,520	340	7.52%
Travel Expenses	\$ 70,160	\$ 74,976	\$ (4,816)	-6.42%

OHIO RETIREMENT SYSTEM BUDGET PRESENTATION TO ORSC
Ohio Public Employees Retirement System
Investment Expenses

	2008 ACTUALS	2007 ACTUALS	2006 ACTUALS
Investment Assets			
Total Internally Managed Assets	\$ 35,958,246,756	\$51,202,683,639	\$48,922,583,768
Total Externally Managed Assets	22,687,307,256	31,728,225,669	28,888,622,765
Total Investment Assets	\$ 58,645,554,012	\$82,930,909,308	\$77,811,206,533
Investment Expenses			
Total Internal Investment Expenses	\$ 17,067,082	\$ 16,672,280	\$ 17,357,180
Total External Investment Expense	116,365,895	120,732,750	121,922,590
Investment Consulting	2,027,004	1,904,321	2,001,893
Brokerage/Commissions - Internal	17,758,226	11,728,041	7,703,505
Brokerage/Commissions - External	12,531,150	16,097,386	16,630,816
Custodian Fees	2,277,363	3,998,066	5,399,860
Total Investment Expenses	\$ 168,026,720	\$ 171,132,844	\$ 171,015,844
Total Investment Expenses as a % of Total Investment Assets			
Total Investment Expenses as a % of Internally Managed Assets	0.47%	0.33%	0.35%
Total Investment Expenses as a % of Externally Managed Assets	0.74%	0.54%	0.59%
Total Investment Expenses as a % of Total Investment Assets	0.29%	0.21%	0.22%

OHIO RETIREMENT SYSTEM BUDGET PRESENTATION TO ORSC
Statistical Information

	2010	2009	2008	2007	2006
Budget Full-time Equivalencies	622.5	631.5	616	614	610

Active Members	*	*	374,002	382,177	381,464
Inactive Members	*	*	395,445	364,823	346,697
Benefit Recipients	*	*	166,516	161,348	156,747
Total Membership	*	*	935,963	908,348	884,908

Total Operating Budget	\$91,250,000	\$94,348,400	\$90,524,000	\$85,808,080	\$79,757,170
Total Operating Exp / Total Membership	\$97.49	\$100.80	\$96.72	\$94.47	\$90.13

* Information not available. For purposes of statistical calculation of Total Administrative Expense per Total Membership, the last completed fiscal year was used to approximate Total Membership.

OHIO RETIREMENT SYSTEM BUDGET PRESENTATION TO ORSC
Ohio Public Employees Retirement System
2010 Training & Travel Budget

	<u>2010</u> <u>Budget</u>	<u>2009</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
Benefits				
Conference Registrations	\$ 19,088	\$ 19,650	\$ (562)	-2.9%
Staff Travel	\$ 50,035	\$ 58,690	\$ (8,655)	-14.7%
Approved FTE's	225	225	-	0.0%
Expense Per FTE	\$ 307	\$ 348	\$ (41)	-11.8%
Health Care				
Conference Registrations	\$ 4,500	\$ 10,000	\$ (5,500)	-55.0%
Staff Travel	\$ 7,300	\$ 25,000	\$ (17,700)	-70.8%
Approved FTE's	29	29	-	0.0%
Expense Per FTE	\$ 407	\$ 1,207	\$ (800)	-66.3%
Finance				
Conference Registrations	\$ 34,710	\$ 40,570	\$ (5,860)	-14.4%
Staff Travel	\$ 64,750	\$ 79,160	\$ (14,410)	-18.2%
Approved FTE's	122	135	(13)	-9.6%
Expense Per FTE	\$ 815	\$ 887	\$ (72)	-8.1%
Information Technology				
Conference Registrations	\$ 139,690	\$ 169,500	\$ (29,810)	-17.6%
Staff Travel	\$ 131,840	\$ 107,870	\$ 23,970	22.2%
Approved FTE's	135	136	(1)	-0.7%
Expense Per FTE	\$ 2,011	\$ 2,039	\$ (28)	-1.4%
Investments				
Conference Registrations	\$ 38,200	\$ 35,000	\$ 3,200	9.1%
Staff Travel	\$ 326,466	\$ 334,906	\$ (8,440)	-2.5%
Approved FTE's	59	55	4	7.3%
Expense Per FTE	\$ 6,181	\$ 6,726	\$ (545)	-8.1%
Executive				
Conference Registrations	\$ 8,000	\$ 8,000	\$ -	0.0%
Staff Travel	\$ 15,500	\$ 15,600	\$ (100)	-0.6%
Approved FTE's	3	3	-	0.0%
Expense Per FTE	\$ 7,833	\$ 7,867	\$ (33)	-0.4%
External Affairs				
Conference Registrations	\$ 9,770	\$ 21,400	\$ (11,630)	-54.3%
Staff Travel	\$ 29,330	\$ 52,260	\$ (22,930)	-43.9%
Approved FTE's	17	17	-	0.0%
Expense Per FTE	\$ 2,300	\$ 4,333	\$ (2,033)	-46.9%

OHIO RETIREMENT SYSTEM BUDGET PRESENTATION TO ORSC
Ohio Public Employees Retirement System
2010 Training & Travel Budget

	<u>2010</u> <u>Budget</u>	<u>2009</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
General Counsel				
Conference Registrations	\$ 3,500	\$ 4,000	\$ (500)	-12.5%
Staff Travel	\$ 10,000	\$ 15,000	\$ (5,000)	-33.3%
Approved FTE's	7.5	7.5	-	0.0%
Expense Per FTE	\$ 1,800	\$ 2,533	\$ (733)	-28.9%
Human Resources				
Conference Registrations	\$ 36,760	\$ 24,100	\$ 12,660	52.5%
Staff Travel	\$ 14,900	\$ 24,400	\$ (9,500)	-38.9%
Approved FTE's	10	10	-	0.0%
Expense Per FTE	\$ 5,166	\$ 4,850	\$ 316	6.5%
Internal Audit				
Conference Registrations	\$ 7,050	\$ 9,500	\$ (2,450)	-25.8%
Staff Travel	\$ 18,500	\$ 28,500	\$ (10,000)	-35.1%
Approved FTE's	6	6	-	0.0%
Expense Per FTE	\$ 4,258	\$ 6,333	\$ (2,075)	-32.8%
Project Management Office				
Conference Registrations	\$ 4,000		\$ 4,000	100.0%
Staff Travel	\$ 2,000		\$ 2,000	100.0%
Approved FTE's	2	3	(1)	-33.3%
Expense Per FTE	\$ 3,000	\$ -	\$ 3,000	100.0%
Strategic Planning				
Conference Registrations	\$ 2,000		\$ 2,000	100.0%
Staff Travel	\$ 2,825		\$ 2,825	100.0%
Approved FTE's	7	5	2	40.0%
Expense Per FTE	\$ 689	\$ -	\$ 689	100.0%

Excludes Board Travel included in Attachment 3

Note - 2009 Approved FTE's shown proforma with 2010 FTE's with creation of the Strategic Planning Business Process Redesign Team and Project Management Office.