



October 17, 2008

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

Dear Mr. Hutras:

Enclosed is the proposed 2009 operating budget for the Ohio Public Employees Retirement System (OPERS). The proposed operating budget reflects the first year funding for OPERS' new five-year strategic plan. This plan will 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.

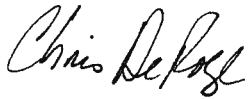
- The first page is the comparative summary for all five retirement systems. This page has been updated to reflect the 2009 budgets currently being submitted to the ORSC for the three retirement systems with December 31 year-ends (highlighted in yellow).
- Attachment 1 is a statement of planned operating and capital expenditures including comparisons to the 2008 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 cursive script that reads "Chris DeRose".

Chris DeRose
Chief Executive Officer

**RETIREMENT SYSTEMS BUDGET PRESENTATION TO ORSC
FY 2009 Budget**

Budget Periods	Ohio Public Employees Retirement System			State Teachers Retirement System			School Employees Retirement System			Ohio Police & Fire Pension Fund			Highway Patrol Retirement System		
	1/1/08-12/31/08 2008 Budget	1/1/08-12/31/08 2008 Budget	% Change (Decrease)	7/1/07-6/30/08 2008 Budget	7/1/07-6/30/08 2008 Budget	% Change (Decrease)	7/1/08-6/30/09 2008 Budget	7/1/07-6/30/08 2008 Budget	% Change (Decrease)	1/1/08-12/31/08 2008 Budget	1/1/08-12/31/08 2008 Budget	% Change (Decrease)	1/1/08-12/31/08 2008 Budget	1/1/08-12/31/08 2008 Budget	% Change (Decrease)
Personnel	56,646,328	56,487,661	2.1%	71,419,000	67,099,400	6.8%	16,096,589	14,524,719	11.7%	12,265,457	12,300,713	(0.3%)	669,545	669,726	(0.03%)
Professional Services	18,479,210	18,328,917	0.8%	11,751,400	12,364,300	(5.2%)	10,933,638	9,789,842	11.7%	5,042,835	5,112,001	(1.4%)	384,054	400,634	(4.1%)
Communications Expense	4,774,151	3,897,595	22.4%	3,826,400	3,392,800	12.5%	1,460,051	1,423,779	2.6%	686,525	775,720	(11.9%)	50,811	58,374	(14.9%)
Other Operating Expense	9,548,334	8,853,917	7.7%	10,527,700	11,262,000	(6.4%)	2,868,016	2,791,068	2.7%	1,874,914	1,700,469	10.3%	176,665	146,036	18.9%
Net Building Expense	4,247,577	3,974,070	6.8%	2,634,700	2,487,100	5.9%	825,583	630,877	23.1%	1,270,110	1,270,110	0.0%	65,923	65,923	0.0%
Total Operating Budget	84,688,400	80,624,000	4.8%	99,659,200	96,435,600	3.3%	30,753,775	29,159,475	5.5%	21,108,981	21,239,813	(0.6%)	1,541,038	1,532,693	0.5%
Depreciation	11,571,600	11,600,000	(0.2%)							2,300,000	3,500,000	(34.3%)	3,117	8,000	(61.1%)
Total Capital Budget	3,807,800	11,370,486	(68.3%)	7,125,600	8,486,600	(16.1%)	499,500	849,500	(41.2%)	3,205,481	4,542,684	(30.1%)	0	0	0.0%

	2009	2008	2007	2006
Budget Full-time Equivalent	631.5	616	614	614
Actual Full-time Equivalent				
Active Members	362,177	361,464	361,464	361,464
Inactive Members	15,523	15,523	15,523	15,523
Re-employed Retirees	15,523	15,523	15,523	15,523
Total Membership	393,223	392,510	392,510	392,510

	2009 Budget	2007 Actual	2006 Actual
Operating Expense Per Total Member	\$104.25	\$80.71	\$90.57

	2009 Budget	2007 Actual	2006 Actual
Operating Expense Per Total Member	\$376.66	\$397.21	\$397.22

	2009 Budget	2007 Actual	2006 Actual
Operating Expense Per Total Member	\$516.67	\$512.78	\$512.78

	2009 Budget	2007 Actual	2006 Actual
Operating Expense Per Total Member	\$186.08	\$177.44	\$118.94

	2009 Budget	2007 Actual	2006 Actual
Operating Expense Per Total Member	\$186.08	\$177.44	\$118.94

OHIO RETIREMENT SYSTEM BUDGET PRESENTATION TO ORSC
Ohio Public Employees Retirement System
FY 2009 Budget

Budget Periods	1/1/09-12/31/09 <u>2009 Budget</u>	1/1/08-12/31/08 <u>2008 Budget</u>	Increase <u>(Decrease)</u>	<u>% Change</u>
Personnel	\$ 56,649,928	\$ 55,457,601	\$ 1,192,327	2.1%
Salaries and Wages	44,167,557.00	42,994,049	1,173,508	2.7%
PERS contributions	6,736,976.00	6,449,150	287,826	4.5%
Health Insurance	5,321,099.00	5,605,272	(284,173)	(5.1%)
Miscellaneous Expenses	424,296.00	409,130	15,166	3.7%
Professional Services	19,479,210.00	\$ 18,328,817	\$ 1,150,393	6.3%
Actuarial	869,090.00	663,180	205,910	31.0%
Audit	497,000.00	503,500	(6,500)	(1.3%)
Custodial Banking Fees	5,810,000.00	5,810,000	0	0.0%
Investment Consulting	5,056,840.00	4,932,952	123,888	2.5%
Other Consulting (Medical Exams, TPA Fees, Professional Consultants)	7,206,280.00	6,419,185	787,095	12.3%
Banking Expense	40,000.00		40,000	100.0%
Communications Expense	4,772,151.00	\$ 3,897,595	\$ 874,556.00	22.4%
Printing and Postage	3,692,572.00	3,221,588	470,984	14.6%
Telephone	327,892.00	329,867	(1,975)	(0.6%)
Member/Employer Education	751,687.00	346,140	405,547	117.2%
Other Operating Expense	9,549,534.00	\$ 8,863,917	685,617	7.7%
Conferences and Education	451,593.00	628,416	(176,823)	(28.1%)
Travel	799,452.00	719,432	80,020	11.1%
Computer Technology	6,568,886.00	5,973,905	594,981	10.0%
Other Operating (Fiduciary Insurance, Supplies, Dues & Subscriptions)	1,440,603.00	1,278,164	162,439	12.7%
Ohio Retirement Study Council	277,000.00	252,000	25,000	9.9%
TOS Warrant Clearing Council	12,000.00	12,000	0	0.0%
Net Building Expense	4,247,577.00	\$ 3,976,070	271,507	6.8%
Total Operating Budget	94,698,400.00	\$ 90,524,000	4,174,400	4.6%
Depreciation	11,571,600.00	\$ 11,600,000	(28,400)	(0.2%)
Total Capital Budget	3,607,800.00	\$ 11,370,486	(7,762,686)	(68.3%)

OHIO RETIREMENT SYSTEM BUDGET PRESENTATION TO ORSC
Ohio Public Employees Retirement System
2009 Capital Budget

<u>General Office Capital Items</u>	<u>Total</u>
Building	\$ 600,000
Computer Software and Equipment	404,800
Office Equipment & Furniture	318,000
Transportation Equipment	0
Total General Office Capital Items	\$ 1,322,800
<u>Capital Projects</u>	
HCPP 2.0 & Health Care Enhancements	\$ 900,000
Private Market Information System Support	930,000
Technical Inoperability Assessment Recommendations	455,000
Total IT Capital Project	\$ 2,285,000
Total 2009 IT Capital Project	\$ 3,607,800

OHIO RETIREMENT SYSTEM BUDGET PRESENTATION TO ORSC
Ohio Public Employees Retirement System
FY 2009 Retirement Board Expense Budgets

	2009 <u>Budget</u>	2008 <u>Budget</u>	Increase <u>(Decrease)</u>	<u>% Change</u>
Board/Subcommittee meetings	\$ 2,856	\$ 2,856	\$ -	0.00%
Board travel to attend Board meetings	19,200	19,200	-	0.00%
Board education and travel	48,400	48,400	-	0.00%
Board meetings with constituency groups / dues and subscriptions	4,520	4,620	(100)	-2.16%
Travel Expenses	\$ 74,976	\$ 75,076	\$ (100)	-0.13%

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

	2007 ACTUALS	2006 ACTUALS	2005 ACTUALS
Investment Assets			
Total Internally Managed Assets	\$51,202,683,639	\$48,922,583,768	\$43,489,487,513
Total Externally Managed Assets	31,728,225,669	28,888,622,765	25,677,459,629
Total Investment Assets	\$82,930,909,308	\$77,811,206,533	\$69,166,947,142
Investment Expenses			
Total Internal Investment Expenses	\$ 16,672,280	\$ 17,357,180	\$ 15,669,207
Total External Investment Expense	120,732,750	121,922,590	87,085,704
Investment Consulting	1,904,321	2,001,893	2,210,113
Brokerage/Commissions - Internal	11,728,041	7,703,505	7,699,577
Brokerage/Commissions - External	16,097,386	16,630,816	14,356,876
Custodian Fees	3,998,066	5,399,860	5,558,935
Total Investment Expenses	\$ 171,132,844	\$ 171,015,844	\$ 132,580,412
Total Investment Expenses as a % of Total Investment Assets	0.33%	0.35%	0.30%
Total Investment Expenses as a % of Internally Managed Assets	0.54%	0.59%	0.52%
Total Investment Expenses as a % of Externally Managed Assets	0.21%	0.22%	0.19%

OHIO RETIREMENT SYSTEM BUDGET PRESENTATION TO ORSC
Statistical Information

	2009	2008	2007	2006	2005
Budget Full-time Equivalencies	631.5	616	614	610	595

Active Members	*	*	382,177	381,464	381,413
Inactive Members	*	*	364,823	346,697	327,864
Benefit Recipients	*	*	161,348	156,747	151,758
Total Membership	*	*	908,348	884,908	861,035

Total Operating Budget	\$94,698,400	\$90,524,000	\$85,808,080	\$79,757,170	\$78,000,000
Total Operating Exp / Total Membership	\$104.25	\$99.66	\$94.47	\$90.13	\$90.59

* 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
2009 Training & Travel Budget

	<u>2009</u> <u>Budget</u>	<u>2008</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
Benefits				
Conference Registrations	\$ 19,650	\$ 14,770	\$ 4,880	33.0%
Staff Travel	\$ 58,690	\$ 59,280	\$ (590)	-1.0%
Approved FTE's	228	224	4	1.8%
Expense Per FTE	\$ 344	\$ 331	\$ 13	3.9%
Health Care				
Conference Registrations	\$ 10,000	\$ 10,750	\$ (750)	-7.0%
Staff Travel	\$ 25,000	\$ 31,000	\$ (6,000)	-19.4%
Approved FTE's	30	28	2	7.1%
Expense Per FTE	\$ 1,167	\$ 1,491	\$ (324)	-21.8%
Finance				
Conference Registrations	\$ 40,570	\$ 31,855	\$ 8,715	27.4%
Staff Travel	\$ 79,160	\$ 66,578	\$ 12,582	18.9%
Approved FTE's	135	135	-	0.0%
Expense Per FTE	\$ 887	\$ 729	\$ 158	21.6%
Information Technology				
Conference Registrations	\$ 169,500	\$ 200,251	\$ (30,751)	-15.4%
Staff Travel	\$ 107,870	\$ 86,198	\$ 21,672	25.1%
Approved FTE's	136	132	4	3.0%
Expense Per FTE	\$ 2,039	\$ 2,170	\$ (131)	-6.0%
Investments				
Conference Registrations	\$ 35,000	\$ 52,993	\$ (17,993)	-34.0%
Staff Travel	\$ 334,906	\$ 314,000	\$ 20,906	6.7%
Approved FTE's	55	56	(1)	-1.8%
Expense Per FTE	\$ 6,726	\$ 6,553	\$ 172	2.6%
Executive				
Conference Registrations	\$ 8,000	\$ 6,600	\$ 1,400	21.2%
Staff Travel	\$ 15,600	\$ 10,800	\$ 4,800	44.4%
Approved FTE's	6	3	3	100.0%
Expense Per FTE	\$ 3,933	\$ 5,800	\$ (1,867)	-32.2%
External Relations				
Conference Registrations	\$ 20,750	\$ 10,470	\$ 10,280	98.2%
Staff Travel	\$ 42,960	\$ 14,500	\$ 28,460	196.3%
Approved FTE's	14	13	1	7.7%
Expense Per FTE	\$ 4,551	\$ 1,921	\$ 2,630	136.9%

OHIO RETIREMENT SYSTEM BUDGET PRESENTATION TO ORSC
Ohio Public Employees Retirement System
2009 Training & Travel Budget

	<u>2009 Budget</u>	<u>2008 Budget</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Legal				
Conference Registrations	\$ 4,000	\$ 3,000	\$ 1,000	33.3%
Staff Travel	\$ 15,000	\$ 13,000	\$ 2,000	15.4%
Approved FTE's	7.5	7	0.5	7.1%
Expense Per FTE	\$ 2,533	\$ 2,286	\$ 248	10.8%
Government Relations				
Conference Registrations	\$ 650	\$ 650	\$ -	0.0%
Staff Travel	\$ 9,300	\$ 9,300	\$ -	0.0%
Approved FTE's	4	3	1	33.3%
Expense Per FTE	\$ 2,488	\$ 3,317	\$ (829)	-25.0%
Human Resources				
Conference Registrations	\$ 24,100	\$ 9,000	\$ 15,100	167.8%
Staff Travel	\$ 24,400	\$ 15,860	\$ 8,540	53.8%
Approved FTE's	10	9	1	11.1%
Expense Per FTE	\$ 4,850	\$ 2,762	\$ 2,088	75.6%
Internal Audit				
Conference Registrations	\$ 9,500	\$ 7,800	\$ 1,700	21.8%
Staff Travel	\$ 28,500	\$ 24,000	\$ 4,500	18.8%
Approved FTE's	6	6	-	0.0%
Expense Per FTE	\$ 6,333	\$ 5,300	\$ 1,033	19.5%

Excludes Board Travel included in Attachment 3