

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
277 EAST TOWN STREET, COLUMBUS, OH 43215-4642
1-800-222-PERS (7377)
www.opers.org

MEMORANDUM

DATE: August 2, 2004

TO: OPERS Retirement Board Members

FROM: Karen Carraher, Director – Finance
Mark Snodgrass, Assistant Director - Finance
LaGrieta Holloway, Budget Analyst

RE: **V. Discussion Items:**
D. Mid-Year Budget Review

Purpose – To review variances between budgeted and actual administrative expenses and capital purchases as of June 30, 2004 and to project total actual administrative expenses and capital outlays for the remainder of the year.

Background – In August of each year, the staff conducts a mid-year review of OPERS' actual expenditures compared to the amounts budgeted. This mid-year review is designed to investigate and provide explanations for material variances between actual financial results and the budget. Within the mid-year review, staff also projects expenses for the full year based on the first six months of operations and expected future expenditures.

Issues – The mid-year review indicates that for the first six months of the year, OPERS has expended \$6.7 million less than anticipated in the 2004 budget. Staff projects that actual expenditures for the full year will be approximately \$3 million under budget.

Next Steps -- As the year progresses, staff will update the Board if the full-year 2004 expense projections deviate significantly from the projections presented in the mid-year review document.

Ohio Public Employees Retirement System Finance Division



***Mid-Year Budget Review
June 30, 2004***

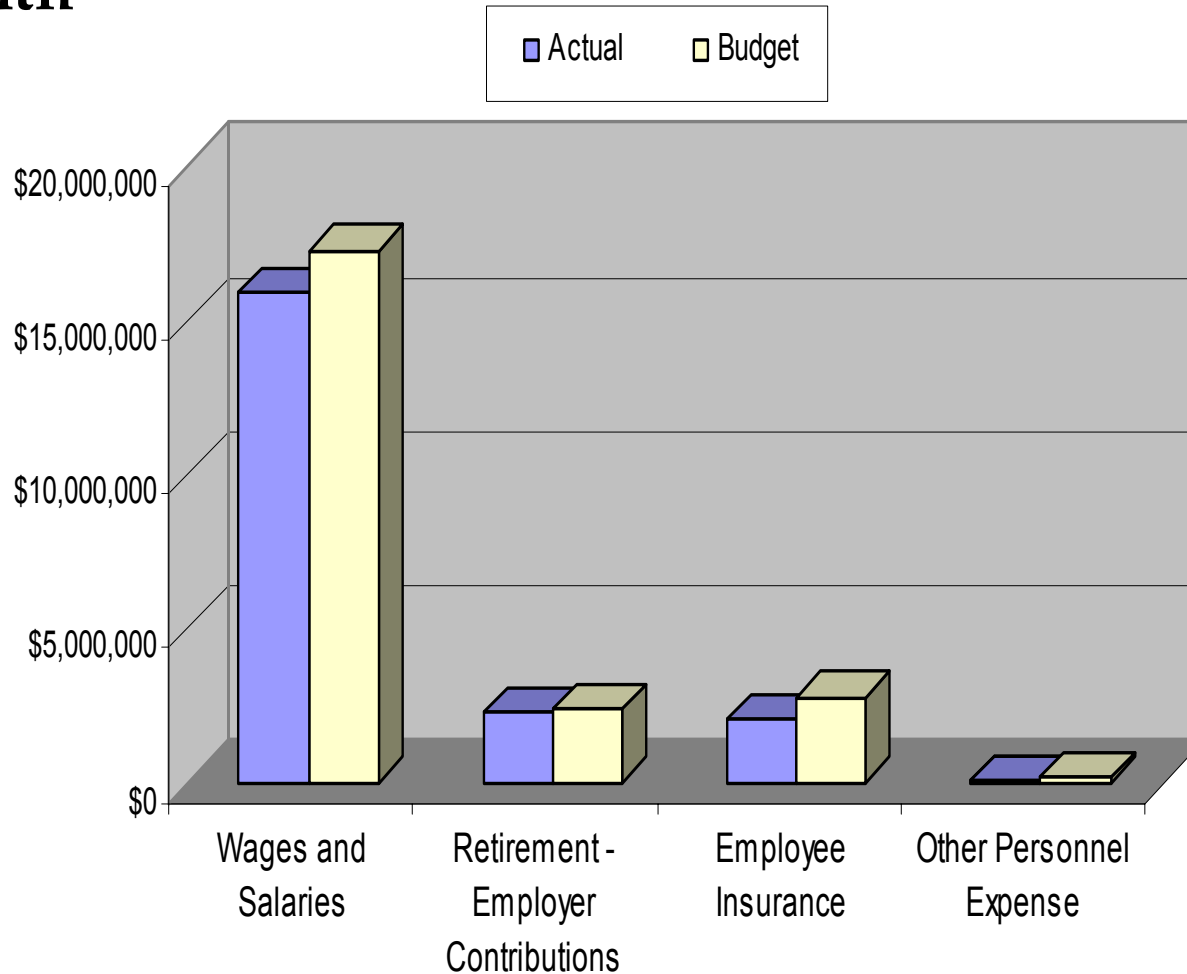
6 Month Analysis

	<u>6mth Actual</u>	<u>6mth Budget</u>	<u>Variance</u>	<u>%</u>
Personnel Expense	\$ 20,341,692	\$ 22,654,688	\$ 2,312,995	89.79%
Professional Services	6,291,584	8,000,269	1,708,685	78.64%
Communications	1,660,666	2,317,959	657,293	71.64%
Information Technology	1,546,757	1,892,119	345,362	81.75%
Office Supplies & Equipment	485,527	746,145	260,618	65.07%
Training & Travel Expenses	881,118	1,465,329	584,211	60.13%
Custodial & Banking Fees	1,243,480	1,776,000	532,520	70.02%
Other Miscellaneous	88,940	87,950	(990)	101.13%
Subtotal	\$ 32,539,763	\$ 38,940,458	\$ 6,400,695	83.56%
Centralized Expenses	2,134,235	2,662,836	528,601	80.15%
Subtotal	\$ 34,673,998	\$ 41,603,294	\$ 6,929,296	83.34%
Depreciation Expense	5,356,707	5,160,000	(196,707)	103.81%
Total Budget	\$ 40,030,704	\$ 46,763,294	\$ 6,732,590	85.60%

Personnel Expense

\$2,312,995 under budget

6 Month



6 Month Staffing Analysis

<u>Division</u>	<u>2004 Budget</u>	<u>Actual as of 6/30/04</u>	<u>Over/ (Under)</u>	<u>6 Mth Salary Savings</u>
Benefits	248	243	(5)	\$ 171,450
Finance	129	124	(5)	49,099
Information Technology	118	102	(16)	508,986
Investment	63	60	(3)	147,964
Executive Office	3	3	0	0
General Counsel	6	6	0	0
Government Relations	3	3	0	0
Human Resources	9	9	0	0
Internal Audit	<u>6</u>	<u>6</u>	<u>0</u>	<u>0</u>
Total	<u>585</u>	<u>556</u>	<u>(29)</u>	<u>\$ 877,499</u>
Board Action:				
Deputy Executive Director	1	0	1	
Service Credit & Transfer Syst	<u>6</u>	<u>0</u>	<u>6</u>	
Revised Total	<u>592</u>	<u>556</u>	<u>(36)</u>	

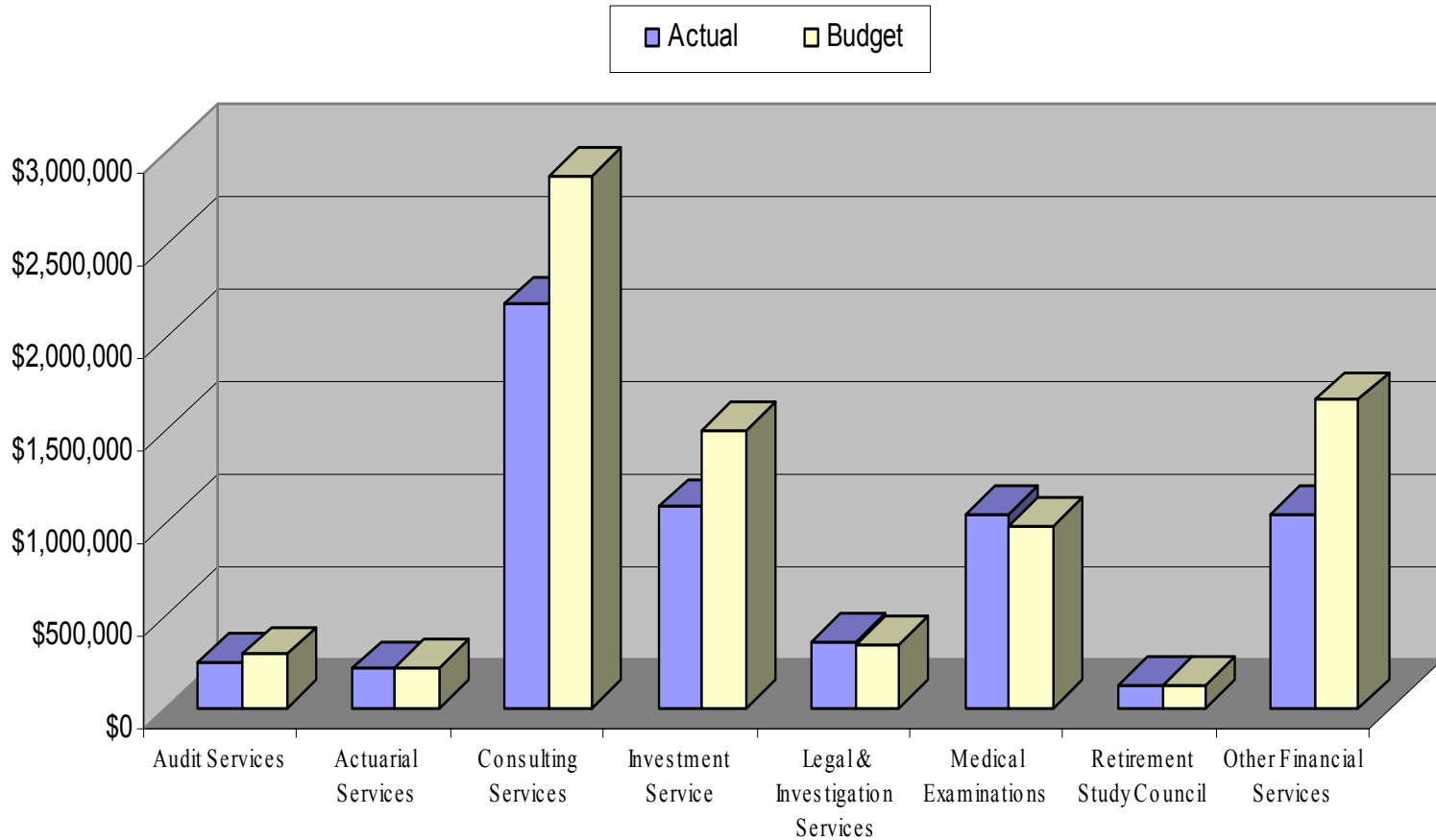
Personnel Expense

- 6-Month Actual - \$877,000 savings in wages & salaries, \$25,000 savings in temporary labor and \$463,000 savings due to turnover of positions.
- 12-Month Projection – if all 29 positions are filled by 9/30/04 wages & salaries will be under budget by \$1,500,000.
- Employee Insurance - \$734,000 savings. These expenses are difficult to accurately budget due to small population of the cover group.

Professional Services

\$1,708,685 under budget

6 Month



Professional Services

Consulting Services

Benefits- \$300,000 savings is due to the delay of the BPR process review which is currently re-scheduled for 2005. \$150,000 of this savings will be reallocated to cover unanticipated HCPP focus group and communication costs.

Information Tech- \$250,000 savings is due to timing of the projected budget. No material budget to actual variance is anticipated at year-end.

Investment Services

Investment - \$410,000 savings is due to timing of the projected budget. Budgeted dollars are expected to be expended by the end of the year.

Professional Services

Other Financial Services

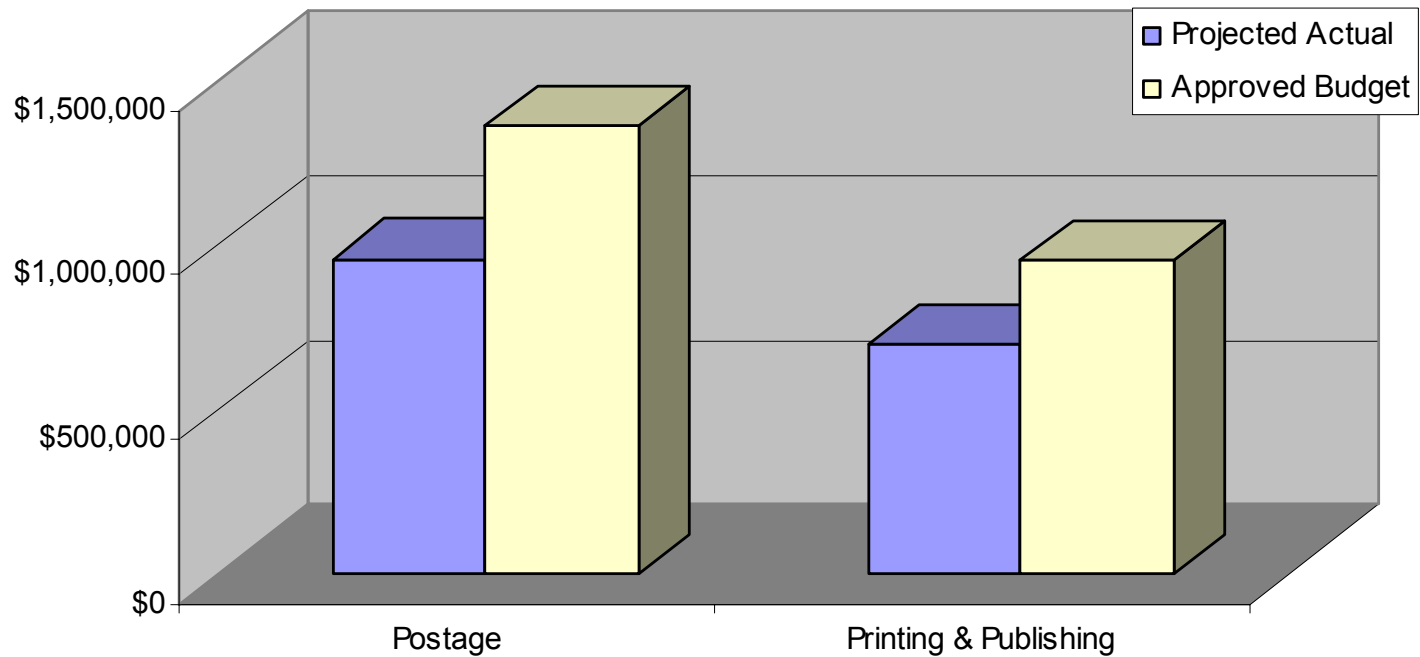
Benefits – \$371,000 savings due to projected budget timing for DCP 3rd party administer fees. A \$100,000 savings is projected at year-end.

Finance - \$200,000 savings on fund accounting fees due to projected budget timing. Actual vs. budgeted expenditures are expected to show no material variance by year-end.

Communications

\$657,293 under budget

6 Month



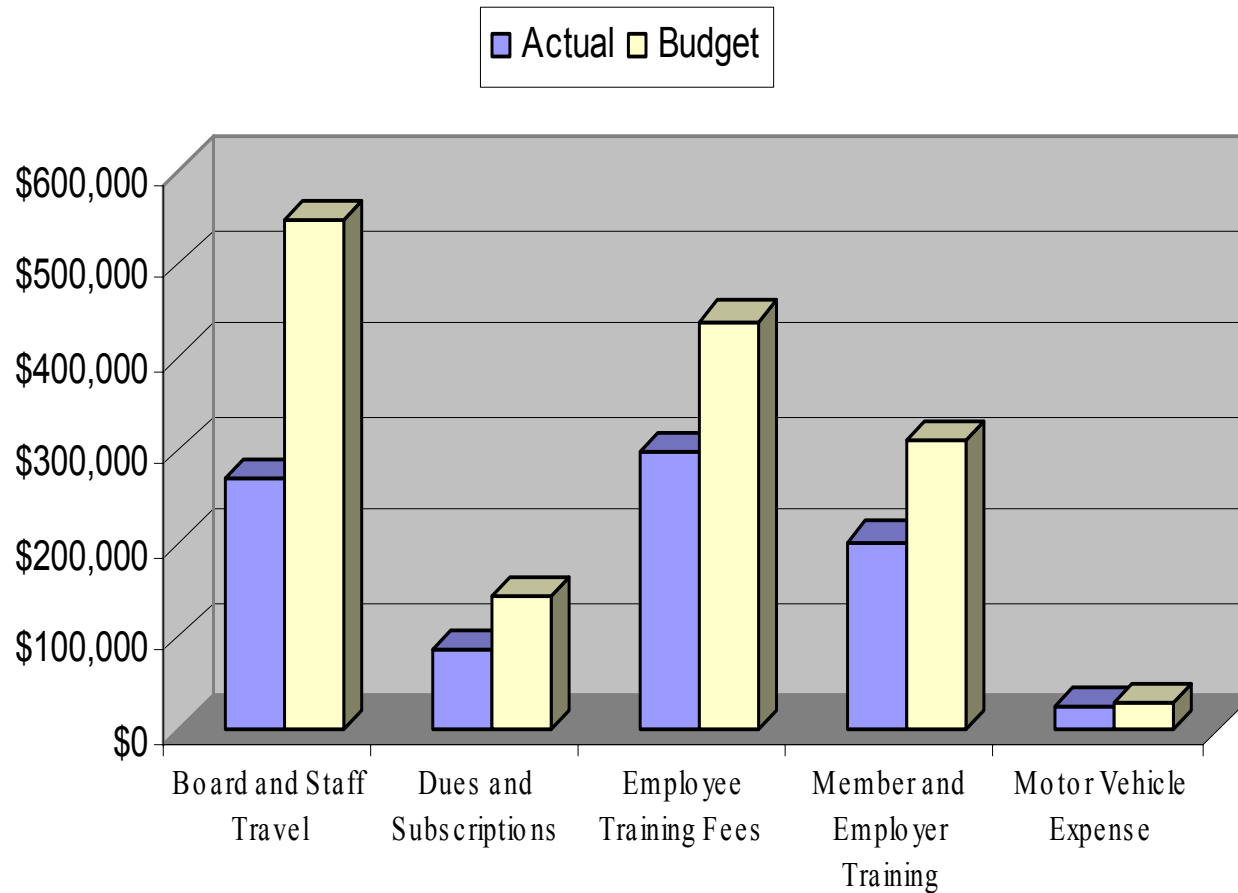
Communications

- **Postage** – \$404,000 savings is due timing issues, several mass mailings are scheduled for the 3rd quarter. Actual cost is expected to approximate budget by year-end.
- **Printing & Publishing** - \$253,000 savings is due to projects such as the member handbook, health care bulletin & healthcare open enrollment taking place during the 3rd quarter. Actual expenditures are expected to approximate budgeted expenditures by year-end.

Training & Travel Expenses

\$584,211 under budget

6 Month



Training & Travel Expenses

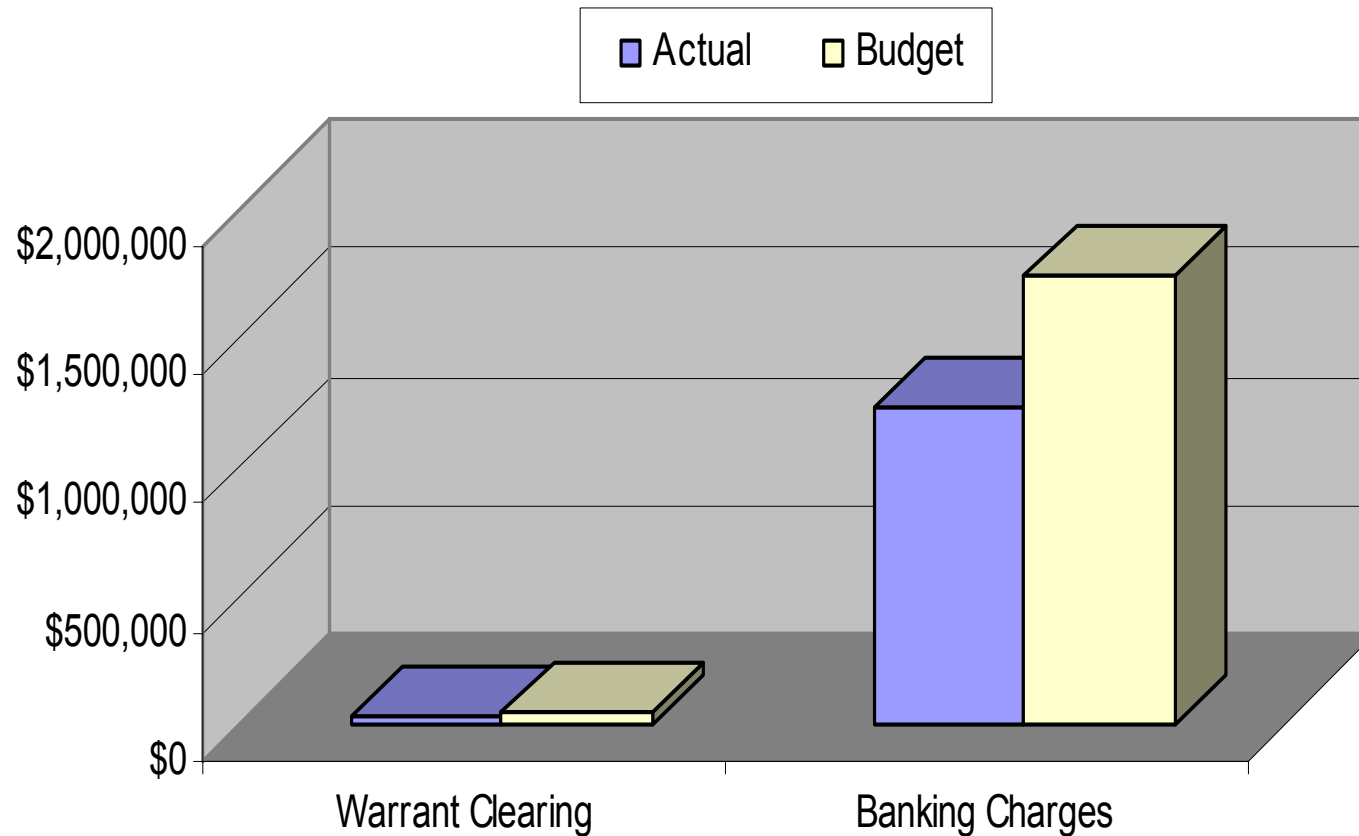
- Board & Staff Travel - \$276,000 savings
- Employee Training Fees - \$140,000 savings
- Member & Employer Training - \$108,000 savings.

Savings are due to schedule changes such as the rescheduling of trainings, timing of projected budget and expected increases in training activities during the 3rd and 4th quarter. Actual expenditures are expected to be under Budget by approximately \$360,000 at year-end.

Custodial & Banking Fees

\$532,520 under budget

6 Month



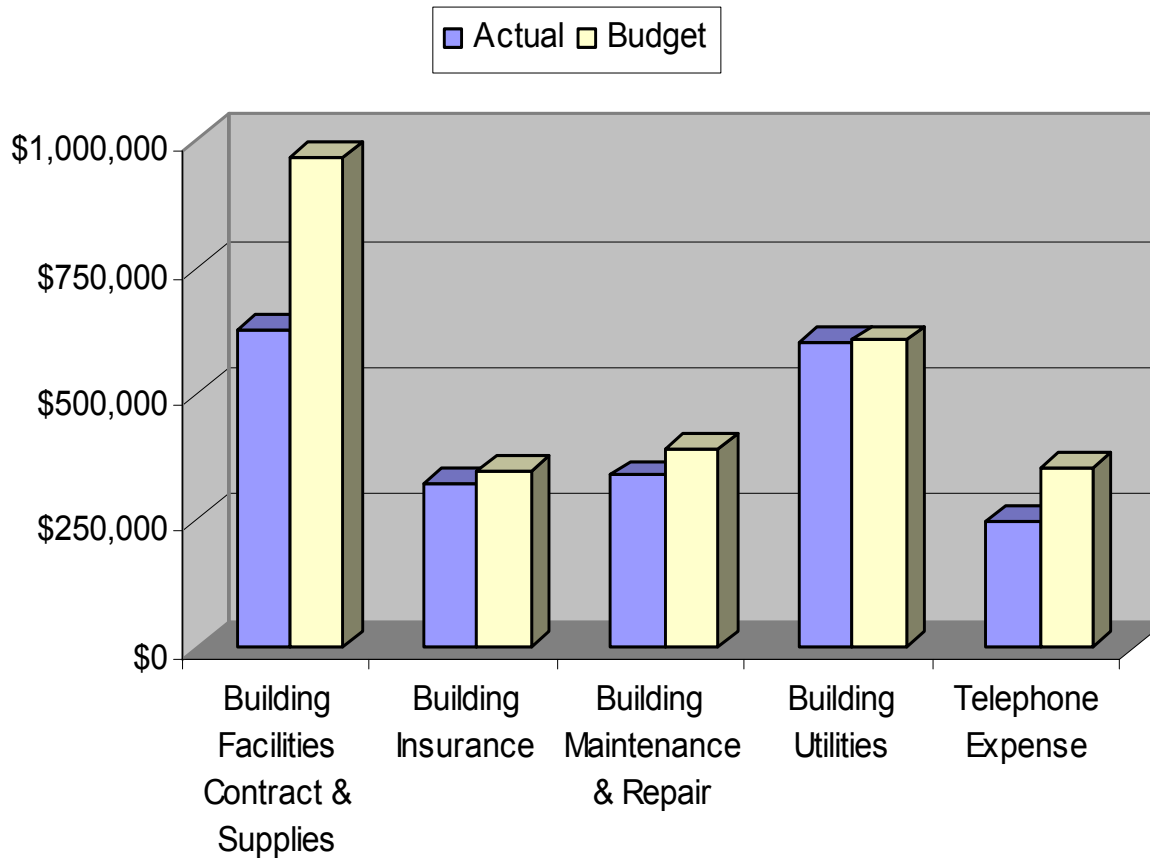
Custodial & Banking Fees

- Finance – \$532,000 savings is due to a delay in invoicing. Differences between actual cost and budget are expected to be minimal by year-end.

Centralized Expenses

\$528,601 under budget

6 Month



Centralized Expenses

- **Building Maintenance & Repair Contracts** - \$344,000 savings is due to maintenance work (carpet repair , blind repairs, woodwork touch-up, etc.) not being done yet. Some of this work will take place during the 2nd half. Expect a \$100,000 - \$200,000 savings by year-end.
- **Telephone Equipment** - \$111,000 savings due to CMS/PBS system being purchased in 2003. Savings will be used to install additional equipment during the 3rd quarter.

12 Month Analysis

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
Personnel Expense	\$ 42,763,300	\$ 44,264,800	\$ 1,501,500	96.61%
Professional Services	14,191,750	14,671,975	480,225	96.73%
Communications	3,821,300	3,747,540	(73,760)	101.97%
Information Technology	3,580,950	3,910,670	329,720	91.57%
Office Supplies & Equipment	986,400	1,177,285	190,885	83.79%
Training & Travel Expenses	2,416,800	2,776,710	359,910	87.04%
Custodial & Banking Fees	3,478,280	3,556,000	77,720	97.81%
Other Miscellaneous	181,000	173,850	(7,150)	104.11%
Subtotal	\$ 71,419,780	\$ 74,278,830	\$ 2,859,050	96.15%
Centralized Expenses	4,876,400	5,283,370	406,970	92.30%
Subtotal	\$ 76,296,180	\$ 79,562,200	\$ 3,266,020	95.90%
Depreciation Expense	10,499,000	10,320,000	(179,000)	101.73%
Total Budget	\$ 86,795,180	\$ 89,882,200	\$ 3,087,020	96.57%

General Capital Budget

	<u>Total Budget</u>	<u>Actual Jan - Jun 30</u>	<u>Variance</u>
Building	166,000	67,500	98,500
Computer Software and Equipment	536,800	61,023	475,777
Office Equipment	229,200	46,136	183,064
Office Furniture	61,500	0	61,500
Transportation Equipment	83,000	51,828	31,172
Subtotal General Office Capital Items	\$ 1,076,500	\$226,487	\$850,013

Capital Project Status

CAPITAL PROJECTS	<u>2004 YTD</u>	<u>Total Spent</u>	<u>Project Budget</u>	<u>Variance</u>
04101 Additional Annuity Tracking System	\$0	\$0	\$530,000	\$530,000
04102 Design & Implement Performance Measurem	0	0	235,000	235,000
04201 Accelerated Contribution Reporting	0	0	125,000	125,000
04202 Accounts Receivable System Review Project	0	0	550,000	550,000
04302 Update Business Resumption Plan	0	0	90,000	90,000
04401 Portfolio Management System Assessment	0	0	155,000	155,000
04402 Investments Applications Enhancements	0	0	250,000	250,000
04501 Knowledge Management System	0	0	130,000	130,000
04502 House Bill 98 Implementation (FR 03-150)	0	0	850,000	850,000
04301 Infrastructure and Upgrade	0	0	1,061,000	1,061,000
SUBTOTAL 2004 PROJECTS	\$0	\$0	\$3,976,000	\$3,976,000

Capital Project Status

CAPITAL PROJECTS	<u>2004 YTD</u>	<u>Total Spent</u>	<u>Project Budget</u>	<u>Variance</u>
03101 DC Plan Switching Calculator (Closed)	\$0	\$0	\$850,000	\$850,000
03102 MP & Law Annual Statements Project	336,180	546,780	675,000	128,220
03103 Senate Bill 247 Partial Lump Sum Option A	0	0	90,000	90,000
03104 Additional Annuity/PLOP/HB158	392,371	674,730	750,000	75,270
03105 Backpayments	0	69,536	600,000	530,464
03401 Investments Data Warehouse Feasibility St	0	0	200,000	200,000
03402 Investments Application Implementations	1,800	208,755	575,000	366,245
03403 Investments Content Management System	0	0	355,000	355,000
03301 Infrastructure and Upgrade (Closed)	664,865	894,635	889,450	-5,185
SUBTOTAL 2003 PROJECTS	\$1,395,216	\$2,394,436	\$4,984,450	\$2,590,014

Capital Project Status

CAPITAL PROJECTS	<u>2004 YTD</u>	<u>Total Spent</u>	<u>Project Budget</u>	<u>Variance</u>
02101 Call Center / CRM	\$73,320	\$600,952	\$2,697,800	\$2,096,848
02102 COLD/ Imaging and Workflow	188,730	1,325,388	2,563,750	1,238,362
02104 Retiree Web	0	0	735,000	735,000
02103 Member Account Web (closed)	0	1,081,119	1,280,000	198,881
02301 Help Desk Phase II (closed)	0	291,233	745,000	453,767
02302 LAN Disaster Recovery (closed)	0	184,208	200,000	15,792
03106 Saving System Rewrite Project Ph 4 (closed)	195,957	19,093,736	19,670,200	576,464
02304 PC Application Upgrades (closed)	0	0	150,000	150,000
SUBTOTAL 2002 PROJECTS	\$458,007	\$22,576,636	\$28,041,750	\$5,465,114

Capital Project Status

CAPITAL PROJECTS	<u>2004 YTD</u>	<u>Total Spent</u>	<u>Project Budget</u>	<u>Variance</u>
SUBTOTAL 2004 PROJECTS	\$0	\$0	\$3,976,000	\$3,976,000
SUBTOTAL 2003 PROJECTS	\$1,395,216	\$2,394,436	\$4,984,450	\$2,590,014
SUBTOTAL 2002 PROJECTS	\$458,007	\$22,576,636	\$28,041,750	\$5,465,114
	<hr/>			
Total Capital Projects	\$1,853,223	\$24,971,072	\$37,002,200	\$12,031,128
	<hr/> <hr/>			