HIGHWAY PATROL

RETIREMENT SYSTEM

Comprehensive Annual Financial Report

A Component Unit of the State of Ohio

Year Ending December 31, 2009

Daniel K. Weiss, CPA, JD
Executive Director/Chief Investment Officer

6161 Busch Boulevard, Suite 119
Columbus, Ohio 43229-2553

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Highway Patrol Retirement System, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

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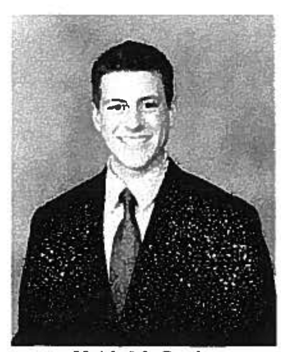
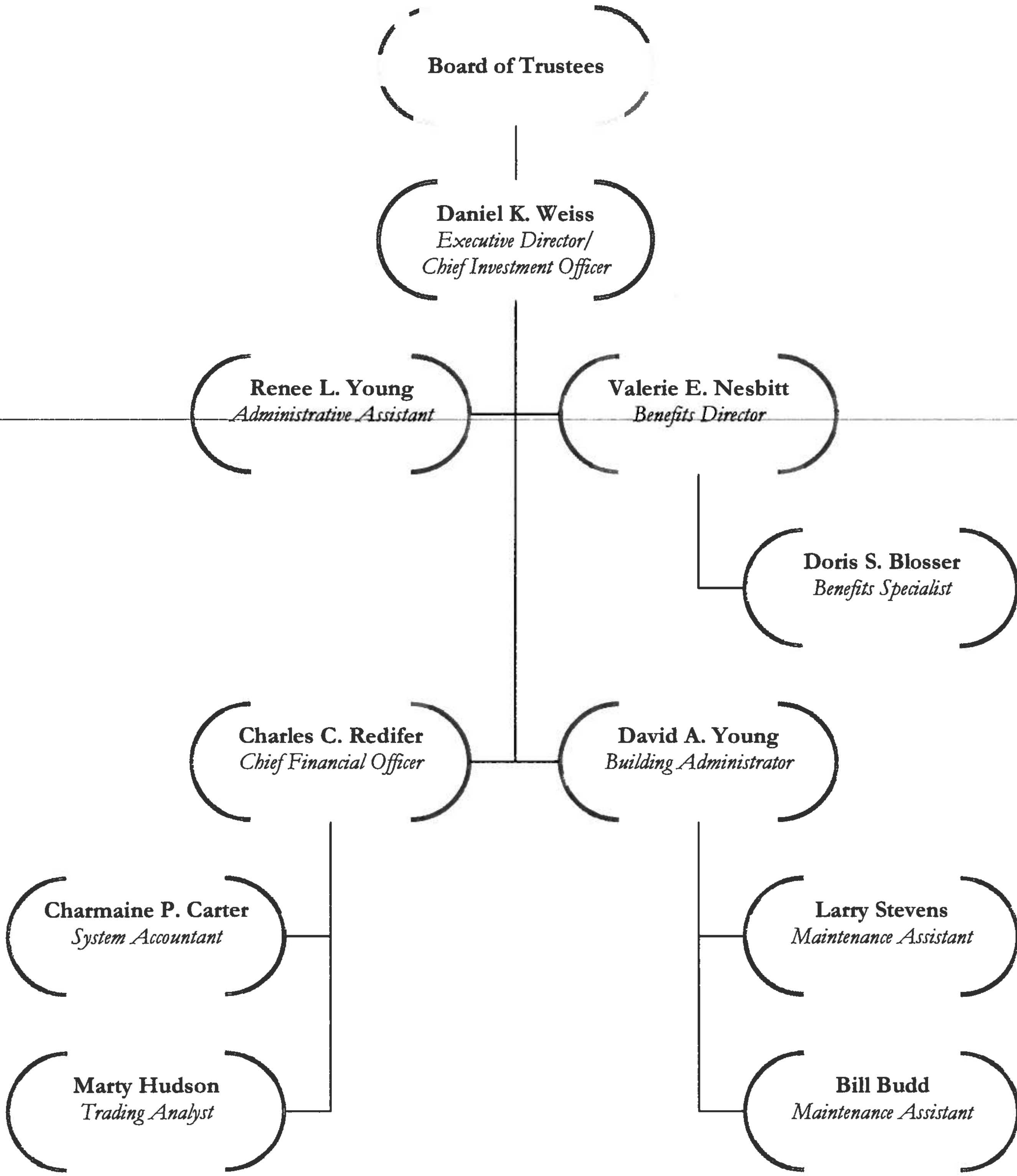

Keith McCarthy
Assistant Attorney General,
Legal Advisor

Organizational Chart



Professional Consultants

Medical Advisor
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Actuary
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Real Estate

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West Palm Beach, Florida
Large Cap Growth Equity

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Intermediate-Term Fixed Income

Kayne Anderson Capital Advisors
Los Angeles, California
Energy Private Equity

Legg Mason Global Asset Management
Boston, MA
High Yield Fixed Income

LSV Asset Management
Chicago, Illinois
Large Cap Value Equity

Manning & Napier Fund
Dublin, Ohio
International Equity

NB Alternative Investment Management
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Fund of Hedge Funds

Oaktree Capital Management
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Real Estate

Pantheon Ventures
San Francisco, California
Private Equity

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Fund of Hedge Funds

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Real Estate

Sankaty Advisors
Boston, Massachusetts
Fund of Hedge Funds

Seix Investment Advisors
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Fund of Hedge Funds

State Street Global Advisors
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Real Estate

The Vanguard Group
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Money Market

Wellington Management
Boston, Massachusetts
Large Cap Growth Equity

Wells Capital Management
Los Angeles, California
Intermediate-Term Fixed Income

Westfield Capital Management
Boston, Massachusetts
Small/Mid Cap Growth Equity

World Asset Management
Birmingham, Michigan
Small Cap Value Indexed, Mid Cap Blend Indexed, & International Equity

See Investment Section, pages 43-44, for payments to investment managers and brokers.

Legislative Summary

The dramatic market upheaval of late 2008 and early 2009 had a devastating effect on system asset values. In May 2009, the executive staff of the five Ohio pension systems were invited to meet with the executive staff of the Ohio Retirement Study Council. All five systems were at risk of falling out of compliance with the Ohio Revised Code's requirement of an amortization period for unfunded pension liabilities of thirty years or less. The message from the Ohio Retirement Study Council to each of the pension boards was clear – develop a comprehensive pension "corrections" fix for legislative action. Each board would control its own destiny, provided that it acted prudently and expeditiously.

The HPRS staff and Board took immediate action. A Special Legislative Committee was formed. The Committee scheduled and held hearings at which retirees and active members voiced their concerns. In the end, the Committee produced five recommendations that were approved as a solvency plan by the full Board on August 27, 2009. System actuaries estimated that the Board's plan, applied to December 31, 2008 asset values, would result in an amortization period of thirty years.

In summary, the five elements of the HPRS solvency plan are as follows: (1) reduce the annual cost of living adjustment (COLA) from 3% to 2%, (2) increase the member contribution rate from 10% of payroll to 11%, (3) increase the final average salary calculation period from three to five years, (4) increase the COLA eligibility age from 53 to 60, and (5) reallocate 1% of employer payroll from the health care fund to the pension fund. Complete plan details are available at www.ohprs.org.

The Ohio Retirement Study Council has not yet considered the solvency plans of the five pension systems, and it is widely believed that election-year politics will delay action until late 2010. In the meantime, financial markets have performed better than nearly anyone's expectations, bringing at least a partial recovery to asset values.

The delicate balance of pension management requires that sufficient assets be produced to pay off future pension liabilities. Actuarial valuation techniques are able to contemplate moderate market movements, but are not able to overcome dramatic ones. Accordingly, a reasonable amortization period will not likely be attained without some form of plan redesign.

Highway Patrol Retirement System
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fax 614.431.9204 · www.ohprs.org

June 17, 2010

Letter of Transmittal

Members of the Board of Trustees:

It is our privilege to submit to you the *Comprehensive Annual Financial Report* for the Highway Patrol Retirement System (HPRS) for the fiscal year ending December 31, 2009. Responsibility rests with the management of the system for both the accuracy of the data and the completeness and fairness of the presentation. We believe this report reflects a careful stewardship of the system's assets and dedicated service to our members and benefit recipients.

In 1941, the Ohio General Assembly established the Highway Patrol Retirement System for the uniformed and communications personnel of the State Highway Patrol. Previously, SHP personnel were members of the Public Employees Retirement System of Ohio. Today, membership in the Highway Patrol Retirement System is limited to officers with arrest authority, cadets in training at the Highway Patrol Training Academy, and members of the radio division who were hired prior to November 2, 1989.

Plan benefits include age and service pensions, disability retirement, survivor and death benefits, and health care coverage for benefit recipients and eligible dependents. A detailed benefits description is provided in the Plan Summary of the Actuarial Section.

Major Initiatives
At the end of 2008, based on the severe downturn of the investment markets, HPRS fell out of compliance with the Ohio Revised Code's requirement of an amortization period for unfunded pension liabilities of thirty years or less. The HPRS Board responded by developing a comprehensive solvency plan that will require legislative action for implementation.

Investments
The HPRS investment policy objective is to provide eligible members with scheduled pension benefits. Accordingly, the funds of the system are invested in order to balance long-term appreciation and risk.

In 2009, investment returns were 23.2%, with a three-year annualized return of (1.7%), and a five-year annualized return of 3.1%. The total investment portfolio increased to $694.1 million (including cash, but excluding collateral on loaned securities) at December 31, 2009, representing a 19.4% increase from the prior year.

For a detailed analysis of financial operations, please refer to Management's Discussion and Analysis on pages 13 through 15.

Internal Controls
The management of HPRS has implemented and is responsible for a system of internal accounting controls that are designed to assure the safeguarding of assets and the reliability of financial records. These controls are adequate to meet the purpose for which they are intended and are reviewed annually by an external auditor. The financial statements, supporting schedules, and statistical tables are presented fairly in all material respects.

Funding
The goal of the Board has been to limit the period of unfunded pension liability to no more than thirty years, as required by Ohio law. At December 31, 2008, unfunded actuarially accrued pension liabilities could not be amortized over a finite period. Pension assets, as a percentage of pension liabilities, decreased to 66.7% as compared to 80.9% in each of the prior two years.

Awards
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Highway Patrol Retirement System for its comprehensive annual financial report for the fiscal year ended December 31, 2008. In order to be awarded a *Certificate of Achievement*, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A *Certificate of Achievement* is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the *Certificate of Achievement* program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

HPRS received the *Making Your Tax Dollars Count* award from the Ohio Auditor of State for the year ending December 31, 2008. Fewer than five percent of all Ohio government entities are eligible for this award. To receive this award, entities must submit a comprehensive annual financial report and receive an audit with no findings or issues.

Professional Services

Professional services are provided to the Highway Patrol Retirement System by consultants appointed by the Board. Gabriel, Roeder, Smith & Company of Southfield, Michigan provides actuarial services. The investment advisor to the Board is Hartland & Co. of Cleveland. Under contract with the Ohio Auditor of State, Kennedy Cottrell Richards, LLC audited the financial records of the system.

Acknowledgments

At the end of 2009, Richard A. Curtis retired as Executive Director of HPRS after nearly twelve years of service. For his long-time diligence on behalf of active members, retirees, and other benefit recipients, we thank Mr. Curtis for his dedicated service.

The preparation of this report reflects the combined efforts of the system's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, a means for determining compliance with legal provisions, and a means for determining responsible stewardship over the assets contributed by the members and their employer, the State of Ohio.

Upon publication of this report at www.ohprs.org, HPRS will notify interested parties of its availability, including all State Highway Patrol facilities, professional consultants, investment managers, and the Ohio Retirement Study Council.

Respectfully Submitted,

Daniel K. Weiss

Daniel K. Weiss, CPA, JD
Executive Director/Chief Investment Officer

Chuck Redifer

Charles C. Redifer, CPA
Chief Financial Officer

Financial Section

383 North Front Street
Columbus, Ohio 43215

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INDEPENDENT ACCOUNTANTS' REPORT

Ohio State Highway Patrol Retirement System
6161 Busch Boulevard, Suite 119
Columbus, Ohio 43229-2553

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Ohio State Highway Patrol Retirement System (HPRS), a component unit of the State of Ohio, as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of HPRS' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of HPRS, as of December 31, 2009, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2010 on our consideration of HPRS' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis on pages 13-15 and Required Supplementary Information on pages 25-26 are not a required part of the basic financial statements, but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise HPRS' basic financial statements. The Supplementary Information on pages 27-28 provides additional information and is not a required part of the basic financial statements. We subjected such information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section on pages 3-10, the investment section on pages 30-47, the actuarial section on pages 48-57, and the statistical section on pages 58-63 to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kennedy Cottrell Richards LLC

Kennedy Cottrell Richards LLC
June 17, 2010

Accountants & Consultants for Business & Government

Management's Discussion and Analysis

Financial Highlights

• At December 31, 2009, the assets of HPRS exceeded liabilities by $675,673,202. All of the net assets are held in trust for pension and health care benefits and are available to meet HPRS's ongoing obligations to plan participants and their beneficiaries.

• During 2009, HPRS's total net assets increased by $104,257,213, or 18.2%, with 125.2% of this increase attributable to investment activity.

• HPRS's funding objective is to meet long-term benefit obligations through contributions and investment income. At December 31, 2008, the date of the most recent actuarial valuation, HPRS assets equaled 66.7% of the present value of pension obligations.

• Revenues (Additions to plan net assets) for the year were $164,892,074, which includes member and employer contributions of $33,358,991 and investment income of $130,523,661.

• Expenses (Deductions from plan net assets) increased 4.5% over the prior year. Of this amount, pension benefits increased by 4.1%, health care expenses decreased by 1.9%, and administrative expenses increased by 24.1%.

Overview of the Financial Statements

HPRS's financial statements consist of these components:

1. Combining Statement of Plan Net Assets.
2. Combining Statement of Changes in Plan Net Assets.
3. Notes to the Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

The *Combining Statement of Plan Net Assets* provides a snapshot of account balances at year-end, indicating the assets available for future payments to benefit recipients, less any current liabilities of the system.

The *Combining Statement of Changes in Plan Net Assets* provides a summary of current year additions and deductions to the plan. At December 31, 2008, the date of the latest actuarial valuation, HPRS's current funding ratio was 66.7%. This means that HPRS's fund had approximately $0.67 available for each $1.00 of projected pension liability.

The *Combining Statement of Plan Net Assets* and the *Combining Statement of Changes in Plan Net Assets* report information about HPRS's activities and financial position. These statements reflect the full accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date rather than settlement date. Investments are shown at fair value, reflecting both realized and unrealized gains and losses. Each capital asset is depreciated over its expected useful life.

The difference between HPRS assets and liabilities is reported on these statements as *Net Assets Held in Trust for Pension and Postemployment Health Care Benefits.* Over time, increases and decreases in HPRS's net assets are one indicator of whether the fund's financial health is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring HPRS's overall health (see HPRS's financial statements on pages 16-17 of this report).

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements (see *Notes to the Financial Statements* on pages 18-24 of this report).

Other Information

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning HPRS's progress in funding its obligations to provide pension benefits to members (see *Required Supplementary Schedules* on pages 25-26 of this report).

The schedules of administrative expenses, investment expenses, and payments to consultants are presented immediately following the required supplementary information.

HPRS Activities

Additions to Plan Net Assets

Employer and member contributions, as well as income from investments, provide reserves needed to finance retirement benefits. In 2009, total contributions and rebounding securities markets resulted in additions of $164.9 million. Employer contributions increased by 0.3% and member contributions decreased by 2.8%.

Revenues – Additions to Plan Net Assets (In 000's)

	2009	2008	$ Change	% Change
Net Appreciation in Fair Value of Investments	$125,533	($245,121)	$370,654	151.2%
Interest and Dividend Income	13,638	10,865	2,773	25.5
Real Estate Operating Income, Net	(228)	121	(349)	(288.4)
Investment Expenses	(4,581)	(4,688)	107	(2.3)
Security Lending Activity, Net	(3,838)	430	(4,268)	(992.6)
Employer Contributions	24,735	24,653	82	0.3
Member Contributions	8,624	8,871	(247)	(2.8)
Transfers from Other Ohio Systems	1,009	633	376	59.4
Total Additions	$164,892	($204,236)	$369,128	180.7%

The investment section of this report summarizes the result of investment activity for the year ending December 31, 2009.

Expenses - Deductions from Plan Net Assets.

HPRS was created to provide retirement, disability, and survivor benefits to qualified members and their beneficiaries. The cost of these programs includes benefit payments as designated by the plan, refunded contributions, and the administrative costs of the system. In 2009, total deductions from plan net assets increased 4.5%. This included a 4.1% increase in pension benefits, largely attributable to an increase in the number of benefit recipients and cost of living adjustments. Health care expenses decreased by 1.9% and administrative expenses increased by 24.1%. Refunds of member contributions increased by 88.6% and transfers of contributions to other Ohio retirement systems increased by 43.5%.

Expenses - Deductions from Plan Net Assets (In 000's)

	2009	2008	$ Change	% Change
Pension Benefits	$49,884	$47,939	$1,945	4.1%
Refunds of Member Contributions	1,077	571	506	88.6
Health Care	8,386	8,547	(161)	(1.9)
Administrative Expenses	882	711	171	24.1
Transfers to Other Ohio Systems	406	283	123	43.5
Total Deductions	$60,635	$58,051	$2,584	4.5%

Changes in Net Assets

In 2009, *Net Assets Held in Trust for Pension and Postemployment Health Care Benefits* increased by $104,257,213, or 18.2%. Investment income attributable to the appreciation in fair values of investments equaled $125,532,809, or 120.4% of the increase in net assets. All of the net assets are available to meet HPRS's ongoing obligation to plan participants and their beneficiaries.

Changes in Net Assets (In 000's)

	2009	2008
Beginning Balance	$571,416	$833,704
Ending Balance	675,673	571,416
Total Change	$104,257	($262,288)
% Change	18.2%	(31.5%)

Capital Assets

As of December 31, 2009, HPRS's investment in capital assets totaled $9,292 (net of accumulated depreciation), an increase of $3,328, or 55.8% from December 31, 2008. This investment in capital assets includes office equipment, software, and furniture for administrative use. The increase in HPRS's net investment in capital assets for the current year was wholly attributable to the acquisition of office equipment.

Total Assets

In 2009, total assets increased by $91,724,206, or 14.7%. The change in total assets was largely attributable to increases in the fair value of investments.

Assets (In 000's)

	2009	2008	$ Change	% Change
Cash, Short-Term Investments	$26,688	$14,794	$11,894	80.4%
Receivables	4,369	3,591	778	21.7
Investments, at Fair Value	667,416	566,672	100,744	17.8
Collateral on Loaned Securities	15,190	36,888	(21,698)	(58.8)
Prepaid Assets	7	4	3	75.0
Other Assets	9	6	3	50.0
Total Assets	$713,679	$621,955	$91,724	14.7%

Total Liabilities

Total liabilities decreased by $12,533,007, or 24.8%, primarily as a result of a decline in securities lending activity at the end of 2009. The decline in total liabilities attributable to a lower level of securities lending activity was $17,771,269. Without this decline, total liabilities would have increased by $5,238,262, or 10.4%.

Liabilities (In 000's)

	2009	2008	$ Change	% Change
Current Liabilities	$22,094	$39,412	($17,318)	(43.9%)
Long-term Liabilities	15,912	11,127	4,785	43.0
Total Liabilities	$38,006	$50,539	($12,533)	(24.8%)

Summary

The investment gains experienced by HPRS during 2009 are the result of a strong and successful investment program, risk management, and strategic planning; however, both management and HPRS's actuary concur that, in the absence of future actuarial gains, HPRS will require an increase in contributions or benefit changes to the pension program to meet its obligations to plan participants and beneficiaries.

Requests for Information

This financial report is designed to provide retirees, members, trustees, and investment managers with a general overview of HPRS's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, HPRS, 6161 Busch Boulevard, Suite 119, Columbus, OH 43229-2553.

Combining Statement of Plan Net Assets

December 31, 2009

	Pension	Postemployment Health Care	Total
Assets			
Cash and short-term investments	$22,960,164	$3,728,083	$26,688,247
Receivables			
Employer contributions receivable	1,394,674	291,909	1,686,583
Member contributions receivable	1,068,283	-	1,068,283
Accrued investment income	944,494	153,359	1,097,853
Health care receivable	-	513,658	513,658
Miscellaneous receivable	2,646	-	2,646
Total receivables	3,410,097	958,926	4,369,023
Investments, at fair value:			
Domestic equity	241,622,252	39,232,638	280,854,890
International equity	96,279,092	15,633,008	111,912,100
Fixed income	119,447,411	19,394,890	138,842,301
Real estate	7,650,507	1,242,226	8,892,733
Private equity	55,845,949	9,067,807	64,913,756
Hedge funds	53,339,352	8,660,806	62,000,158
Total investments	574,184,563	93,231,375	667,415,938
Collateral on loaned securities	13,068,043	2,121,882	15,189,925
Prepaid expenses	5,893	957	6,850
Property and equipment, net	7,994	1,298	9,292
Total other assets	13,887	2,255	16,142
Total assets	613,636,754	100,042,521	713,679,275
Liabilities			
Accounts payable	1,010,793	164,124	1,174,917
Accrued payroll liabilities	233,594	37,929	271,523
Accrued pension liabilities	16,840,181	-	16,840,181
Accrued health care liabilities	-	537,405	537,405
Obligations under securities lending	16,446,414	2,670,434	19,116,848
Other liabilities	56,091	9,108	65,199
Total liabilities	34,587,073	3,419,000	38,006,073
Net assets held in trust for pension and postemployment health care benefits	$579,049,681	$96,623,521	$675,673,202

See accompanying *Notes to Financial Statements*, pages 18-24.

Combining Statement of Changes in Plan Net Assets

Year Ending December 31, 2009

	Pension	Postemployment Health Care	Total
Additions			
Contributions			
Employer	$20,453,914	$4,281,052	$24,734,966
Member	8,624,025	-	8,624,025
Transfers from other systems	1,009,422	-	1,009,422
Total contributions	30,087,361	4,281,052	34,368,413
Investment activity			
Net appreciation in fair value of investments	105,199,562	20,333,247	125,532,809
Interest and dividend income	11,732,841	1,905,082	13,637,923
Real estate operating income, net	(195,925)	(31,813)	(227,738)
	116,736,478	22,206,516	138,942,994
Less: investment expenses	(3,941,174)	(639,936)	(4,581,110)
Net income from investment activity	112,795,304	21,566,580	134,361,884
Income from security lending activity			
Gross income	(3,236,204)	(525,468)	(3,761,672)
Less: borrower rebates	(33,113)	(5,377)	(38,490)
Less: management fees	(32,744)	(5,317)	(38,061)
Net loss from security lending activity	(3,302,061)	(536,162)	(3,838,223)
Total net investment income	109,493,243	21,030,418	130,523,661
Total additions	139,580,604	25,311,470	164,892,074
Deductions			
Pension benefits	49,884,126	-	49,884,126
Refunds of member contributions	1,076,685	-	1,076,685
Health care expenses	-	8,385,875	8,385,875
Administrative expenses	758,818	123,210	882,028
Transfers to other systems	406,147	-	406,147
Total deductions	52,125,776	8,509,085	60,634,861
Change in plan net assets	87,454,828	16,802,385	104,257,213
Net assets held in trust for pension and postemployment health care benefits			
Balance, December 31, 2008	491,594,853	79,821,136	571,415,989
Balance, December 31, 2009	$579,049,681	$96,623,521	$675,673,202

See accompanying *Notes to Financial Statements*, pages 18-24.

Notes to Financial Statements

Year Ending December 31, 2009

1. Summary of Significant Accounting Policies

Basis of Accounting

HPRS financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when incurred and revenues are recorded when earned and measurable. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investment purchases and sales are recorded at the trade date. Administrative expenses are financed by investment income.

The accounting and reporting policies of HPRS conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenues and expenses during the accounting period. Actual results could differ from these estimates.

GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and Statement No. 26, *Financial Reporting for Postemployment Health Care Plans Administered by Defined Benefit Pension Plans,* require that plan assets be split between pension benefits and health care. To meet this requirement, plan assets and liabilities not specifically identifiable to a plan were proportionately allocated to the pension and postemployment health care plans.

Investment Accounting

Income on all investments is recognized on the accrual basis. Gains and losses on sales and exchanges, recognized at the trade date, are determined using the average cost of equity securities sold, and for all other investments, the specific cost of securities sold.

All investments are reported at fair value. Fair value is the amount that the plan could reasonably expect to receive in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale.

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. Fair values of real estate and private equity investments are based on information provided by the fund's managers or by independent appraisal.

Net appreciation (or depreciation) in fair value of investments is determined by calculating the change in the fair value between the beginning of the year and the end of the year, less purchases at cost, plus sales at fair value. Investment expenses consist of expenses directly related to HPRS investment operations, as well as an allocation of certain administrative expenses.

Use of Estimates

In preparing financial statements in conformity with governmental accounting principles generally accepted in the United States of America, the management of HPRS makes estimates and assumptions that affect (1) the reported amounts of assets and liabilities, (2) disclosures of contingent assets and liabilities, and (3) the amount of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Certain investment assets, including private equity and real estate, use estimates in reporting fair value in the financial statements. These estimates are subject to uncertainty in the near term, which could result in changes in the values reported for those assets in the *Combining Statement of Plan Net Assets.*

Capital Assets

When acquired, an item of property or equipment in excess of $5,000 is capitalized at cost. An improvement in excess of $5,000 that extends the useful life of an asset is capitalized. An expenditure for maintenance or repair of an asset is expensed as incurred. Depreciation is computed using the straight-line method over the following range of useful lives of the assets:

Furniture and Fixtures	3 - 10 years
Office Equipment	3 - 10 years

Accrued Health Care Liabilities

Accrued health care liabilities are based upon estimates furnished by the claims administrators. These estimates have been developed from prior claims experience.

In general, costs of member health care benefits are recognized as claims are incurred and premiums are paid. Health care benefit expenses of $8,385,875 for 2009 are shown on the accompanying *Combining Statement of Changes in Plan Net Assets.*

Contributions and Benefits

Based on statutory or contractual requirements, employer and employee contributions are recognized when due. In accordance with the terms of the plan, benefits and refunds are recognized when due and payable.

Federal Income Tax Status

HPRS is a qualified entity under Section 501(a) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

Recently Issued Accounting Pronouncements

GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement is effective for the year ending December 31, 2010. This statement provides clarification as to when an intangible asset should be recorded and establishes an approach to recognizing intangible assets that are internally generated.

GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement is effective for the year ending December 31, 2010. The objective of this pronouncement is to enhance the usefulness and comparability of derivative information reported in the financial statements.

GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This statement is effective for the year ending December 31, 2010. This pronouncement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Management does not anticipate that the implementation of the above pronouncements will have a significant impact on the financial statements.

2. Plan Description

Organization

The Highway Patrol Retirement System (HPRS) is a single-employer retirement system for employees of the Ohio State Highway Patrol, including officers with arrest authority, cadets in training at the Highway Patrol Training Academy, and members of the radio division who were hired prior to November 2, 1989. HPRS was created by Ohio Revised Code Chapter 5505 and is administered by a Board of Trustees consisting of five active members, two retired members, three appointed members, and one ex-officio member. The Board appoints an executive director, actuary, investment consultant, medical advisor, and independent auditor.

HPRS administers both a defined benefit pension plan and a postemployment health care plan, which is considered to be an "other postemployment benefit," or OPEB. Financial information for pensions and OPEB are presented separately in the combining financial statements. HPRS, a separate financial reporting entity in accordance with criteria established by Governmental Accounting Standards Board Statement No. 14, is a component unit of the State of Ohio.

Membership

HPRS membership consisted of the following at December 31, 2008 (the latest available actuarial data):

Pension & OPEB Benefits	
Retirees & other benefit recipients	1,371
Terminated members not yet receiving Benefits	5
Active members	
Vested	654
Nonvested	890

Benefits

Members are eligible for pension and health care benefits upon reaching both an age and a service requirement with the Ohio State Highway Patrol. The pension benefit is a percentage of the member's final average salary, which is defined as the average of the member's three highest salaried years. For a minimum of 15 years of service, but less than 20, the percentage is determined by multiplying 1.5% times the number of years of service credit, with benefits commencing at age 55. For 20 or more years of service, the percentage is determined by multiplying 2.5% times the first 20 years of service, plus 2.25% for the next 5 years of service, plus 2.0% for each year in excess of 25 years of service. A member's pension may not exceed 79.25% of the final average salary. Early retirement with reduced benefits is available upon reaching age 48 with 20 years of service credit. Early retirement with normal benefits is available upon reaching age 48 with 25 years of service credit. In addition to pension and health care benefits, HPRS also provides for disability and survivor benefits.

In 2006, HPRS implemented a Deferred Retirement Option Plan ("DROP"). In general, a member who is eligible to retire with an unreduced pension benefit may enter the DROP. The member will continue to work in the existing assignment as determined by the employer and receive the appropriate compensation for that rank. A DROP member is considered retired and does not accumulate additional pension service credit; however, instead of receiving a monthly pension benefit, the member accrues that benefit in a tax-deferred account until employment with the Ohio State Highway Patrol is terminated. At December 31, 2009, HPRS had a liability of $15,911,587 to 153 DROP participants.

Contributions

The Ohio Revised Code requires contributions by both active members and the Ohio State Highway Patrol. Both the member and employer contribution rates are established by the Ohio General Assembly and any change in the rate requires legislative action. The employer contribution rate is certified by the Board of Trustees to the director of budget and management and may not be lower than nine per cent of the total salaries paid to contributing members and may not exceed three times the member contribution rate being deducted from the salaries of contributing members. Prior to 2009, the employer contribution rate was determined by the Board of Trustees and certified to the State of Ohio every two years.

In 2009, the member contribution rate was 10.0% of payroll. For the first half of 2009, the employer contribution rate was 25.5% of payroll. Effective July 1, 2009, the employer contribution rate increased to 26.5%.

Based on the December 31, 2007 actuarial valuation, the Board allocated the employer contribution rate to pension benefits and OPEB as follows:

Pension	OPEB	Total
21.00%	4.50%	25.50%

Based on the December 31, 2008 actuarial valuation, the Board allocated the increased employer contribution rate, effective July 1, 2009, to pension benefits and OPEB as follows:

Pension	OPEB	Total
22.00%	4.50%	26.50%

Based upon the significant declines in investment values during 2008, the HPRS actuary was unable to amortize unfunded actuarially accrued pension liabilities over a finite period. Without plan design changes, the system is unlikely to be able to pay off future liabilities.

Upon request of a member who terminates employment with the State Highway Patrol, member contributions are refunded. If a member dies while active in the service of the State Highway Patrol, member contributions are refunded to the member's beneficiary, provided that no survivor benefits are payable.

A member with credited service in Ohio Public Employees Retirement System (OPERS), School Employees Retirement System (SERS), State Teachers Retirement System (STRS), or Cincinnati Retirement System (CRS) may transfer that service credit to HPRS. Similarly, a member with credited service in HPRS may transfer that service to OPERS, SERS, STRS, or CRS.

Funded Status and Funding Progress

Pension

The funded status of the pension plan at the most recent actuarial valuation, December 31, 2008, is as follows:

Actuarially Accrued Liability	$904,522,377
Valuation Assets	603,265,803
Unfunded Actuarially Accrued Liability	$301,256,574
Assets as a % of AAL	66.7%
Active Member Payroll	$94,301,538
UAAL as a % of Active Member Payroll	319.5%

A schedule of funding progress for the pension plan is presented as required supplementary information following the notes to the financial statements, including six years of data.

OPEB

The funded status of the OPEB plan at the most recent actuarial valuation, December 31, 2008, is as follows:

Actuarially Accrued Liability	$324,170,387
Valuation Assets	95,785,363
Unfunded Actuarially Accrued Liability	$228,385,024
Assets as a % of AAL	29.5%
Active Member Payroll	$94,301,538
UAAL as a % of Active Member Payroll	242.2%

A schedule of funding progress for the OPEB plan is presented as required supplementary information following the notes to the financial statements, including four years of data.

Actuarial Assumptions and Methods

An entry age normal actuarial cost method of valuation is used in determining benefit liabilities and normal cost. Differences between assumed experience and actual experience ("actuarial gains and losses") become part of actuarially accrued liabilities. Unfunded actuarially accrued liabilities are amortized to produce payments (principal and interest) that are a level percent of payroll contributions.

The health care coverage provided by HPRS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Health care benefits are not guaranteed and are subject to change at any time. The OPEB valuation is based on the substantive plan as it is currently presented to plan members, including the historical pattern of cost-sharing between the plan and benefit recipients. The actuarial methods and assumptions do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing in the future.

The asset valuation method fully recognizes assumed investment income each year. Differences between actual and expected investment income are phased in over a closed four-year period.

Other actuarial assumptions and methods are as follows:

- projected investment return of 8.0% for pension assets and 6.5% for OPEB assets, compounded annually, net of administration expenses,
- projected salary increases of 4.0%, compounded annually, attributable to inflation,
- additional projected salary increases attributable to seniority and merit ranging from 0.3% to 10.0% per year, depending on service,
- postemployment mortality life expectancies of members based on 105% of the RP-2000 Combined Healthy Male and Female Tables,
- probabilities of early withdrawal from active service based on actual plan experience,
- for disability retirement, impaired longevity is based on the RP-2000 Combined Healthy Male and Female Tables, set forward 10 years,
- fifty percent of disability retirements are assumed to be duty-related and fifty percent are assumed to be non-duty-related,
- health care inflation of 4.0%, compounded annually,
- OPEB recipients are eligible for Medicare at age 65 or at the time of a disability,
- employer contributions are assumed to be received in equal installments throughout the year, and
- maximum contribution rates have not been considered in the projection of actuarially accrued liabilities for pension or OPEB benefits.

3. Fund Balances

Chapter 5505 of the Revised Code requires that various funds be established to account for contributions, reserves, income, and expenses.

The Employees' Savings Fund was created to accumulate the contributions deducted from the salaries of members, less any refunds of member contributions. Upon retirement, a member's contributions are transferred to the Pension Reserve Fund.

The Employer's Accumulation Fund is the fund in which the state's contributions to HPRS are accumulated. Included in this fund are the reserves allocated to the payment of other post-employment benefits (OPEB).

The Pension Reserve Fund is the fund from which all pensions are paid to members who retire on or after January 1, 1966.

The Survivors' Benefit Fund is the fund from which survivor benefits are paid to qualifying beneficiaries.

The Income Fund is used to accumulate all interest, dividends, distributions, and other income from deposits and investments. Gifts, bequests to the system, transfers, and any other income are also credited to the Income Fund.

The Expense Fund provides for the payment of administrative expenses with the necessary money allocated to it from the Income Fund.

At December 31, 2009, plan net assets were allocated to the various funds as follows:

Employees' Savings Fund	$102,768,994
Employer's Accumulation Fund	128,512,262
Pension Reserve fund	400,757,214
Survivors' Benefit Fund	28,386,557
Income Fund	15,248,175
Expense Fund	-
Total	$675,673,202

4. Deposits and Investment Risk

Investments

Ohio Revised Code Section 5505.06 grants "full power" to the Retirement Board to invest the system's assets pursuant to a prudent person standard. This standard provides that "the board and other fiduciaries shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the system; with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so."

Investment Maturities at December 31, 2009	
Domestic Equity	$280,854,890
International Equity	111,912,100
Fixed Income	138,842,301
Real Estate	8,892,733
Private Equity	64,913,756
Hedge Funds	62,000,158
Total Investments	$667,415,938
Collateral on Loaned Securities	$15,189,925

All investments, including domestic and international, are registered in the name of HPRS.

Deposits

HPRS cash balances represent an operating cash account held by US Bank, and investment cash on deposit with the State

Highway Patrol Federal Credit Union, KeyBank, and US Bank as the investment custodian. Cash balances are either interest-bearing or invested in highly-liquid debt instruments with an original maturity of three months or less. At December 31, 2009, the carrying value of all deposits was $26,688,247 (including money market funds of $10,170,842), as compared to bank balances of $16,556,159 The difference in the carrying amount and the bank balances is caused by outstanding warrants and deposits in transit.

Concentration of Credit Risk

Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. Investment managers are expected to maintain diversified portfolios by sector and issuer. Pursuant to its investment policy, and excluding U.S. government securities, HPRS has no more than ten percent of the fixed income portfolio invested in the securities of any one issuer, and no more than five percent in any one issue.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. HPRS does not have a policy to limit credit risk.

HPRS exposure to credit risk on fixed income securities, based on S&P Quality Ratings, is as follows:

Quality Ratings at December 31, 2009	
AAA	$97,754,431
AA	5,881,090
A	11,505,306
BBB	9,309,725
BB	2,506,113
B	6,010,259
CCC	4,506,018
CC	375,591
C	387,706
D	305,588
Unrated	300,474
Total Credit Risk Debt Securities	$138,842,301

Interest Rate Risk

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value.

HPRS does not have a policy to limit interest rate risk.

The reporting of effective duration in the table below quantifies, to the fullest extent possible, the interest rate risk of the system's fixed income assets.

Investment Maturities at December 31, 2009	
<1 Year	$10,775,875
1-5 Years	71,119,503
>5-10 Years	47,725,111
>10 Years	9,221,812
Totals	$138,842,301

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, HPRS will be unable to recover the value of deposits, investments, or collateral securities in the possession of an outside party. At December 31, 2009, all of the fixed income investments of HPRS were held in commingled funds.

The bank balances with KeyBank N.A. were secured by a letter of credit from the Federal Home Loan Bank of Cincinnati during 2009. Subsequent to December 31, 2009, the letter of credit was cancelled and the balances were collateralized with securities pledged to HPRS and held at the Federal Reserve Bank.

During 2008, the Federal Deposit Insurance Corporation (FDIC) temporarily increased the insured limits of deposits in participating member institutions to $250,000 through December 31, 2013. As of December 31, 2009, FDIC insured $541,536 of HPRS' bank balances. As required by state statute, the remaining bank balances are collateralized with securities held in the name of US Bank. HPRS does not have a policy to limit custodial credit risk.

Securities Lending

Under the HPRS securities lending program, authorized by the Board of Trustees and administered by US Bank, securities are loaned to investment brokers/dealers ("borrowers"). In return, HPRS receives cash collateral and agrees to return the collateral for the same securities in the future. Securities loaned are collateralized at a minimum of 102 percent of the fair value of loaned securities. The cash collateral from securities loaned is reinvested in short-term securities and repurchase agreements ("repo's") that are marked-to-market daily. If, at the inception of the repurchase agreement, the market value of the securities falls below the excess collateral percentage, borrowers are required to provide additional cash collateral. There is no matching of the securities loaned with the invested cash collateral.

Either HPRS or the borrowers can terminate all loans on demand. The custodial bank and its affiliates are prohibited from borrowing HPRS securities. HPRS cannot pledge or sell collateral securities received unless the borrower defaults.
HPRS is fully indemnified from losses that might occur in the event of a material borrower's default based on insolvency or failure to return loaned securities.

HPRS bears the risk of loss on the market value of the short-term securities and repo's in which cash collateral is invested. At December 31, 2009, HPRS had credit risk exposure to borrowers because the fair value of collateral that HPRS held was less than the fair value of securities loaned.

As of December 31, 2009, the fair values of loaned securities and associated collateral were $19,116,848 and $15,189,925, respectively.

In 2009, the net loss from securities lending was $3,838,223.

Foreign Currency Risk
Foreign Currency Risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. HPRS does not have a policy to limit foreign currency risk. HPRS exposure to currency exchange risk in its international equity investments, stated in U.S. dollars, is as follows:

International Equity Securities at December 31, 2009

Currency	Allocation	Fair Value
Australian dollar	3.32%	$3,718,426
Brazilian real	1.17	1,307,010
Canadian dollar	3.94	4,416,210
Czech koruna	0.12	129,403
Danish krone	0.21	231,131
European Union euro	15.28	17,102,219
Hong Kong dollar	1.71	1,910,744
Hungarian forint	0.14	152,619
Indonesian rupiah	0.05	62,038
Japanese yen	6.57	7,356,416
Malaysian ringgit	0.00	4,896
Mexican peso	0.08	90,085
New Zealand dollar	0.05	51,447
Norwegian krone	0.49	546,973
Polish zloty	0.19	210,396
Singapore dollar	0.41	453,642
South African rand	0.03	36,571
Swedish krona	0.67	747,435
Swiss franc	3.37	3,776,248
Thailand bhat	0.13	144,050
British pound	6.65	7,439,738
Total Held in Foreign Currencies	44.58%	$49,887,697
Held in U.S. dollars	55.42	62,024,403
Total	**100.00%**	**$111,912,100**

Derivatives
A derivative is an investment vehicle that derives its value from another instrument or index. At December 31, 2009, HPRS did not have any direct investments in derivatives; however, it held shares in commingled funds that had incidental exposure to derivatives.

5. Pension and OPEB Benefits for Employees

Pension
The employees of HPRS are members of the Ohio Public Employee Retirement System (OPERS), which administers three separate pension plans as described below:

1. The Traditional Pension Plan — a cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Directed Plan — a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3. The Combined Plan — a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which are self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-6701 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. The 2009 member contribution rate was 10.0% of covered payroll. The 2009 employer contribution rate was 14.0% of covered payroll. HPRS employer contributions to OPERS for the years ending December 31, 2009, 2008, and 2007 were $99,963, $94,660, and $88,304, respectively, which were equal to the required contributions for each year.

OPEB

Plan Description
As described above, Ohio Public Employees Retirement System (OPERS) administers three separate pension plans — the Traditional Pension Plan, the Member-Directed Plan, and the Combined Plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy
The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Annual OPEB Cost
The rates stated above are the contractually required contribution rates for OPERS. HPRS employer contributions to OPERS for OPEB benefits for the year ending December 31, 2009, was $41,952, which was equal to the required contributions for the year.

Health Care Preservation Plan
The Health Care Preservation Plan (HCPP), adopted by the OPERS Retirement Board in 2004, became effective on January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008.

6. Property and Equipment

The following is a summary of equipment, at cost, less accumulated depreciation, at December 31, 2009:

Cost, 12/31/08	$165,830
+ Additions	7,119
- Retirements	(54,760)
Cost, 12/31/09	$118,189
Accumulated Depreciation, 12/31/08	$159,866
+ Depreciation	3,791
- Retirements	(54,760)
Accumulated Depreciation, 12/31/09	$108,897
Book Value, 12/31/09	$9,292

7. Risk Management

HPRS purchases insurance coverage for general liability, property damage, employee, and public official liability with varying policy limits. In the past three years, no settlements have exceeded insurance coverage, and coverage has not been significantly reduced.

8. Contingent Liabilities

HPRS is a party to various litigation actions. While the final outcome of any action can not be determined, management does not expect that the liability, if any, for these legal actions will have a material adverse effect on the financial position of HPRS.

Required Supplementary Schedules

Schedule of Employer Contributions

Years Ending December 31, 2004-2009

	Pension		**OPEB**	
Year	Annual Required Contribution	% Contributed	Annual Required Contribution	% Contributed
2004	17,205,610	100	-	-
2005	18,467,789	100	-	-
2006	19,263,941	98.45	15,962,073	21.2
2007	19,956,700	92.11	18,303,145	25.0
2008	20,302,216	95.67	19,272,604	24.2
2009	20,453,914	102.38	19,378,984	24.7

Schedule of Funding Progress – Pension

Years Ending December 31, 2003-2008

Valuation Year	Actuarially Accrued Liab. (AAL)	Valuation Assets	Unfunded Actuarially Accrued Liab. (UAAL)	Assets as a % of AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
2003	702,799,017	545,981,513	156,817,504	77.7	81,737,962	191.9
2004 ▲	734,464,371	569,858,387	164,605,984	77.6	81,757,707	201.3
2005 ►	773,856,164	591,922,200	181,933,964	76.5	83,408,155	218.1
2006 ▲	807,760,712	653,493,046	154,267,666	80.9	85,878,329	179.6
2007	866,255,394	700,860,707	165,394,687	80.9	93,752,908	176.4
2008	904,522,377	603,265,803	301,256,574	66.7	94,301,538	319.5

▲ Plan amendment ► Assumption or method change.

Schedule of Funding Progress – OPEB

Years Ending December 31, 2006-2008

Valuation Year	Actuarially Accrued Liab. (AAL)	Valuation Assets	Unfunded Actuarially Accrued Liab. (UAAL)	Assets as a % of AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
2005	281,094,482	95,889,279	185,205,203	34.1	83,408,155	222.0
2006 ►	294,078,575	104,857,212	189,221,363	35.7	85,878,329	220.3
2007	335,231,779	111,180,356	224,051,423	33.2	93,752,908	239.0
2008	324,170,387	95,785,363	228,385,024	29.5	94,301,538	242.2

See *Notes to Required Supplementary Schedules*, page 26.

Notes to the Trend Data

Information in the *Required Supplementary Schedules* is from the actuarial valuation for each year indicated. Additional information from the latest actuarial valuation is as follows:

Valuation Date	December 31, 2008
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent Open
Remaining Amortization Period	30 years for retiree health benefits in determining the Annual Required Contribution; unable to amortize unfunded actuarially accrued pension liabilities over a finite period
Asset Valuation Method	4 year smoothed market, 20% corridor
Actuarial Assumptions	
Investment Rate of Return	8.0% for pension, 6.5% for OPEB
Projected Salary Increases	4.3 – 14.0%, including wage inflation of 4.0%
Cost-of-living adjustments	3.0% increases for years after age 53
Health Trend	Intermediate

Notes to Required Supplementary Schedules

Description of Schedule of Funding Progress
An unfunded actuarially accrued liability exists when (1) actual financial experiences are less favorable than assumed financial experiences and (2) additional benefit obligations are applied to past service. Section 5505.121 of the Ohio Revised Code requires that an unfunded liability be systematically financed over a period of no more than thirty years.

In an inflationary economy, the value of a dollar decreases over time. While member payroll and unfunded actuarially accrued liabilities may be increasing in dollar amounts, the relative percentages of these factors may be declining. To account for this inconsistency, it is useful to measure the quotient of unfunded actuarially accrued liabilities divided by active member payroll. A smaller ratio indicates greater system strength. A declining ratio over time indicates an improving financial position.

Supplementary Information

Schedule of Administrative Expenses

Year Ending December 31, 2009

Personnel	$401,678
Professional and Technical Services	
Computer services	78,599
Actuary	102,600
Education	6,375
Medical Consulting	54,431
Audit	19,606
Legal	37,548
Miscellaneous services by others	9,681
Medical services	5,820
Total Professional and Technical Services	314,660
Communications	
Printing	8,504
Postage	13,517
Telephone	8,970
Total Communications	30,991
Other Expenses	
Office Rent	65,923
Depreciation	3,791
Insurance	14,694
Equipment repairs and maintenance	1,875
Supplies	3,158
Miscellaneous	19,030
Ohio Retirement Study Council	1,968
Travel	12,534
Membership and subscriptions	3,968
New equipment	7,758
Total Other Expenses	134,699
Total Administrative Expenses	$882,028

Above amounts do not include investment-related administrative expenses.

Schedule of Investment Expenses

Year Ending December 31, 2009

Personnel	$288,156
Professional Services	
Investment services	4,066,021
Monitor services	214,838
Total Professional Services	4,280,859
Other Expenses	
Due Diligence	1,302
Computer Services	8,733
Memberships and subscriptions	1,115
Printing and supplies	945
Total Other Expenses	12,095
Total Investment Expenses	$4,581,110

Payments to Consultants

Year Ending December 31, 2009

Consultant	Fee	Service
Hartland & Co.	$204,838	Investment
Gabriel, Roeder, Smith & Company	102,100	Actuarial
Kennedy Cottrell Richards LLC	16,725	Auditing
PricewaterhouseCoopers	50,556	Health Care
Tucker Ellis & West LLP	32,405	Health Care
Global Trading Analytics, LLC	10,000	Investment
Earl N. Metz, M.D.	3,875	Medical
Total	$420,499	

See Investment Section, pages 43-44, for payments to investment managers and brokers.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Ohio State Highway Patrol Retirement System
6161 Busch Boulevard, Suite 119
Columbus, Ohio 43229-2553

To the Board of Trustees:

We have audited the combining statement of plan net assets of the Ohio State Highway Patrol Retirement System (HPRS), as of and for the year ended December 31, 2009, and the related combining statement of changes in plan net assets for the year then ended, and have issued our report thereon dated June 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered HPRS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of HPRS' internal control over financial reporting. Accordingly, we have not opined on the effectiveness of HPRS' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies, resulting in more than a reasonable possibility that a material misstatement of HPRS' financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether HPRS' financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards.*

This report is intended for the information and use of the audit committee, management, Board of Trustees, others within HPRS, and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Kennedy Cottrell Richards LLC

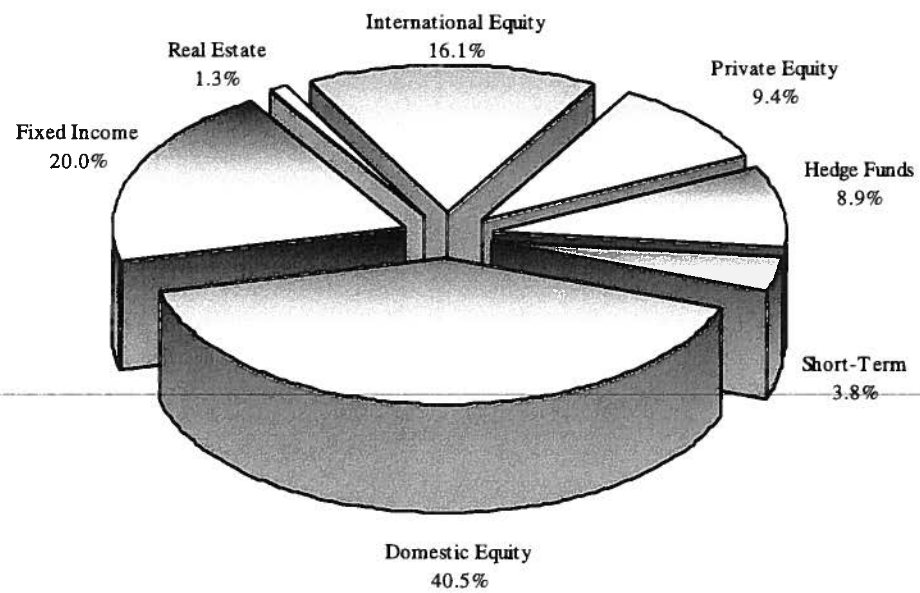
Kennedy Cottrell Richards LLC
June 17, 2010

Accountants & Consultants for Business & Government

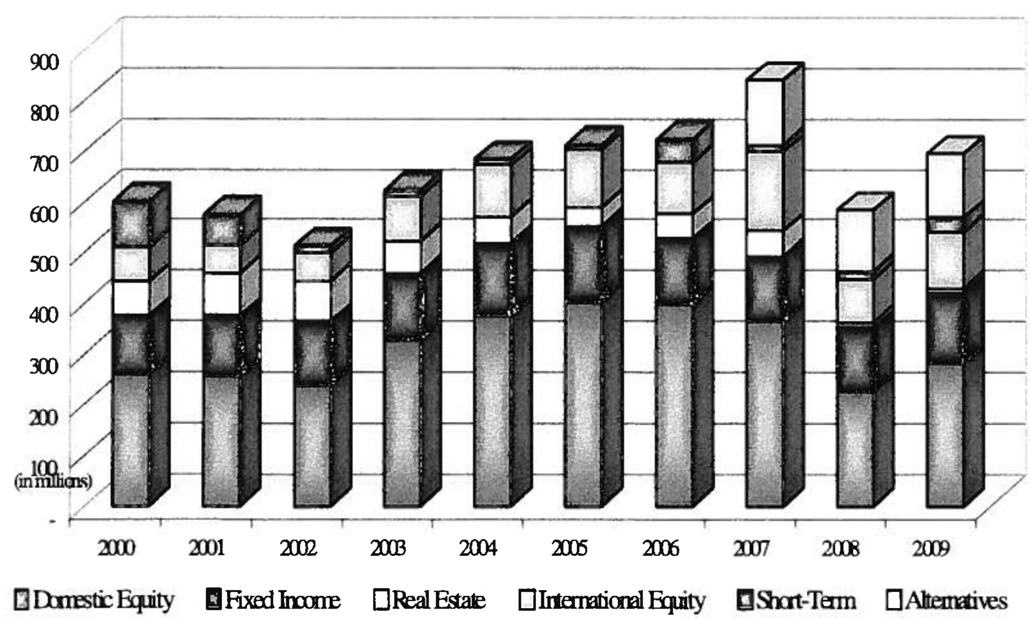
HIGHWAY PATROL RETIREMENT SYSTEM

Investment Section

Investment Distribution
at Fair Value, December 31, 2009



Ten-Year Investment Comparison
at Fair Value, December 31, 2009



Report on Investment Activity

Year Ending December 31, 2009

General Market & Economic Conditions

After a 37% decline in the S&P 500 for 2008, the markets were exhibiting a profound risk aversion coming into 2009 whereby stocks were suspect and treasuries were trusted. Things did not look great for the markets as January's results were the worst ever, February's drop was the worst since 1933, and the combined January-February returns were the worst start of a year on record. March started with the same downward trajectory, and then pivoted upward 23% from the lows in the month, resulting in the best March since 1960. The markets continued that positive direction throughout 2009 to end up 26%, which was 67% higher than the March lows. Once the market turned the corner on March 9th, the market's risk appetite completely flipped to the more risk, the better. Said another way, whatever sold-off the most into the trough was about to rebound the most in 2009.

The 2008 market correction that started as a credit seizure evolved into a recession as corporate and consumer spending dropped rapidly. 2009 started off with news that Q4-08 GDP declined 6.3% - the biggest quarterly decline in 28 years. That kind of drop in economic activity contributed to the market concerns early in the year. GDP was negative again for the first two quarters of 2009, marking four straight quarters of contractions. The US had not experienced four quarters of contraction since the Great Depression. Third quarter 2009 GDP was a modest +2.2%, but was welcomed after the prior contraction. Fourth quarter 2009 GDP was an eye-popping 5.6%, the highest in 6 years.

Along with all of the other changes that the markets were dealing with throughout the year, the most significant might be the inauguration of President Obama, his administration's new cabinet heads, and their new political agenda. Right out of the gates, a $787 billion stimulus package was signed in February. The next major policy issue with economic ramifications was the health care bill. The house version spanned the summer break and the senate version wasn't passed until late on Christmas Eve.

As corporations reacted to the slowing economy, they were lightening their workforces throughout the year. Unemployment increased from 7.4% in December 2008 to 10.0% in December 2009. As bad as those employment numbers are, the consumer actually demonstrated improving sentiment late in the year as fewer homeowners were being foreclosed out of their homes. The drop in foreclosures was partially a result of congressional pressure on mortgage holders and partially due to home buyer tax credits that helped stabilize home prices. In other words, the housing market was aided by either government influence or government incentive.

Another sign of government involvement was seen in the auto industry, which was changed forever in 2009 as the U.S. government assumed its role as majority owner of General Motors and primary backer of Chrysler. The first order of business was to terminate over one thousand dealerships between the brands. In order to move the necessary inventory to close the dealerships and to stimulate the non-existent auto sales, Congress approved "Cash for Clunkers." This $3 billion rebate program was applied to 700,000 transactions over just seven weeks. Another sign of government ownership was directed at the boardroom rather than the showroom as both Rick Wagoner and Fritz Henderson were both forced out as CEO of GM within the year.

For the year, all domestic equity styles were in strong positive territory. Mid Cap Growth was the best performing style for the year, with a gain of 46%. The "worst" performing style for the year was Large Cap Value with a mere 20% return. Technology (62%), Materials (49%) and Consumer Discretionary (41%) were the best performing sectors. Financials posted a modest 17% gain for the year, which seems poor until one considers that it included a decline of 50% from the start of the year to March 9th followed by a 131% increase for the rest of the year. Before the year was over, but after Ken Lewis had been forced out at Bank of America, many of the banks took advantage of their new stability to repay TARP money in order to avoid being subject to the scrutiny of the Obama administration's "Pay Czar."

Despite the breadth of the rebound in 2009, the markets still ended the year well below their 2007 highs. After combining the '07-08 correction with the '09 recovery, all nine domestic equity styles are still in negative territory over the 3-year period, with Large Value (-9%) and Small Value (-8%) down the most. For the 5-year period, Large and Small Value are mildly negative and the other styles are only slightly positive. In fact, the decade ending December 2009 had an annualized return of -0.32%, which is the worst decade for the NYSE since calculations began in 1820.

Non-U.S. equity was driven by the U.S. dollar, which gave back much of 2008's gains and generally weakened throughout 2009. The weakening dollar benefited investors as the MSCI EAFE Index was up 32.5% for the year (compared to the S&P 500 return of 26.5%). Riskier strategies like Emerging (79%), Small Value (50%) and Small Growth (45%) rebounded in the international markets as they did domestically.

Commodities were interesting in 2009. Gold was well documented in its 25% climb during 2009 as many point to it as a hedge against the inflation that some expect from the amount of spending tied to the stimulus actions. Of course, there was a different rationale tied to the 31% increase that gold experienced in 2007. Oil was closely monitored for its impact on everything from leisure travel to home heating costs as it marched from $20 a barrel to a peak of $120 in July 2008, only to end 2008 at $44. For some reason, the 78% increase in 2009 to $80 was not nearly as much of a concern to the market for the year. Despite the run-up in oil and some metals, and the aforementioned spike in stimulative spending, inflation remained quite benign throughout 2009.

The Fed, Treasury, and Congress introduced a number of FLA's ("four letter acronyms") to prime the economic pump over the course of the year. TARP, TALF and PPIP were all designed to provide liquidity to the otherwise non-functioning credit and lending markets. The impact was both swift and severe on the credit markets where spreads reduced dramatically from the heightened levels at the start of the year. This spread compression resulted in strong annual performance for credits (16%) and high yield (58%) compared to core intermediate bonds (6%).

Source: Hartland & Co.

Investment Operations

During 2009, HPRS continued to broaden its exposure to alternative investments. The Board added a third hedge fund of funds manager, invested in a third energy private equity fund, and committed to an international real estate fund. Further fine-tuning of the portfolio consisted of adding a dedicated small cap international mandate and funding a short-term liquidity pool.

No nationally-recognized "experts" predicted a recovery of the magnitude that the financial and investment markets experienced – a keen reminder of the unpredictable nature of investing. Regardless, HPRS was well-positioned for the recovery, with active managers adding value and overall returns exceeding 23.2%.

The following *Schedule of Investment Results* presents HPRS gross-of-fee investment returns, based upon market values, as calculated by Hartland & Co. using time-weighted rates of return.

Report by Daniel K. Weiss, Executive Director/Chief Investment Officer

Schedule of Investment Results

Year Ending December 31, 2009

	2009	2008	3-Year	5-Year
Domestic Equity	**33.1%**	**(38.3%)**	**(4.9)**	**1.1**
S&P 500	26.5	(37.0)	(5.6)	0.4
Russell 3000	28.3	(36.8)	(5.4)	0.8
International Equity	**31.7**	**(42.0)**	**(3.4)**	**5.0**
MSCI ACWI ex US	42.2	(45.3)	(3.0)	5.5
Fixed Income	**13.5**	**(1.1)**	**6.1**	**5.6**
Barclays Capital Aggregate	5.9	5.2	6.0	5.0
Real Estate	**(8.4)**	**(29.8)**	**(9.3)**	**(0.9)**
NCREIF	(16.9)	(6.5)	(3.4)	4.8
Alternatives ▲	**12.8**	**(13.6)**	**0.6**	**--**
HFRI Fund of Funds Composite	11.2	(21.0)	(-1.2)	2.7
CPI + 5%	7.7	5.1	7.3	7.6
Total Fund	**23.2**	**(28.3)**	**(1.7)**	**3.1**
Absolute Objective	8.0	8.0	8.0	8.0
Relative/Composite Benchmark ►	21.0	(24.9)	(0.5)	4.1

▲ Includes Private Equity, Hedge Funds, and Global Tactical Asset Allocation

► Relative/Composite Benchmark: 65% Russell 3000, 15% MSCI ACWI ex US, 20% Barclays Capital Aggregate

All returns are calculated gross-of-fees on market values using time-weighted rates of return.

Source: Hartland & Co.

Investment Summary

December 31, 2009

Portfolio Type	Fair Value	% of Total Fair Value	Policy %
Domestic Equity	$280,854,890	40.5	45.0
International Equity	111,912,100	16.1	15.0
Fixed Income	138,842,301	20.0	20.0
Real Estate	8,892,733	1.3	5.0
Alternatives ▲	126,913,914	18.3	15.0
Short-Term	26,688,247	3.8	0.0
Total	$694,104,185	100.0	100.0

▲ Includes Private Equity and Hedge Funds

A complete list of portfolio holdings begins on page 35.

Largest Equity Holdings (by Fair Value)

December 31, 2009

	Shares	Fair Value
Exxon Mobil Corp	39,300	$2,679,866
Chevron Corporation	23,400	1,801,565
International Business Machines Corp	11,700	1,531,528
General Electric Co	88,600	1,340,516
Microsoft Corp	41,700	1,271,016
AT&T Inc	42,500	1,191,275
ConocoPhillips	23,200	1,184,822
Wal Mart Stores Inc	21,000	1,122,448
Abbott Laboratories	20,500	1,106,792
Procter & Gamble Co	17,392	1,054,477

Investment Portfolio

December 31, 2009

Domestic Equity Securities

	Shares	Fair Value
3M Co	4,500	$372,015
A A R Corp	8,400	193,032
A E S Corp	5,300	70,543
AGL Resources Inc	3,200	116,704
Ansys Inc	3,400	147,764
Abbott Laboratories	20,500	1,106,792
Abercrombie & Fitch Co Class A	800	27,880
Activision Blizzard Inc	2,600	28,886
Actuant Corp	6,330	117,295
Acxiom Corp	17,000	228,310
Adobe System Inc	1,100	40,458
Advance Auto Parts Inc	3,300	133,584
AECOM Technology Corp	4,400	121,000
Aeropostale Inc	2,770	94,319
Affiliated Computer Services Inc Class A	300	17,907
AFLAC Inc	300	13,875
AGA Medical Holdings Inc	2,730	40,322
Agilent Technologies Inc	1,900	59,033
Air Products & Chemicals Inc	2,200	178,332
Airtran Hlodings Inc	13,840	72,245
Akamai Technologies Inc	300	7,602
Albemarle Corp	200	7,274
Alcoa Inc	9,700	156,364
Alexion Pharmaceuticals Inc	16,650	812,853
Allegheny Technologies Inc	8,500	380,545
Allergan Inc	1,600	100,816
Alliant Energy Corp	16,100	487,186
Allscripts-Misys Healthcare Solutions Inc	400	8,092
Allstate Corp	24,700	741,988
Alpha Natural Resources Inc	200	8,676
Altria Group Inc	11,900	233,597
Amazon Company Inc	700	94,164
Ameren Corp	3,900	109,005
American Eagle Outfitters Inc	29,050	493,269
American Electric Power Company Inc	17,500	608,825
American Express Co	400	16,208
American International Group Inc	2,000	59,960
American Public Education	4,110	141,220
American Water Works Company Inc	19,100	428,031
AMERIGROUP Corp	5,190	139,922
Ameriprise Financial Inc	10,600	411,492
AmerisourceBergen Corp	19,500	508,365
Ametek Inc	10,250	391,960
Amgen Inc	3,100	175,367
Amphenol Corp Class A	1,200	55,416
Amylin Pharmaceuticals Inc	500	7,095
Analog Devices Inc	3,800	120,004
Annaly Capital Management Inc	32,200	558,670
Ann Taylor Stores Corp	5,440	74,202
Anworth Mortgage Asset Corp	32,000	224,000
AOL Inc	1,145	26,656
Apache Corp	2,100	216,657
Apple Inc	3,900	$821,855
Arch Cap Group Ltd	4,800	343,440
Arch Chemicals Inc	7,900	243,952
Arch Coal Inc	10,400	231,400
Archer Daniels Midland Co	16,100	504,091
Arrow Electrics Inc	1,900	56,259
Artio Global Investors Inc	1,060	27,019
Aruba Networks Inc	6,810	72,595
Ashland Inc	3,400	134,708
Assurant Inc	5,200	153,296
AT&T Inc	42,500	1,191,275
Atheros Communications Inc	5,100	174,624
Atmos Energy Corp	5,600	164,640
Atwood Oceanics Inc	100	3,585
Automatic Data Processing Inc	15,400	659,428
Autozone Inc	1,500	237,105
Auxilium Pharmaceuticals Inc	4,520	135,510
Avnet Inc	2,400	72,384
Avon Products Inc	700	22,050
BB & T Corp	6,400	162,368
BE Aerospace Inc	32,840	771,740
BMC Software Inc	14,650	587,465
Ball Corp	7,600	392,920
Bank of America Corp	55,700	838,842
Bank of Hawaii Corp	2,900	136,474
Bank of New York Mellon Corp	25,900	724,423
Bank of the Ozarks Inc	6,300	184,401
Baxter International Inc	900	52,812
Beckman Coulter Inc	500	32,720
Becton Dickinson & Co	400	31,544
Bed Bath & Beyond Inc	1,700	65,637
Best Buy Company Inc	4,500	177,570
Biogen Idec Inc	700	37,450
Block H & R Inc	13,700	309,894
Boeing Co	10,600	573,778
Borg Warner Inc	8,900	295,658
Boston Private Financial Holding	7,880	45,468
Boston Scientific Corp	4,400	39,600
Brinker International Inc	6,600	98,472
Brinks Home Security Holdings Inc	2,300	75,072
Bristol-Myers Squibb Co	9,100	229,775
Broadcom Corp Class A	1,800	56,646
Broadridge Financial Solutions Inc	8,300	187,248
Brocade Communications System	46,630	355,787
Brookline Bancorp Inc	8,890	88,100
Bruker Corp	9,690	116,861
CEC Entertainment Inc	8,300	264,936
CONSOL Energy Inc	10,600	527,880
C V S/Caremark Corp	4,278	137,794
CA Inc	500	11,230
Cabot Corp	10,600	278,038
Cadence Design Systems Inc	1,500	8,985

Domestic Equity Securities (continued)

	Shares	Fair Value
Calpine Corp	300	$3,300
Cameron International Corp	300	12,540
Capital One Financial Corp	4,200	161,028
Capstead Mortgage Corp	4,981	67,991
Career Education Corp	300	6,993
Carlisle Cos Inc	200	6,852
CarMax Inc	4,200	101,850
Cash America International Inc	13,100	457,976
Caterpillar Inc	500	28,495
CB Richard Ellis Group Inc Class A	500	6,785
Celanese Corp-A	12,400	398,040
Celgene Corp	200	11,136
Central European Distribution Corp	3,160	89,776
CenturyTel Inc	7,900	286,059
Cerner Corporation	1,000	82,440
Charles River Laboratories	10,250	345,323
Cheesecake Factory Inc	3,990	86,144
Chesapeake Energy Corp	6,300	163,044
Chevron Corp	23,400	1,801,565
Chico's FAS Inc	5,000	70,250
Children's Place	9,260	305,580
Chipotle Mexican Grill Class A	1,300	114,608
Choice Hotels Intl Inc	2,900	91,814
Chubb Corp	6,800	334,424
Church and Dwight Inc	6,050	365,723
Cigna Corp	200	7,054
Cimarex Energy Co	12,113	641,626
Cincinnati Financial Corp	4,500	118,080
Cisco Systems Inc	32,300	773,262
Citigroup Inc	94,600	313,126
Citrix Systems Inc	8,550	355,766
CLACOR Inc	3,010	97,644
CME Group Inc	100	33,596
Coach Inc	1,700	62,101
Coca Cola Co	12,600	718,200
Coca-Cola Enterprises Inc	20,500	434,600
Cognizant Technology Solutions Corp	3,200	145,056
Cohen & Steers Inc	3,780	86,335
Coldwater Creek Inc	9,970	44,466
Colgate Palmolive Co	2,400	197,160
Columbia BKG Sys Inc	4,360	70,545
Columbus McKinnon Corp NY	5,400	73,818
Comcast Corp Class A	27,100	456,906
Comerica Inc	6,400	189,248
Community Health Systems Inc	400	14,240
Compass Minerals International	200	13,438
Computer Sciences Corp	2,700	155,331
Comtech Telecommunications Corp	17,000	595,680
Comverse Technology Inc	36,700	346,815
Conway Inc	200	6,982
ConAgra Foods Inc	14,000	322,700
Concho Resources Inc	2,810	126,169
Concur Technologies Inc	2,530	108,158
CONMED Corp	11,800	269,040
ConocoPhillips	23,200	$1,184,822
Constellation Energy Group Inc	1,700	59,789
Convergys Corp	13,300	142,975
Corinthian Colleges Inc	19,500	268,515
Corn Products Intl Inc	10,400	303,992
Corning Inc	6,200	119,722
Corrections Corporation of America	19,300	473,815
Covance Inc	500	27,285
Coventry Health Care Inc	1,500	36,435
Crane Co	13,000	398,060
CREE Inc	500	28,185
Crown Castle Intl Corp	1,200	46,848
Crown Holdings Inc	40,300	1,030,874
Cyberonics Inc	2,820	57,641
DST Systems Inc Del	7,900	344,045
DTE Energy Co	6,300	274,617
Dana Holding Corp	10,650	115,446
Darden Restaurants Inc	3,500	122,745
DaVita Inc	8,750	513,975
DeVry Inc	5,650	320,525
Dean Foods Co	1,300	23,452
Deere & Co	2,200	118,998
Del Monte Foods Co	21,800	247,212
Dell Inc	8,700	124,932
Denbury Resources Inc	26,200	387,760
Dendreon Corp	2,100	55,188
Devon Energy Corp	3,400	249,900
Diamond Offshore Drilling Inc	1,800	177,156
Dick's Sporting Goods Inc	600	14,922
Diebold Inc	9,000	256,050
DIRECTV Class A	1,200	40,020
Discovery Communications	15,200	440,039
Disney Walt Co	4,700	151,575
Dolby Laboratories Inc Class A	1,200	57,276
Dollar Thrifty Automotive Group Inc	3,800	97,318
Dollar Tree Inc	400	19,320
Donnelley R R & Sons Co	18,300	407,541
Dover Corp	100	4,161
Dr Pepper Snapple Group	9,400	266,020
Dresser Rand Group Inc	1,000	31,610
Dril-Quip Inc	1,220	68,906
DuPont E I DeNemours & Co	2,000	67,340
Dun & Bradstreet Corp	100	8,437
EBay Inc	4,100	96,473
EMC Corp Mass	500	8,735
Eagle Materials Inc	700	18,235
Edison Intl	4,500	156,510
Edwards Lifesciences Corp	200	17,370
El Paso Corp	1,400	13,762
Electronic Arts Inc	1,800	31,950
Eli Lilly & Co	10,900	389,239
Emerson Electric Co	7,000	298,200
Endo Pharmaceuticals Holdings Inc	5,200	106,704
Energen Corp	6,300	294,840

Domestic Equity Securities (continued)

	Shares	Fair Value
Equitable Corp	11,600	$509,472
Esterline Technologies Corp	10,930	445,616
Exelon Corp	10,900	532,683
Expedia Inc	8,300	213,559
Expeditors Intl Wash Inc	100	3,477
Express Scripts Inc Class A	100	8,642
Exterran Holdings Inc	18,500	396,825
Exxon Mobil Corp	39,300	2,679,866
Ezcorp Inc Class A	19,800	340,560
FTI Consulting Inc	3,050	143,838
F5 Networks Inc	200	10,594
FacStet Research Systems Inc	1,100	72,457
Family Dollar Stores	8,400	233,772
Federated Investors Inc Class B	11,700	321,750
Fidelity National Financial Inc	1,000	13,460
Fidelity National Information Services Inc	17,810	417,466
Finisar Corp	10,000	89,200
First Horizon National Corp	30,172	410,358
First Solar Inc	100	13,540
Fiserv Inc	2,500	121,200
Flowers Foods Inc	4,960	117,850
Flowserve Corp	100	9,453
Fluor Corp	100	4,504
FMC Technologies Inc	100	5,784
Foot Locker Inc	39,900	444,486
Forest Laboratories Inc	7,000	224,770
Fortune Brands Inc	4,600	198,720
Fossil Inc	2,590	86,920
FPL Group Inc	2,400	126,768
Franklin Resources Inc	100	10,535
Frontier Communications Corp	39,000	304,590
Frontier Oil Corp	300	3,612
Fuller H B Co	13,000	295,750
Gannett Inc	12,500	185,625
Gap Inc	6,500	136,175
General Dynamics Corp	3,900	265,863
General Electric Co	88,600	1,340,516
General Mills Inc	7,900	559,399
Genesee & Wyo Inc Class A	3,040	99,226
Gentex Corp	9,100	162,435
Gentiva Health Services Inc	6,020	162,600
Genworth Financial Inc Class A	1,300	14,755
Geo Group Inc	6,440	140,907
Gilead Sciences Inc	2,300	99,521
Glacier Bancorp Inc New	13,182	180,857
Goldman Sachs Group Inc	2,500	422,100
Goodrich Corp	5,400	346,950
Google Inc Class A	1,000	619,980
GrafTech International Ltd	7,930	123,312
Grainger W W Inc	500	48,415
Great Plains Energy Inc	15,800	306,362
Green Mountain Coffee Roasters Inc	1,100	89,617
Greenhill & Co Inc	100	8,024

	Shares	Fair Value
GSI Commerce Inc	6,250	$158,688
Gulfmark Offshore Inc	4,200	118,902
Hain Celestial Group Inc	5,750	97,808
Hansen Natural Corp	600	23,040
Harley-Davidson Inc	6,200	156,240
Harris Corp Del	9,700	461,235
Harsco Corp	2,300	74,129
Hartford Financial Services Group Inc	1,700	39,542
Helix Energy Solutions Group Inc	8,200	96,350
Helmerich & Payne Inc	200	7,976
Hewlett-Packard Co	14,200	731,442
Hibbett Sports Inc	14,900	327,651
Hill Rom Holdings Inc	300	7,197
Hologic Inc	700	10,150
Home Depot Inc	1,300	37,609
Honeywell International Inc	22,300	874,160
Hormel Foods Corp	300	11,535
Hospira Inc	1,200	61,200
Hospitality Properties Trust	5,500	130,405
HSN Inc	7,280	146,983
Human Genome Sciences Inc	5,460	166,967
Humana Inc	5,200	228,228
Hunt J B Transportation Services Inc	500	16,135
Huntington Bancshares Inc	19,000	69,350
Huntsman Corp	8,010	90,433
Huron Consulting Group Inc	9,800	225,792
ITT Educational Services Inc	2,100	201,516
IAC/InterActiveCorp	300	6,144
Idex Corp	13,600	423,640
Idexx Labs Inc	9,700	518,465
IHS Inc Class A	100	5,481
Illumina Inc	13,100	401,908
Informatica Corp	6,290	162,785
Ingram Micro Inc Class A	5,700	99,465
Insulet Corp	7,020	100,246
Intel Corp	29,900	609,960
IntercontinentalExchange Inc	300	33,690
International Business Machines Corp	11,700	1,531,528
International Game Technology	7,800	146,406
Intersil Corporation	1,500	23,010
Interval Leisure Group Inc	6,680	83,300
Intuit Inc	2,000	61,460
Inverness Medical Innovations Inc	4,600	190,946
Investment Technology Group Inc	8,300	163,510
Iron Mountain Inc	6,200	141,112
ITC Holdings Corp	3,220	167,730
J Crew Group Inc	2,860	127,956
JP Morgan Chase & Co	21,800	908,406
Jarden Corp	5,000	154,550
Johnson & Johnson	8,900	573,249
Johnson Controls Inc	500	13,620
Joy Global Inc	5,000	257,850
Kansas City Southern	200	6,658

Domestic Equity Securities (continued)

	Shares	Fair Value
KeyCorp	63,800	$354,090
Kimberly Clark Corp	2,600	165,646
Kinetic Concepts Inc	13,200	496,980
Kirby Corp	200	6,966
Knight Capital Group Inc	9,470	145,838
Kohl's Corp	3,200	172,576
Kraft Foods Inc Class A	19,200	521,856
Kroger Co	3,100	63,643
L-3 Communications Holdings Inc	2,700	234,765
Laboratory Corp of America Holdings	200	14,968
Landstar Sys Inc	8,550	331,484
Las Vegas Sands Corp	200	2,988
Lauder, Estee Cos Inc Class A	500	24,180
Lender Processing Services Inc	7,100	288,686
Lennox International Inc	100	3,904
Leucadia National Corp	200	4,758
Life Technologies Corp	11,500	600,530
Life Time Fitness Inc	3,610	89,997
Lifepoint Hospitals Inc	3,590	116,783
Limited Brands	800	15,392
Lincoln Natl Corp Ind	500	12,440
Linear Technology Corp	400	12,224
LKQ Corp	6,260	122,633
Lockheed Martin Corp	7,800	587,730
LogMein Inc	4,230	84,389
Lorillard Inc	5,800	465,334
Louisiana-Pacific Corp	11,650	81,317
LSI Corp	58,600	352,186
Lubrizol Corp	2,900	211,555
MBIA Inc	5,400	21,492
MDU Resources Group Inc	11,200	264,320
MGM Mirage	4,800	43,776
Mair Holdings Inc	15,580	156
Mako Surgical Corp	6,890	76,479
Marathon Oil Corp	27,600	861,672
Mariner Energy Inc	5,560	64,552
Marriott International Inc	2,506	68,289
Marsh & Mclennan Cos Inc	23,600	521,088
Marvel Entertainment Inc	200	10,816
Masco Corp	17,100	236,151
Masimo Corp	1,900	57,798
Massey Energy Co	23,100	970,431
MasTec Inc	20,400	255,000
MasterCard Inc	600	153,588
Mattel Inc	700	13,986
Maxim Integrated Products Inc	18,100	367,792
McAfee Inc	200	8,114
McCormick & Schmick's Seafood	6,960	48,442
McDonalds Corp	5,100	318,444
McGraw Hill Companies Inc	4,100	137,391
McKesson Corp	3,800	237,500
Medco Health Solutions Inc	1,900	121,429
Medicis Pharmaceutical Corp Class A	5,730	154,997
Medidata Solutions Inc	8,330	130,115

	Shares	Fair Value
Mednax Inc	5,000	$300,550
Medtronic Inc	15,000	659,700
Merck & Co Inc	18,343	670,253
Mercury General Corp	11,000	431,860
MetropPCS Communications Inc	900	6,867
Mettler-Toledo International Inc	6,800	713,932
Microchip Technology Inc	3,900	113,295
Micron Technology Inc	100	1,056
Micros Systems Inc	3,600	111,708
Microsoft Corp	41,700	1,271,016
Miller Herman Inc	3,400	54,366
Millipore Corp	400	28,940
Monolithic Power Systems Inc	5,240	125,603
Monsanto Co	1,100	89,925
Monster Worldwide Inc	1,300	22,620
Moodys Corp	1,500	40,200
Morgan Stanley Group Inc	23,100	683,760
Motorola Inc	3,400	26,384
MSC Industriall Direct Co Inc Class A	100	4,700
MSCI Inc	7,000	222,600
Murphy Oil Corp	7,500	406,500
Mylan Inc	9,300	171,399
NBTY Inc	900	39,186
NCR Corp	6,600	73,458
NII Holdings Inc	16,800	564,144
Nstar	3,800	139,840
Nalco Holdingg Co	800	20,408
Nash-Finch Co	15,200	563,768
National Oilwell Varco Inc	4,800	211,632
National Semiconductor Corp	39,700	609,792
Navigant Consulting Inc	22,600	335,836
Ness Technologies Inc	28,700	140,917
NetApp Inc	3,800	130,568
Netflix Inc	100	5,509
Netlogic Microsystems Inc	2,730	126,290
NeuStar Inc Class A	100	2,304
New York Community Bancorp Inc	33,200	481,732
Newmont Mining Corporation	2,800	132,468
Nike Inc	200	13,214
NiSource Inc	7,500	115,350
Nordstrom Inc	300	11,274
Norfolk Southern Corp	13,700	718,154
Northern Trust Corp	10,100	529,240
Northrop Grumman Corp	17,000	949,450
Novell Inc	1,700	7,055
Novellus Systems Inc	23,160	540,554
NRG Energy Inc	12,400	292,764
Nuance Communications Inc	36,300	563,739
NuVasive Inc	1,610	51,488
NV Energy Inc	2,900	35,902
Nvidia Corp	6,300	117,684
NYSE Euronext	1,700	43,010
O'Reilly Automotive Inc	14,400	548,928
Occidental Petroleum Corp	5,800	471,830

Domestic Equity Securities (continued)

	Shares	Fair Value
Oceaneering International Inc	400	$23,408
Ocwen Financial Corp	7,780	74,455
Omnicare Inc	14,800	357,864
Omnicom Group Inc	2,400	93,960
Opentable Inc	2,320	59,067
Optimer Pharmaceuticals Inc	9,860	111,122
Oracle Corp	24,662	604,959
OSI Pharmaceuticals Inc	16,370	508,452
Overseas Shipholding Group Inc	2,700	118,665
Owens & Minor Inc	2,460	105,608
Owens-Illinois Inc	21,320	700,788
PNC Financial Services Group Inc	13,200	696,828
PPL Corp	5,600	180,936
PACCAR Inc	100	3,627
Palm Inc	4,500	45,135
Parexel International Corp	8,990	126,759
Parker-Hannifin Corp	4,200	226,296
Patriot Coal Corp	7,040	108,838
Patterson Cos Inc	1,200	33,576
Paychex Inc	100	3,064
Pegasystems Inc	4,400	149,600
Penn National Gaming Inc	4,610	125,346
Peoples United Financial Inc	18,500	308,950
Pepco Holdings Inc	18,600	313,410
Pepsi Bottling Group Inc	7,800	292,500
PepsiCo Inc	15,700	954,560
Perkin Elmer Inc	6,300	129,717
PetSmart Inc	6,000	160,140
Pfizer Inc	54,068	983,497
Pharmaceutical Product Development Inc	8,900	208,616
Pharmerica Corp	6,490	103,061
Philip Morris International Inc	10,100	486,719
Phillips-Van Heusen Corp	2,240	91,123
Pinnacle West Capital Corp	5,700	208,506
Pitney Bowes Inc	20,000	455,200
Plains Exploration & Product	200	5,532
Plum Creek Timber Co Inc	11,500	434,240
Polaris Industries Inc	2,400	104,712
Polo Ralph Lauren Corp	300	24,294
Polycom Inc	17,550	438,224
Praxair Inc	600	48,186
Precision Castparts Corp	600	66,210
Priceline Company Inc	400	87,364
Pride International Inc	200	6,382
Principal Financial Group Inc	1,000	24,040
Procter & Gamble Co	17,392	1,054,477
Prudential Financial Inc	5,200	258,752
QLogic Corp	6,050	114,164
Qualcomm Inc	9,000	416,340
Quicksilver Resources Inc	5,540	83,155
RadioShack Corp	9,000	175,500
Ralcorp Holdings Inc	6,350	379,159
Range Resources Corp	600	29,910
Raytheon Company	2,600	133,952

	Shares	Fair Value
RBC Bearings Inc	5,340	$129,922
Red Hat Inc	1,300	40,170
Regal Entertainment Group A	19,600	283,024
Regions Financial Corp	13,300	70,357
Regis Corp	18,400	286,488
Rent-A-Center Inc	22,700	402,244
ResMed Inc	1,100	57,497
Resources Connection Inc	3,830	81,273
Rock-Tenn Co Class A	2,400	120,984
Rockwell Automation Inc	7,000	328,860
Rockwell Collins Inc	1,700	94,112
Rockwood Holdings Inc	3,620	85,287
Ross Stores Inc	4,200	179,382
Rovi Corp	2,400	76,488
RPM International Inc	2,700	54,891
SPX Corp	12,900	705,630
Safeway Inc	37,000	787,730
salesforce.com inc	5,050	372,539
Santarus Inc	33,300	153,846
Savient Pharmaceuticals Inc	8,090	110,105
SBA Communications Corp	4,490	153,378
Scana Corporation	5,300	199,704
Schein, Henry Inc	400	21,040
Scientific Games Corp Class A	17,250	250,988
Scripps Networks Interactive Inc	1,600	66,400
Select Medical Holdings Corp	12,110	128,608
Sempra Energy	3,200	179,136
Shaw Group Inc	200	5,750
Sherwin Williams Co	3,400	209,610
Shutterfly Inc	4,970	88,516
Silgan Holdings Inc	8,810	509,923
Silicon Laboratories Inc	200	9,676
Sirona Dental Systems Inc	3,400	107,916
Skilled Healthcare Group	18,600	138,570
Skyworks Solutions Inc	10,460	148,427
SLM Corp	3,500	39,445
Smithfield Foods Inc	300	4,557
Snap-On Inc	7,200	304,272
Solarwinds Inc	6,400	147,264
Solera Holdings Inc	4,020	144,760
Sonoco Products Co	3,700	108,225
Southern Copper Corp Del	500	16,455
Southern Union Co	5,700	129,390
Southwestern Energy Co	1,000	48,200
Spartan Stores Inc	13,400	191,486
Spirit Aerosystems Holdings Inc	800	15,888
Sprint Nextel Corp	18,900	69,174
St Jude Medical Inc	1,000	36,780
Staples Inc	300	7,377
Starbucks Corp	5,500	126,830
Starwood Hotels & Resorts	400	14,628
State Street Corp	1,600	69,664
Steelcase Inc Class A	10,000	63,600
Stryker Corp	300	15,111

Domestic Equity Securities (continued)

	Shares	Fair Value
Sunoco Inc	9,600	$250,560
Sunstone Hotel Investments Inc	16,426	145,863
SunTrust Banks Inc	27,400	555,946
SuperValu Inc	5,300	67,363
Sybase Inc	2,100	91,140
Sykes Enterprises Inc	4,960	126,331
Symmetry Medical Inc	27,100	218,426
Syniverse Holdings Inc	6,760	118,165
Synopsys Inc	3,800	84,664
Sysco Corp	500	13,970
TJX Companies Inc	2,400	87,720
Taleo Corp Class A	4,840	113,837
Target Corp	700	33,859
Teledyne Technologies Inc	5,000	191,800
Teleflex Inc	7,700	414,953
Tenet Healthcare Corp	3,300	17,787
Teradata Corp	5,500	172,865
Teradyne Inc	2,300	24,679
Terra Industries Inc	100	3,219
Tesoro Corp	600	8,130
Tetra Tech Inc	2,950	80,152
Texas Instruments Inc	5,800	151,148
The Brinks Co	1,500	36,510
The Scotts Miracle-Gro Company	100	3,931
The St. Joe Company	400	11,556
Thermo Fisher Scientific Inc	500	23,845
Thoratec Corp	4,670	125,716
Tidewater Inc	5,300	254,135
Tiffany & Co	100	4,300
Time Warner Cable Inc	5,900	244,201
Time Warner Inc	12,600	367,164
Torchmark Corp	9,100	399,945
Total System Services Inc	5,500	94,985
Transdigm Group Inc	300	14,247
Travelers Companies Inc	8,100	403,866
Tupperware Brands Corp	2,880	134,122
TW Telecom Inc	800	13,720
URS Corp	8,000	356,160
Union Pacific Corp	100	6,390
United Health Group Inc	7,700	234,696
United Parcel Service Inc Class B	9,100	522,067
United Technologies Corp	400	27,764
United Therapeutics Corp	1,660	87,399
Universal Health Services Inc Class B	200	6,100
Urban Outfitters Inc	1,000	34,990
US Bancorp	5,600	126,056
Valero Energy Corp	5,200	87,100
Valley National Bancorp	26,400	373,032
ValueClick Inc	30,700	310,684
VCA Antech Inc	500	12,460
Verifone Holdings Inc	19,350	316,953
VeriSign Inc	22,200	538,128
Verisk Analytics Inc Class A	300	9,084
Verizon Communications Inc	22,900	758,677
Visa Inc Class A	900	$78,714
VMware Inc Class A	300	12,714
Vulcan Materials Co	12,000	632,040
Wabco Holdings Inc	900	23,211
Waddell & Reed Financial Inc Class A	13,150	401,601
Wal-Mart Stores Inc	21,000	1,122,448
Walgreen Co	2,800	102,816
Washington Federal Inc	16,612	321,276
Waste Connections Inc	11,260	375,408
Waste Management Inc	10,100	341,481
Waters Corp	200	12,392
Watson Pharmaceuticals Inc	4,400	174,284
Watson Wyatt Worldwide Inc	1,940	92,189
WebMD Health Corp	377	14,511
WellPoint Inc	5,300	308,937
Wells Fargo Co	21,300	574,887
Wendy's/Arbys Group Inc Class A	2,300	10,787
WESCO International Inc	12,200	329,522
Western Digital Corp	5,400	238,410
Western Union Co	1,700	32,045
Whirlpool Corp	3,100	250,046
Whiting Petroleum Corp	3,200	228,640
Whole Foods Market Inc	2,700	74,115
Williams Copanies Inc	27,200	573,376
Williams-Sonoma Inc	5,360	111,381
Wilmington Trust Corp	15,500	191,270
WMS Industries Inc	3,800	152,000
Woodward Governor Co	5,910	152,301
Wright Express Corp	4,460	142,096
Wright Medical Group	4,240	80,306
Wyndham Worldwide Corp	7,700	155,309
Xerox Corp	80,900	684,414
Xilinx Inc	1,800	45,108
Yahoo! Inc	10,500	176,190
Yum Brands Inc	4,300	150,371
Zebra Technologies Corp Class A	2,400	68,040
Zenith National Insurance Corp	6,950	206,832
Total Domestic Equity Securities	5,077,887	$136,794,303

Domestic Equity Commingled Funds

	Fair Value
DFA Small Cap Subtrust	$12,535,373
SSGA S&P 500 Flagship Fund	55,691,500
Wellington Mgmt Diversified Growth	35,163,146
World Asset Mgmt Russell 2000	10,125,939
World Asset Mgmt Russell Mid-Cap	30,544,629
Total Domestic Equity Commingled Funds	$144,060,587

Total Domestic Equity	**$280,854,890**

International Equity Securities (ADR's)

	Shares	Fair Value
Ace Ltd	2,800	$141,120
Acergy SA	6,330	98,811
Aircastle Ltd	1,129	11,121
Allied World Assurance Co	10,442	481,063
Amdocs Ltd	21,506	613,566
Argo Group International Holdings Ltd	742	21,622
Aspen Insurance Holdings Ltd	912	23,210
Assured Guaranty Ltd	2,444	53,182
Axis Capital Holdings Ltd	1,550	44,036
Banco LatinoAmericano DE Exp	653	9,077
Central European Media Enterprises Ltd	367	8,665
Check Point Software Tech Ltd	21,300	721,644
Copa Holdings SA Class A	1,313	71,519
Ctrip Com International	5,950	427,567
DHT Maritime Inc	1,286	4,733
Elan Plc	49,300	321,436
Endurance Specialty Holdings	4,858	180,863
ENSCO International	10,450	417,373
Enstar Group Ltd	159	11,610
Eurand NV	3,890	50,181
EVEREST RE Group Ltd	7,469	639,944
First Bancorp/Puerto Rico	2,083	4,791
Flagstone Reinsurance Holdings	1,014	11,093
Frontline Ltd	566	15,463
Gammon Gold Inc	5,810	63,968
Garmin Ltd	1,225	37,608
Genco Shipping & Trading Ltd	2,130	47,669
General Maritime Corp	1,264	8,835
Genpact Ltd	641	9,551
Global Sources Limited	365	2,281
Golar LNG Ltd	301	3,859
Greenlight Capital RE Ltd	678	15,994
Helen of Troy Ltd	726	17,758
Herbalife Ltd	4,084	165,688
ICON P lc	3,110	67,580
IESI-BFC Ltd	24,600	394,092
Invesco Ltd	4,523	106,245
Knightsbridge Tankers Ltd	443	5,874
Kodiak Oil & Gas Corp	17,470	38,783
Lazard Ltd	855	32,464
McDermott International Inc	2,487	59,713
Maiden Holdings Ltd	1,323	9,684
Marvell Technology Group Ltd	6,381	132,406
Max RE Capital Ltd	1,111	24,775
Mellanox Technologies Ltd	6,150	116,174
MF Global Ltd	1,761	12,239
Montpelier RE Holding Ltd	8,379	145,124
Nabors Industries Ltd	3,080	67,421
Nice Systems Ltd Sponsored	3,870	120,125
Noble Corp	3,600	146,520
Nokia Corp Sponsored	24,200	310,970
OneBeacon Insurance Group Ltd	242	3,335
Oppenheimer Holdings	227	7,541
Orient-Express Hotels Ltd Class A	1,850	18,759
Oriental Financial Group Inc	597	$6,448
Partnerre Ltd	782	58,384
Platinum Underwriter Holdings	13,545	518,638
Popular Inc	7,041	15,913
Primus Guaranty Ltd	268	817
Renaissance RE Holdings Ltd	5,578	296,471
Santander Bancorp	92	1,130
Schlumberger Ltd	2,200	143,198
Seagate Technology	14,949	271,922
Ship Finance Int'l Ltd	441	6,011
Shire Plc	11,050	648,635
Signet Jewelers Ltd	938	25,063
SkillSoft Public Ltd Co	14,810	155,209
Sohu.com Inc	330	$18,902
TBS Int'l Ltd	347	2,551
Teekay Corporation	11,623	269,770
Textainer Group Holdings Ltd	237	4,005
Ultrapetrol Bahamas Ltd	673	3,204
United American Indemnity Ltd	881	6,978
Validus Holdings Ltd	1,037	27,937
Vanceinfo Technologies	5,460	104,887
Vantage Drilling Co	1,632	2,628
Veolia Environnement	8,900	292,632
Vistaprint NV	2,690	152,415
White Mountains Insurance	86	28,609
Willis Group Holdings Ltd	17,100	451,098
X L Capital Ltd	6,723	123,233
Total International Equity Securities (ADR's)	421,209	$10,213,413

International Equity Commingled Funds

	Fair Value
Artio Int'l Equity II Group Trust	$24,605,845
DFA Int'l Small Cap Value	13,904,656
Manning & Napier Overseas Series	24,113,978
World Asset Mgmt Foreign Equity Fund	39,074,208
Total Int'l Equity Commingled Funds	$101,698,687

Total International Equity	**$111,912,100**

Fixed Income Commingled Funds

	Fair Value
JP Morgan Investment Management	$66,860,635
Wells Capital Management	58,519,636
Western Asset - High Yield Portfolio	13,462,030
Total Fixed Income Commingled Funds	**$138,842,301**

Real Estate

	Fair Value
6161 Busch Blvd, Columbus, OH 43229	$2,037,000
6500 Busch Blvd, Columbus, OH 43229	1,605,000
Henderson Global Investors	507,338
Pyramis Global Advisors (FREG I)	228,474
Pyramis Global Advisors (FREG II)	1,107,104
Pyramis Global Advisors (FREG III)	288,374
World Asset Mgmt Russell 2000 (REIT's)	1,202,321
World Asset Mgmt Russell Mid-Cap (REIT's)	1,917,122
Total Real Estate	**$8,892,733**

Private Equity

	Fair Value
CSFB Private Equity Opportunities Fund LP	$8,902,747
Kayne Anderson Energy Fund IV	1,252,301
Kayne Anderson Energy Fund V	78,275
Kayne Anderson MLP Fund	7,958,398
Pantheon USA Fund VII, LP	5,800,580
Timbervest	40,921,455
Total Private Equity	**$64,913,756**

Funds of Hedge Funds

	Fair Value
Evanston Capital Weatherlow Offshore Fund II	$17,354,660
Feingold O'Keeffe Distressed Loan Fund	4,954,131
GAM Fund Management Ltd.	15,426,147
Lehman Bros Offshore Div. Arbitrage Fund II	1,054,300
Protégé Partners, LP	7,722,808
Protégé Opportunistic Fund	1,999,103
Sankaty / Prospect Harbor Credit Partners	2,201,023
Seix Credit Opportunities Fund, LLC	5,569,238
Oaktree Real Estate Opportunities Fund IV	5,718,748
Total Funds of Hedge Funds	**$62,000,158**

Total Investments, at Fair Value	**$667,415,938**

Summary Schedule of Investment Manager Fees

Year Ending December 31, 2009

Manager	Assets Managed, 12/31/09	Fees
Artio Global Management LLC	$24,605,845	$240,699
Brandywine Global Investment Management LLC	21,884,558	115,610
Credit Suisse Securities LLC	8,902,747	112,417
DePrince, Race & Zollo, Inc.	30,022,349	143,671
Dimensional Fund Advisors	26,440,029	37,694
Evanston Capital Management LLC	17,354,660	158,812
Feingold O'Keeffe Capital	4,954,131	85,698
Fred Alger Management, Inc.	12,545,716	106,939
GAM Fund Management Ltd	15,426,147	91,363
HPRS Internal Staff (real estate)	3,642,000	-
Henderson Global Investors	507,338	131
INTECH Investment Management LLC	26,549,182	127,752
JPMorgan Fleming Asset Management	66,860,635	167,829
Kayne Anderson Capital Advisors, LP	9,288,974	245,715
Lehman Brothers Inc	1,054,300	-
LSV Asset Management	32,336,857	84,690
Manning & Napier Advisors, Inc.	24,113,978	139,742
Oaktree Capital Management LP	5,718,748	174,246
Pantheon Ventures, Inc.	5,800,580	150,000
PIMCO	-	790
Protégé Partners, LLC	9,721,911	91,477
Pyramis Global Advisors	1,623,952	77,929
Sankaty Advisors, LLC	2,201,023	21,979
Seix Investment Advisors, LLC	5,569,238	694,558
State Street Global Advisors	55,691,500	(10,957)
The Bank of New York Mellon	-	41,736
Timbervest	40,921,455	297,224
The Vanguard Group (cash and short term investment)	-	2,400
Wellington Management Co., LLP	35,163,146	170,852
Wells Capital Management	58,519,636	144,846
Western Asset	13,462,030	44,655
Westfield Capital Management	22,184,469	197,062
World Asset Management	84,348,804	63,934
Total	$667,415,938	$4,021,493

Summary Schedule of Broker Fees

Year Ending December 31, 2009

Brokers	Fees	Shares	Average Cost
Cabrera Capital Markets	$41,191	4,124,516	$0.010
Baird, Robert W., & Co Inc	17,385	1,159,910	0.015
Capital Institutional Services	16,999	1,162,712	0.015
Weeden & Co	6,180	517,563	0.012
Goldman Sachs	4,477	384,835	0.012
Instinet	3,651	206,236	0.018
BNY Convergex / LJR	3,588	318,119	0.011
Merrill Lynch	3,376	427,752	0.008
Deutsche Bank Securities, Inc	3,031	234,925	0.013
Credit Suisse Securities (USA)	2,608	179,159	0.015
Rosenblatt Securities Inc	2,593	196,231	0.013
UBS Securities LLC	2,230	175,555	0.013
Jefferies & Co	1,629	115,220	0.014
Guzman & Co	1,350	95,100	0.014
Fox River Execution	1,153	128,255	0.009
Other	3,822	297,960	0.013
Total	$115,263	9,724,048	$0.012

Investment Objectives, Policies, and Guidelines

Objectives

1. The purpose of this Investment Policy statement is to comply with the directive of Ohio Revised Code Section 5505.06, wherein the Board of Trustees is to adopt public "policies, objectives or criteria for the operation of the investment program." As such, this statement is intended to provide general guidelines within which the Board may take full advantage of its investment authority pursuant to ORC Section 5505.06, while complying with its fiduciary responsibility. This statement is not intended to restrict the Board from consideration of all lawful and legal investment opportunities.

2. The primary objective of the Highway Patrol Retirement System is to provide eligible members with scheduled pension benefits. Although the fund is not governed by the Employees Retirement Income Security Act of 1974 (ERISA), the basic provisions contained in that Act are recognized and will serve as guidance to the management of this fund. In particular, the *prudent person* guidelines are to be followed with regard to the investment management of the fund. These guidelines require that the Board and other system fiduciaries exercise the care, skill, prudence, and diligence – under the circumstances then prevailing – that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

3. A secondary objective of the fund is to maintain a sufficient degree of liquidity in order to meet unanticipated demands and changing environments.

4. Consistent with prudent standards for preservation of capital and maintenance of liquidity, the goal of the fund is to earn the highest possible rate of return consistent with the fund's tolerance for risk as determined periodically by the Board in its role as a fiduciary. This objective should ensure adequate funds to meet scheduled benefits while maintaining level contributions.

5. In meeting these objectives, the Board will give consideration to investments that enhance the welfare of the State of Ohio, and Ohio citizens, where such investments offer safety and quality of return comparable to other investments currently available. Equal consideration will be given to investments otherwise qualifying under this section that involve minority-owned and controlled firms, or firms owned and controlled by women, either alone or in joint venture with other firms.

Policies

1. Diversification of assets will ensure that adverse or unexpected results from a security class will not have a detrimental impact on the entire portfolio. Diversification is interpreted to include diversification by asset type, performance and risk characteristic, number of investments, and by investment style of management organizations.

   These guidelines may be implemented through specific directions or instructions to investment managers, and those directions or instructions may contain other more specific restrictions on diversification of assets by percentage holdings, by quality, or other factors.

2. Asset classes and ranges considered appropriate for investment of fund assets are to be determined by the Board in accordance with these investment guidelines.

3. Assignment of responsibilities for each asset category (components of each asset category) may be assigned to one or more management firms that may be "specialty" managers (i.e., managing only one type of asset class).

4. The Board shall, at least annually, establish a policy with the goal to increase utilization of Ohio-qualified investment managers, when an Ohio-qualified investment manager offers quality, services, and safety comparable to other investment managers otherwise available.

5. The Board shall, at least annually, establish a policy with the goal to increase utilization of Ohio-qualified agents for the execution of domestic equity and fixed income trades on behalf of the retirement system, when an Ohio-qualified agent offers quality, services, and safety comparable to other agents otherwise available.

Investment Guidelines for Specific Asset Classes

In order to achieve the return objectives, the fund will employ the following investment strategies:

1. U.S. equities will represent from 40 to 50 percent of the market value of total fund assets with a targeted average of 45 percent. The term "equities" includes common stock, convertible bonds, and convertible stock.

2. Non-U.S. equities will represent from 10 to 20 percent of the market value of total fund assets with a targeted average of 15 percent.

3. Real estate may represent 0 to 10 percent of total fund assets with a targeted average of 5 percent.

4. U.S. fixed income obligations, including cash, will represent from 15 to 25 percent of the market value of total fund assets with a targeted average of 20 percent. Intermediate-term bonds may include contractual payments, preferred stocks, and bonds with a maturity date greater than one year and less than or equal to ten years. Long-term bonds have a maturity date greater than ten years.

5. Investments in alternatives will represent from 10 to 20 percent of the market value of total fund assets with a targeted average of 15 percent. The term "alternatives" includes hedge funds, private equity, and Global Tactical Asset Allocation.

Asset Allocation
As the result of an asset allocation study, the following was adopted as part of the system's overall Investment Policy in December 2006:

Short-Term Investments
When investing cash balances in order to provide effective cash management, emphasis will be placed on the protection of principal through the purchase of high-quality money market instruments, including money market open-end mutual funds, while attempting to achieve the highest available return.

Daily cash balances may be invested through the HPRS custodian, under contract with the office of the Treasurer of State of Ohio.

Fixed Income Investments
The core bond portfolio will be diversified as to type of security, issuer, coupon, and maturity. Qualifying bonds, at the time of purchase, must be rated as investment-grade by at least two nationally-recognized bond rating services. Generally, the average maturity of the fixed income portfolio will be ten years or less, although individual securities may be longer.

An alternative bond portfolio may invest in (1) high-yield or other non-investment-grade bonds, (2) non-United States bonds, and (3) bonds issued by emerging countries.

No more than ten percent of the fixed income portfolio is to be invested in the securities of any one issuer, and no more than five percent in any one issue, with the exception of U.S. government securities. Diversification of the bond portfolio will be accomplished by investing in a combination of U.S. government bonds, U.S. agency bonds, and domestic corporate bonds.

Equities
Equities may include common stock, preferred stock, and securities convertible into common stock.

International Securities
The fund may invest in both equity and fixed income securities issued by sovereign governments and corporations.

Real Estate
The fund may invest in improved or unimproved real property, mortgage collective investment funds (Real Estate Investment Trusts or Real Estate Funds), notes secured by real property, mortgage-backed bonds, and pass-through securities backed by mortgages.

The real estate portfolio will be constructed and managed to –

- provide sufficient diversity to protect against adverse conditions in any single market sector,
- provide diversity among geographical locations, property types, and property sizes,
- provide relatively stable returns consistent with the overall U.S. commercial real estate market,
- provide a strong current income stream with the potential for long-term principal growth,
- primarily contain fully developed, fully leased properties, and
- minimize the use of debt financing.

Alternative Investments
The fund may invest in alternatives with individual fund managers or with fund of funds managers.

Performance
Comparative performance measurement of the total fund and its components will be conducted at least quarterly to insure that fund managers are providing added value to the general market values. Large capitalization equity returns are expected to exceed the S&P 500 benchmark (generally accepted as the "market") by 1% annually over a market cycle (generally three to five years). In addition, equity managers will be expected to exceed the median of their peer group as measured by style and capitalization. Small/mid capitalization managers are expected to exceed the Russell 2500 benchmark by 1% annually over a market cycle. Fixed income returns are expected to exceed the Barclays Capital Aggregate Index. International managers will be measured against the MSCI ACWI ex-US Index. Real estate managers will be compared to the NCREIF Index. Hedge Fund managers will be benchmarked to the HFRI Fund of Funds Index. Private equity and GTAA managers will be measured against the Consumer Price Index, plus 5%.

Over a market cycle, the total fund return is expected to exceed the following benchmarks:

- A minimum return target of 8 percent, representing the fund's actuarial assumption, and also representing the long-term inflation rate of 3 percent plus a risk premium of 5 percent.
- A composite reference benchmark composed of 65 percent Russell 3000 Index, 20 percent Barclays Capital Aggregate Index, and 15 percent MSCI ACWI ex-US Index.

Investment Responsibilities
The Board recognizes that its role is supervisory, and that discretion is delegated to the investment managers who must adhere to the general guidelines established by the Board. The primary role of the Board is to –

- establish performance goals,
- identify and review appropriate investment policy and guidelines,
- retain outside investment and actuarial counsel, and
- review the results of the fund on a regular basis and implement necessary changes in the investment policies, objectives, asset allocation, and investment managers as needed.

Annual Review
In light of rapid changes in the capital markets and in investment management techniques, these guidelines will be reviewed by the Board on an annual basis. Changes and exceptions to these guidelines may be made at any time with the approval of the Board.

Revised, April 23, 2009
Revised, October 25, 2007
Revised, June 16, 2005
Revised, June 26, 2003
Revised, November 15, 2001
Revised, June 22, 1999
Revised, March 13, 1997
Adopted and approved, September 7, 1994
Revised, June 29, 1994
Revised, September 5, 1990
Revised, June 1, 1988
Adopted and approved, June 11, 1986

HIGHWAY PATROL RETIREMENT SYSTEM

Actuarial Section

GRS

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May 11, 2010

The Retirement Board
Ohio State Highway Patrol Retirement System
6161 Busch Boulevard, Suite 119
Columbus, Ohio 43229

Dear Board Members:

The basic financial objective of the Highway Patrol Retirement System (HPRS) is to establish and receive contributions which:

- when expressed in terms of percents of active member payroll will remain approximately level from generation to generation, and
- when combined with present assets and future investment return will be sufficient to meet the financial obligations of HPRS to present and future retirees and beneficiaries.

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of December 31, 2008.

The plan administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year-to-year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends. The plan's external auditor also audits the actuarial data annually.

The actuary prepared or assisted in preparing the following supporting schedules for the Comprehensive Annual Financial Report:

- Actuarial Section
  - Summary of Assumptions
    - Funding Method, Asset Valuation Method, Interest Rate
    - Payroll Growth
    - Probabilities of Age & Service Retirement
    - Probabilities of Separation from Active Employment Before Age & Service Retirement
    - Health Care and Medicare
  - Short-Term Solvency Test
  - Recent Experience in the Health Care Fund
  - Membership Data
  - Analysis of Financial Experience

Supplementary Schedules
 Schedule of Funding Progress
 Schedule of Employer Contributions
Notes to Trend Data

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed four-year period, subject to an 80% to 120% corridor on market value. The actuarial value of assets is 120% of the market value of assets after application of the corridor as of December 31, 2008.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statements No. 25 and No. 43 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The assumptions used in the December 31, 2008 valuation were based upon a study of experience during the years 2000 through 2004.

Investment return on a market value basis during 2008 was far less than assumed. Given the present contribution rate allocation between the pension program and the retiree health plan, the pension program unfunded actuarial accrued liability cannot be amortized. The comparable figure from the 2007 valuation is 27 years. In addition, the retiree health plan continues to be cause for concern. Based upon the present contribution rate allocation, the plan is expected to remain solvent until 2023. Available resources need to be brought in line with projected benefit payouts before that time if the plan is to continue to provide benefits similar to those currently provided.

Based upon the results of the December 31, 2008 valuations, we recommend that the Board investigate ways of restoring financial balance to the pension program. Continued cost containment efforts can have a positive effect on the retiree health plan, but we believe that additional contribution income is needed.

Respectfully submitted,

Brian B. Murphy, FSA, MAAA

Mita D. Drazilov, ASA, MAAA

BBM:MDD:mdd

Gabriel Roeder Smith & Company

Summary of Assumptions

After consulting with the actuary, these assumptions have been adopted by the Highway Patrol Retirement System Board of Trustees, effective January 1, 2003.

Funding Method
An entry age normal actuarial cost method of valuation is used in determining benefit liabilities and normal cost. Differences between assumed experience and actual experience ("actuarial gains and losses") become part of actuarially accrued liabilities. Unfunded actuarially accrued liabilities are amortized to produce payments (principal and interest) that are a level percent of payroll contributions.

Asset Valuation Method
The asset valuation method fully recognizes assumed investment income each year. Differences between actual and expected investment income are phased in over a closed four-year period.

Interest Rate
The investment return rates used in making valuations are 8.0% for pension assets and 6.5% for OPEB assets, compounded annually (net of administration expenses).

Payroll Growth
Base pay increases are assumed to be 4.0% annually, attributable to broad economic effects such as inflation and real wage growth. Additional merit and seniority increases are assumed as follows:

Service Years	Merit & Seniority	Base (Economic)	Total
1-2	10.0%	4.0%	14.0%
3-5	3.0	4.0	7.0
6-10	1.0	4.0	5.0
11 +	0.3	4.0	4.3

Other Assumptions
Each retiree is assumed to have a surviving spouse.

Health care costs are assumed to increase annually by 4.0%, plus an additional declining percentage ranging from 5.0-0.5% through 2019.

Each benefit recipient is assumed to be eligible for Medicare at age 65.

Postemployment mortality is based on 105% of the RP-2000 Combined Healthy Male and Female Tables.

Rates of separation from active service before retirement are developed on the basis of actual plan experience.

Probabilities of Separation from Active Employment before Age & Service Retirement

Percentage of Active Members Separating Within Next Year

Sample Age	Disability	Death Men	Death Women	Other
20	0.08%	0.02%	0.01%	2.57%
25	0.08	0.02	0.01	2.24
30	0.23	0.02	0.01	1.91
35	0.42	0.04	0.02	1.56
40	0.70	0.05	0.04	0.84
45	0.85	0.08	0.06	0.41
50	1.13	0.11	0.08	0.15
55	1.32	0.18	0.14	0.00

Probabilities of Age & Service Retirement

Percentage of Eligible Members Retiring Within Next Year

Retirement Ages	Unreduced Benefit	Reduced Benefit
48	40%	7%
49	35	7
50	25	7
51	30	7
52	30	--
53	30	--
54	40	--
55	25	--
56	25	--
57	25	--
58	30	--
59	35	--
60+	100	--

Short-Term Solvency Test
The HPRS financing objective is to pay for benefits through contributions that remain approximately level from year to year as a percentage of member payroll. If the contributions to the system are level in concept and soundly executed, the system will pay all promised benefits when due, which is the ultimate test of financial soundness.

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's current assets (cash and investments) are compared with (1) active member contributions on deposit, (2) the liability for future benefits to current retired lives, and (3) the liability for service already rendered by active members. In a system that has been following the discipline of level percent financing, the liability for active member contributions on deposit (column 1 below) and the liability for future benefits to current retired lives (column 2 below) will be fully covered by current assets, except in rare circumstances. In addition, the liability for service already rendered by active members (column 3 below) will be partially covered by the remainder of current assets. Generally, if the system has been using level cost financing, the funded portion of column 3 will increase over time.

Accrued Liabilities and Assets Allocated to Retirement, Survivor, and Disability Allowances

Year	(1) Active Member Contributions	(2) Retirees, Beneficiaries & Vested Deferreds	(3) Active Members (Employer Financed Portion)	Valuation Assets	Percentage of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
2003	$73,358,075	$412,818,959	$216,621,983	$545,981,513	100	100	28
2004▲	77,100,466	445,084,791	212,279,114	569,858,387	100	100	22
2005►	77,779,569	463,476,318	232,600,277	591,922,200	100	100	22
2006▲	82,720,940	482,998,754	242,041,018	653,493,046	100	100	36
2007	89,279,853	509,179,659	267,795,882	700,860,707	100	100	38
2008	94,749,356	511,626,943	298,146,078	603,265,803	100	99	0

▲ Plan Amendment
► Assumption or method change

Postemployment Health Care and Medicare Reimbursement

Year	Covered Lives	Medical	Prescription	Med B	Dental	Vision	Wellness	Member Premiums/ Adjustments	Net Paid By HPRS	Per Covered Life	Payroll	% of Payroll
2003	1,912	$4,256,046	$2,681,414	$290,506	$209,429	$82,097	-	($507,642)	$7,011,850	$3,667	$81,737,962	8.6
2004	1,928	4,074,972	2,710,367	347,585	230,994	84,136	-	(641,707)	6,806,347	3,530	81,757,707	8.3
2005	1,958	6,015,277	2,980,755	422,045	364,139	124,658	-	(552,570)	9,354,304	4,777	83,408,155	11.2
2006	2,078	4,999,822	2,832,743	503,034	408,667	127,266	-	(198,141)	8,673,391	4,174	85,878,328	10.1
2007	2,085	6,580,455	3,513,662	572,127	464,402	130,029	-	(980,539)	10,280,136	4,931	93,752,908	11.0
2008◄	2,103	5,087,073	3,274,896	632,293	453,002	121,599	$79,679	(784,381)	8,864,161	4,215	94,301,538	9.4

◄ Member Premiums/Adjustments include claims incurred in 2008, expected to be paid in 2008, totaling $784,381.

Active Member Data

Year Ending December 31	Active Members	Annual Payroll	Average Annual Salary	% Increase in Average Pay
2003	1,542	$81,737,962	$53,008	3.9
2004	1,562	81,757,707	52,342	(1.3)
2005	1,573	83,408,155	53,025	1.3
2006	1,592	85,878,329	53,944	1.7
2007	1,597	93,752,908	58,706	8.8
2008	1,544	94,301,538	61,076	4.0

Retiree and Beneficiary Data

	Added to Rolls		Removed from Rolls		Rolls at End of Year		% Increase	Average
Year Ending December 31	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	In Annual Allowances	Annual Allowance
2003	48	$2,356,620	26	$352,128	1,253	$33,241,788	6.4	$26,532
2004	58	3,448,140	29	409,836	1,282	36,280,092	9.1	28,296
2005	45	2,335,992	26	483,312	1,301	38,132,772	5.1	29,316
2006	70	2,589,840	34	620,952	1,337	40,101,660	5.2	29,988
2007	53	2,215,728	31	673,440	1,359	41,643,948	3.8	30,648
2008	45	2,532,732	33	639,576	1,371	43,537,104	4.5	31,752

Analysis of Financial Experience

Gains and Losses in Pension Accrued Liabilities Resulting from Differences Between Assumed Experience and Actual Experience

Type of Activity	Gain (or Loss) for Year 2008	Gain (or Loss) for Year 2007
Age & Service Retirements. If members retire at older ages or with lower final average pay than assumed, there is a gain -- if younger ages or higher average pays, a loss.	$127,547	$590,891
Disability Retirements. If disability claims are less than assumed, there is a gain -- if more claims, a loss.	1,169,481	738,713
Death-in-Service Benefits. If survivor claims are less than assumed, there is a gain -- if more claims, a loss.	(72,528)	(190,263)
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain -- if smaller releases, a loss.	776,377	(166,202)
Pay Increases. If there are smaller pay increases than assumed, there is a gain -- if greater increases, a loss.	(357,076)	(14,289,526)
Investment Income. If there is greater investment income than assumed, there is a gain -- if less income, a loss.	(139,408,285)	11,307,544
Other. Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, and other events.	5,557,206	(7,732,825)
Gain (or Loss) During Year From Financial Experience	($132,207,278)	($9,741,668)
Non-Recurring Items. Adjustments for benefit and assumption changes.	-	-
Composite Gain (or Loss) During Year	($132,207,278)	($9,741,668)

Plan Summary

Purpose
In 1941, the Highway Patrol Retirement System (HPRS) was created by the Ohio General Assembly to provide for retirement and survivor benefits for members and dependents.

Administration
The general administration and management of HPRS are vested in the Highway Patrol Retirement System Board of Trustees under Ohio Revised Code Chapter 5505. The eleven-member Board consists of the Superintendent of the State Highway Patrol, three appointed members, five elected active members, and two elected retired members.

The appointed members are investment experts designated by the Governor, the Treasurer of State, and the General Assembly. The active members are elected to four-year terms by members of the plan. Any contributing member is eligible to become an active member candidate, and each contributing member is eligible to vote in the active member election process. Any retiree who is an Ohio resident and who has not served as a statutory or active member of the Board during the past three years is eligible to become a retired member candidate. Each retiree is eligible to vote in the retired member election process.

The Superintendent of the State Highway Patrol serves by virtue of the office held. The Attorney General of the State of Ohio is the legal advisor to the Board.

A chairperson and vice-chairperson are elected by the Board annually. All regular Board meetings are considered to be public meetings. While the Board members serve without compensation, they are not expected to suffer any loss because of absence from regular employment while engaged in official Board duties.

In addition, the members of the Board are reimbursed for actual and necessary expenses.

Employer Contributions
Ohio law requires that the Board certify the employer contribution rate to the Office of Budget and Management in even-numbered years. The employer rate may not be lower than the member rate, nor may it exceed three times the member rate.

Member Contributions
Each member of HPRS, through payroll deduction, must contribute the legally-established contribution rate as a percentage of regular salary. Individual member accounts are maintained by HPRS and, upon termination of employment, the amount contributed is refundable in lieu of the payment of a pension benefit.

Service Credit
Prior to retirement, the following types of additional service credit may be purchased: (1) prior refunded State Highway Patrol service, (2) military service pursuant to the Ohio Revised Code, (3) prior refunded full-time service as a contributing member of the Ohio Police & Fire Pension Fund, the State Teachers Retirement System of Ohio, the School Employees Retirement System of Ohio, the Ohio Public Employees Retirement System, or the Cincinnati Retirement System. Military service and prior refunded full-time service in the Ohio Police & Fire Pension Fund may be used to meet the minimum service requirement in order to qualify for unreduced pension benefits. In the case of prior service credit that was not refunded, service credit may be transferred directly from another Ohio retirement system to HPRS.

Retirement

Age and Service Retirement
Upon retirement from active service, a member is eligible to receive a pension by achieving a minimum age and service requirement, as follows:

Age	Service Credit
55	15 years
52	20 years
48	25 years

For a fifteen-year pension, benefits are calculated as 1.5 percent of final average salary times the number of years of service. For a twenty-year pension, benefits are calculated as 2.5 percent of final average salary times the number of years of service. For a pension based on greater than twenty but less than twenty-five years, benefits are calculated as 2.5 percent of final average salary times the first twenty years of service, plus 2.25 percent of final average salary times the number of years of service in excess of twenty. For a pension based on twenty-five years, benefits are calculated as 2.5 percent of final average salary times the first twenty years of service, 2.25 percent of final average salary times the next five years of service, and 2.0 percent of final average salary in excess of twenty-five years. The maximum allowed pension factor of 79.25 percent of final average salary would be earned with thirty-four years of service credit.

The final average salary, which includes base pay, longevity, hazard duty, shift differential, and professional achievement pay, is calculated as the average of a member's three highest years of salary.

Benefit payments become effective the day following the last day of employment and are payable monthly throughout the retiree's lifetime.

Deferred Retirement
A member who has met a service requirement, but not the requisite age, may retire and defer the receipt of benefits until the age requirement is met.

Reduced Retirement
A member who has accumulated at least twenty but less than twenty-five years of service credit may retire and receive a reduced lifetime pension based on the following schedule:

Age	Reduced Pension
48	75 percent of normal service pension
49	80 percent of normal service pension
50	86 percent of normal service pension
51	93 percent of normal service pension

The election to receive a reduced pension may not be changed once a retiree has received a payment.

Resignation or Discharge
With less than twenty years of service credit, a member may not collect a pension if "dishonesty, cowardice, intemperate habits, or conviction of a felony" was the basis for discharge or resignation from the State Highway Patrol.

Disability Retirement
A member who retires as the result of a disability incurred in the line of duty receives a pension of 61.25 percent of final average salary. A member who retires as the result of a disability that was not incurred in the line of duty receives a pension of 50 percent of final average salary.

Deferred Retirement Option Plan (DROP)
A member who is eligible to retire with an unreduced pension benefit may enter the DROP. The member will continue to work in the existing assignment as determined by the employer and receive the appropriate compensation for that rank. A DROP member is considered retired; however, instead of receiving a monthly pension benefit, the member begins to accumulate funds in a tax-deferred account. The DROP account is funded by both the monthly pension benefit and the member's continuing active contributions, as well as interest that accrues on these amounts.

A member may participate in DROP until age 60, but for no more than eight years. The minimum participation period is two years for members who enter the DROP at age 52 or more and three years for members who enter the DROP before age 52. A member who terminates employment earlier than the minimum participation period will forfeit any accrued interest.

When a DROP member terminates employment with the State Highway Patrol, the member will begin to receive the monthly pension benefit that had previously been funding the DROP account. In addition, after the minimum participation period, the proceeds of the DROP account may, at the member's option, be rolled over into a qualified plan or paid to the member in a lump sum, an annuity, or a combination of these distribution types.

Payment Plans
Each retirement applicant must select a benefit payment plan. Regardless of the plan selected, a survivor benefit is paid to an eligible survivor of a deceased active member or retiree. The plan options are as follows:

Plan 1 - Single Life Annuity
This plan pays the highest monthly benefit, calculated as a percentage of final average salary, and is limited to the lifetime of the retiree. A member who receives a disability retirement may only receive a single life annuity.

Plan 2 - Joint and Survivor Annuity
This plan pays a reduced monthly benefit for a member's lifetime and provides for a monthly benefit to a surviving beneficiary.

Plan 3 - Life Annuity Certain and Continuous
This plan is an annuity, payable for a guaranteed minimum period. If a retiree dies before the end of the period, the pension benefit is paid to the designated beneficiary for the remainder of the specified period.

Partial Lump Sum (PLUS) Distribution.
In addition to selecting one of the three retirement payment plans, a retiree may elect to receive a lump sum cash payment, either as a taxable distribution, or as a rollover to a tax-qualified plan. Following this payment, a retiree will receive a reduced monthly benefit for life. To be eligible for a PLUS distribution, a retiree must have attained age 51 with at least 25 years of total service, or age 52 with at least 20 years of total service. The lump sum amount may not be less than six times the monthly single life pension and not more than sixty times the monthly single life pension.

Survivor Benefits
A surviving spouse of a deceased retiree, or of an active member who was eligible to receive a retirement pension at the time of death, receives a monthly benefit equal to one-half the deceased member's monthly pension benefit (minimum, $900). A surviving spouse of an active member who was not eligible for a retirement benefit at the time of death receives a monthly survivor benefit of $900.

Each surviving dependent child receives $150 monthly until age 18. If the child is a full-time student, this benefit continues until age 23.

Health Care
A comprehensive Preferred Provider medical health care plan is currently offered to all benefit recipients and dependents. Benefit recipients may elect to cover spouses and dependent children by authorizing the appropriate premium deduction.

Dental and vision coverage is also available to benefit recipients and dependents. The Board, which has the authority to implement changes, annually evaluates the premiums and plan design.

Medicare

Benefit recipients who submit proof of Medicare Part B coverage are reimbursed for the basic Part B premium.

Cost of Living

At age 53 and thereafter, each retiree receives an annual cost of living adjustment (COLA) equal to 3.0%. Each survivor benefit recipient is eligible for a COLA increase after receiving benefits for twelve months. Each disability benefit recipient is eligible for a COLA increase after receiving benefits for sixty months, or at age 53, whichever occurs first.

Death After Retirement

Upon the death of a retiree, a lump sum payment of $5,000 is paid to the surviving spouse, or to the retiree's estate if there is no surviving spouse.

HIGHWAY PATROL RETIREMENT SYSTEM

Statistical Section

Introduction

The objectives of the statistical section are to provide financial statement users additional historical perspective, context and relevant details to assist in using information in the financial statements, notes to the financial statements and required supplementary information in order to understand and assess HPRS' overall financial condition.

The schedules beginning on page 60 show financial trend information that assist users in understanding and assessing how HPRS' financial condition has changed over the last ten years. The financial trend schedules presented are:

- Changes in Net Assets
- Benefit Deductions from Net Assets by Type

The schedules beginning on page 62 show demographic and economic information. This information is designed to assist in understanding the environment in which HPRS operates. The demographic and economic information and the operating information presented include:

- Principal Participating Employer
- Retired Members by Type of Benefit
- Average Benefit Payments

Changes in Net Assets – Pension, 2000-2009

Additions	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Employer Contributions	$20,453,914	$20,302,216	$19,956,700	$19,263,941	$18,467,789	$17,205,609	$16,361,339	$14,923,893	$13,901,313	$13,228,166
Member Contributions	8,624,025	8,870,985	8,901,454	8,610,088	8,582,130	8,192,944	8,136,974	7,563,173	7,042,044	6,954,301
Transfers from Other Systems	1,009,422	632,894	717,017	648,282	1,180,951	856,496	763,419	999,176	999,380	925,998
Investment Income, net of expenses	109,493,243	(207,583,959)	50,333,115	85,692,657	37,890,851	62,907,281	105,112,725	(42,921,956)	(17,920,157)	(14,120,288)
Total Additions	$139,580,604	($177,777,864)	$79,908,286	$114,214,968	$66,121,721	$89,162,330	$130,374,457	($19,435,714)	$4,022,580	$6,988,177
Deductions										
Benefits Paid Directly to Participants	49,884,126	47,939,139	44,676,510	40,343,244	37,716,268	35,187,531	33,074,853	31,325,089	29,457,281	27,042,946
Refunds of Member Contributions	1,076,685	570,827	98,628	299,128	495,640	155,989	386,931	266,137	306,452	363,067
Administrative Expenses	758,818	613,447	605,165	572,616	561,817	518,834	559,052	462,200	524,922	549,168
Transfers to Other Systems	406,147	282,987	330,539	914,950	403,975	602,345	789,387	1,054,264	448,381	904,972
Total Deductions	$52,125,776	$49,406,400	$45,710,842	$42,129,938	$39,177,700	$36,464,699	$34,810,223	$33,107,690	$30,737,036	$28,860,153
Change in Pension Net Assets	$87,454,828	($227,184,264)	$34,197,444	$72,085,030	$26,944,021	$52,697,631	$95,564,234	($52,543,404)	($26,714,456)	($21,871,976)

Changes in Net Assets – OPEB, 2000-2009

Additions	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Employer Contributions	$4,281,052	$4,350,474	$4,276,436	$3,064,718	$3,006,385	$2,867,602	$3,395,749	$3,780,715	$3,521,665	$3,351,135
Investment Income, net of expenses	21,030,418	(30,809,552)	11,254,046	15,632,184	8,998,070	12,051,961	18,885,722	(6,673,383)	(2,900,183)	(3,114,980)
Total Additions	25,311,470	($26,459,078)	$15,530,482	$18,696,902	$12,004,455	$14,919,563	$22,281,471	($2,892,668)	$621,482	$236,155
Deductions										
Health Care Expenses	8,385,875	8,546,663	10,354,006	7,980,823	8,932,259	6,948,650	7,181,129	7,025,043	6,179,096	4,720,260
Administrative Expenses	123,210	98,082	97,101	92,761	92,344	86,031	93,769	78,635	90,422	95,423
Total Deductions	$8,509,085	$8,644,745	$10,451,107	$8,073,584	$9,024,603	$7,034,681	$7,274,898	$7,103,678	$6,269,518	$4,815,683
Change in OPEB Net Assets	$16,802,385	($35,103,823)	$5,079,375	$10,623,318	$2,979,852	$7,884,882	$15,006,573	($9,996,346)	($5,648,036)	($4,579,528)

Benefit Deductions from Net Assets by Type – Pension, 2000-2009

Type of Benefit	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Age & Service	$17,853,793	$17,705,996	$16,838,694	$15,064,493	$17,904,543	$14,041,248	$13,526,379	$12,874,767	$12,362,626	$11,350,168
Early	23,585,973	22,050,962	19,997,110	17,533,382	15,729,197	14,183,148	12,901,479	11,972,979	11,120,366	10,330,228
Reduced	1,828,296	1,770,701	1,693,050	1,659,235	86,287	1,573,077	1,504,785	1,422,072	1,342,338	1,278,883
Disability	3,044,325	2,912,438	2,761,851	2,534,672	2,305,544	2,051,805	1,875,919	1,828,394	1,605,426	1,407,201
Survivor	3,496,739	3,409,042	3,320,805	3,486,462	1,615,697	3,258,253	3,186,291	3,141,877	2,961,525	2,620,466
Death Benefits	75,000	90,000	65,000	65,000	75,000	80,000	80,000	85,000	65,000	56,000
Total Pension Benefits	$49,884,126	$47,939,139	$44,676,510	$40,343,244	$37,716,268	$35,187,531	$33,074,853	$31,325,089	$29,457,281	$27,042,946

Benefit Deductions from Net Assets by Type – OPEB, 2000-2009

Type of Benefit	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Medical	$4,983,739	$5,087,073	$6,512,976	$4,971,003	$6,015,277	$4,413,042	$4,667,790	$4,688,375	$4,568,057	$3,394,042
Wellness	86,007	79,679	67,479	28,820	-	-	-	-	-	-
Prescriptions	3,430,089	3,274,896	3,513,662	2,832,743	2,980,755	2,710,367	2,681,414	2,431,297	1,960,825	1,684,300
Medicare-B reimbursement	673,450	632,293	572,127	503,034	422,045	347,585	290,506	260,772	231,046	203,157
Dental	495,272	453,003	464,402	408,667	364,139	230,994	209,429	194,893	-	-
Vision	133,296	121,599	130,029	127,266	124,658	84,136	82,097	80,909	-	-
Total	$9,801,853	$9,648,543	$11,260,675	$8,871,533	$9,906,874	$7,786,124	$7,931,236	$7,656,246	$6,759,928	$5,281,499
Member Premiums/Adjustments	(1,415,978)	(1,101,880)	(906,669)	(890,710)	(552,570)	(489,889)	(459,601)	(370,431)	(349,786)	(358,082)
Net Paid by HPRS	$8,385,875	$8,546,663	$10,354,006	$7,980,823	$9,354,304	$7,296,235	$7,471,635	$7,285,815	$6,410,142	$4,923,417

Member Premiums/Adjustments include Medicare-D reimbursement. Prior to 2002, Dental & Vision were combined with Medical.

Principal Participating Employer, 2009 & 2000

Year	Participating Government	Covered Employees	Percentage of Total System
2009	State Highway Patrol	1,483	100%
2000	State Highway Patrol	1,489	100%

Retired Members by Type of Benefit, December 31, 2009

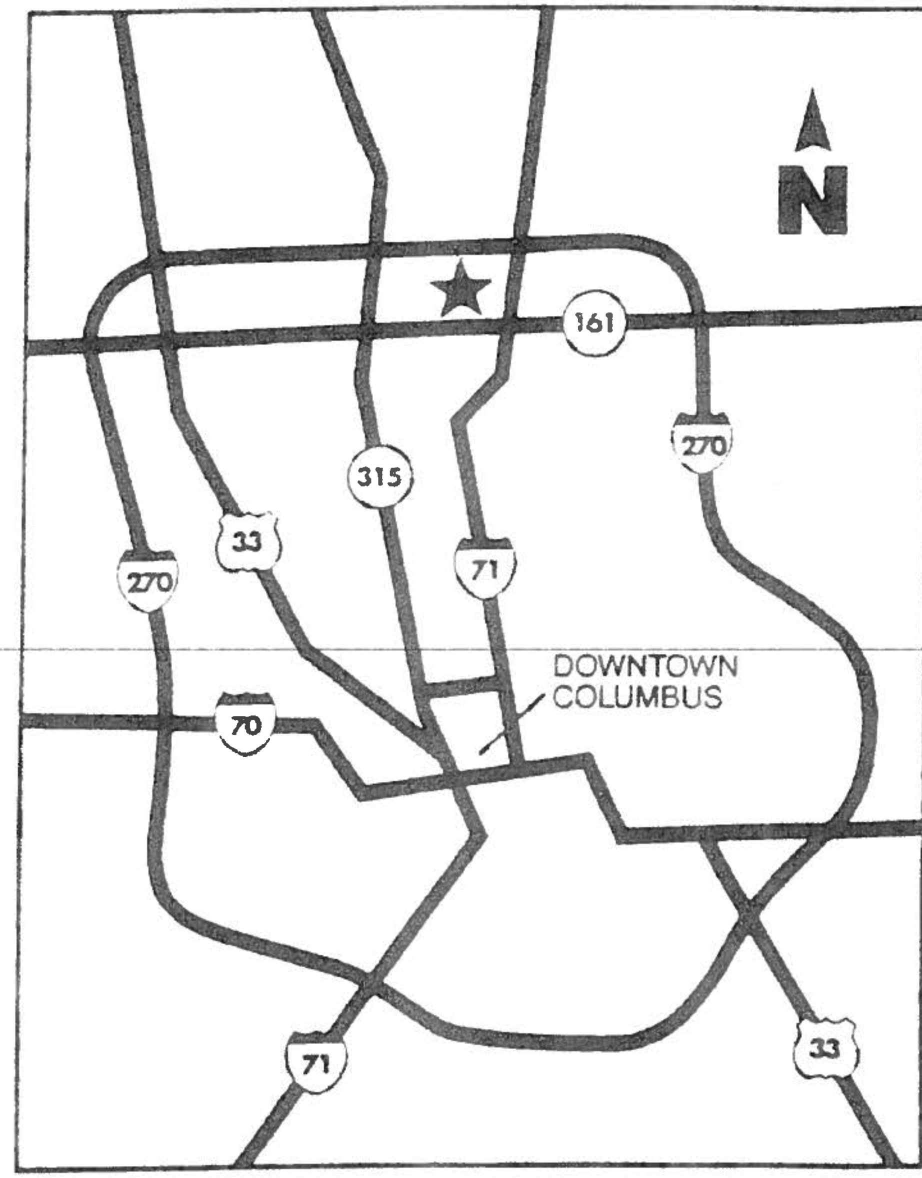
	Number of	Type of Retirement						Retirement Option							
Monthly Benefit	Benefit Recipients	1	2	3	4	5	6	Unmodified	1	2	3	4	5	6	7
Deferred	3														
$1 - 250	37					36	1	37							
251-500															
501 - 750	5						5	5							
751 - 1000	29					25	4	29							
1001 - 1250	134			3	2	125	4	134							
1251 - 1500	113		1	29	1	79	3	112	1						
1501 - 1750	115	61	4	19	15	13	3	115							
1751 - 2000	60	34	1	11	5	8	1	59	1						
2001 - 2250	52	19	2	16	15			52							
2251 - 2500	49	20	11	4	12	2		46	1	2					
2501 - 2750	123	27	71	1	24			116		5	1				1
2751 - 3000	147	28	111		8			139	1	4	1				2
3001 - 3250	156	59	75	4	18			152		3	1				
3251 - 3500	142	45	94		3			137		4	1				
Over 3,500	409	179	224	1	5			397	1	4	6			1	
Total	1,574	472	594	88	108	288	21	1,530	5	22	10	0	0	1	3

Type of Retirement
1 – Normal age and service
2 – Early
3 – Reduced
4 – Disability
5 – Survivor
6 – Alternate payee (Division of Property Order)

Retirement Option
Under the unmodified plan, a surviving spouse receives a 50% continuance (minimum, $900 monthly)
Under the following options, a surviving spouse qualifies for the above-noted 50% continuance; however, the member's lifetime benefit is reduced:
Option 1 – Beneficiary receives 0 to <25% of member's reduced monthly benefit
Option 2 – Beneficiary receives 25 to <50% of member's reduced monthly benefit
Option 3 – Beneficiary receives 50% or more of member's reduced monthly benefit
Option 4 – Beneficiary receives 100% of member's remaining reduced monthly benefit for 5 years after benefit begins
Option 5 – Beneficiary receives 100% of member's remaining reduced monthly benefit for >5 to 10 years after benefit begins
Option 6 – Beneficiary receives 100% of member's remaining reduced monthly benefit for >10 to 15 years after benefit begins
Option 7 – Beneficiary receives 100% of member's remaining reduced monthly benefit for >15 years after benefit begins

Average Benefit Payments, 2000-2009

Retirement During		Years of Credited Service			
		20 to <25	25 to <30	30+	Overall
2009	Average Monthly Benefit	$2,861	$4,114	$5,424	$3,826
	Average Final Average Salary	$4,975	$6,016	$7,334	$5,792
	Number of Retirees	9	19	2	30
2008	Average Monthly Benefit	$2,621	$3,879	$4,822	$3,736
	Average Final Average Salary	$5,182	$6,009	$6,491	$5,902
	Number of Retirees	6	24	3	33
2007	Average Monthly Benefit	$2,089	$3,245	$5,619	$3,202
	Average Final Average Salary	$4,359	$5,138	$7,523	$5,174
	Number of Retirees	5	17	2	24
2006	Average Monthly Benefit	$2,681	$3,571	$6,850	$3,353
	Average Final Average Salary	$4,838	$5,575	$8,852	$5,409
	Number of Retirees	13	24	1	38
2005	Average Monthly Benefit	$2,601	$3,238	$5,064	$3,378
	Average Final Average Salary	$4,807	$4,995	$6,721	$5,176
	Number of Retirees	4	26	4	34
2004	Average Monthly Benefit	$2,267	$3,327	$5,386	$3,489
	Average Final Average Salary	$4,781	$5,113	$7,109	$5,317
	Number of Retirees	3	36	5	44
2003	Average Monthly Benefit	$2,116	$3,322	$3,685	$3,183
	Average Final Average Salary	$4,313	$5,206	$5,015	$5,044
	Number of Retirees	6	28	5	39
2002	Average Monthly Benefit	$2,151	$2,937	$3,223	$2,924
	Average Final Average Salary	$4,348	$4,726	$4,651	$4,653
	Number of Retirees	5	21	12	38
2001	Average Monthly Benefit	$2,228	$3,100	$3,900	$3,054
	Average Final Average Salary	$4,164	$4,653	$5,211	$4,662
	Number of Retirees	13	13	12	38
2000	Average Monthly Benefit	$2,171	$3,004	$3,857	$3,008
	Average Final Average Salary	$4,127	$4,620	$5,128	$4,623
	Number of Retirees	11	29	11	51



Highway Patrol Retirement System
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Columbus, Ohio 43229-2553
Telephone 614-431-0781
Fax 614-431-9204
e-mail system@ohprs.org
www.ohprs.org

Office Hours: 7:30 am to 4:30 pm

One block west of Interstate 71 on State Route 161, drive north on Busch Boulevard. Turn left at the first traffic light, Shapter Avenue. Turn right into the entrance.