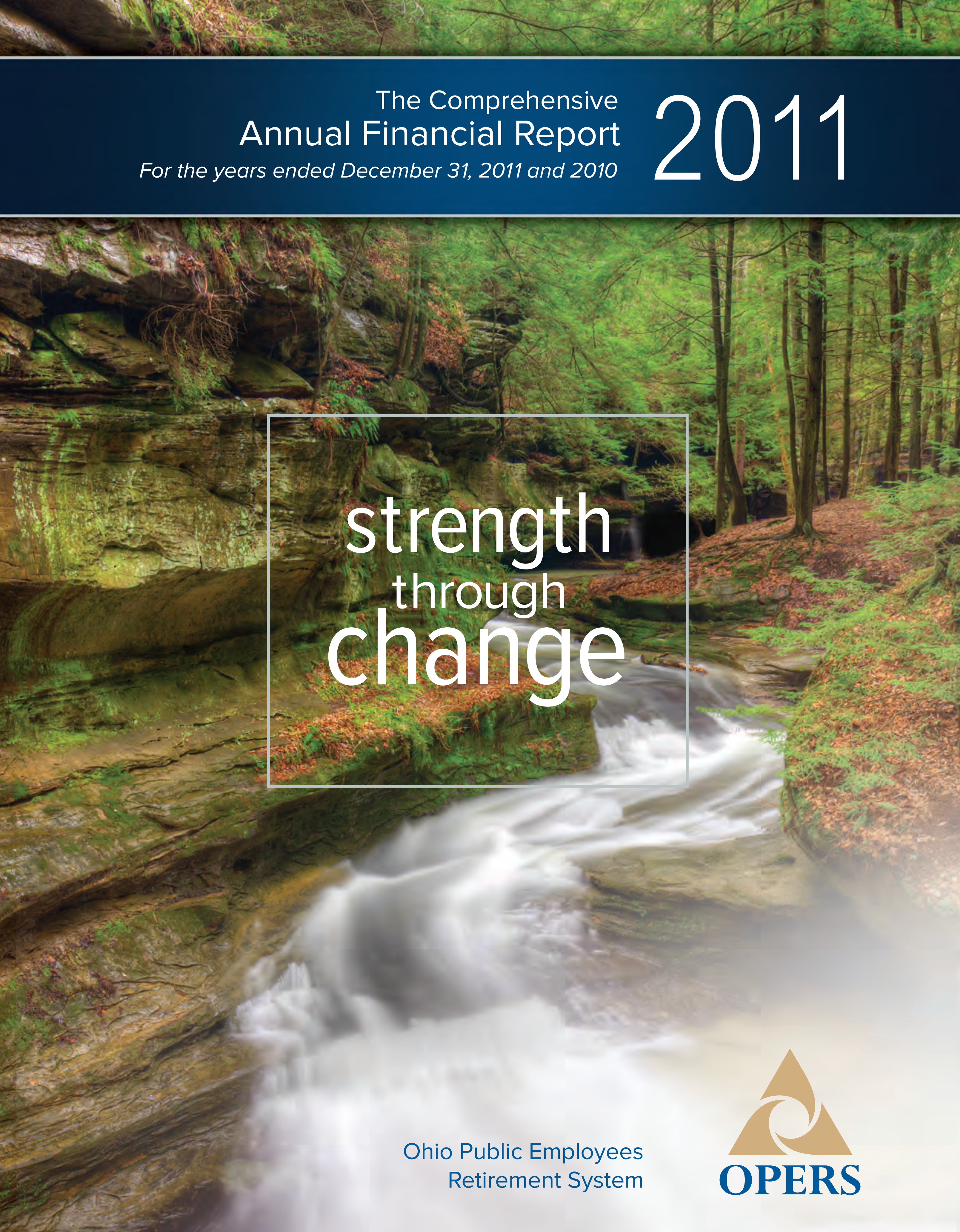
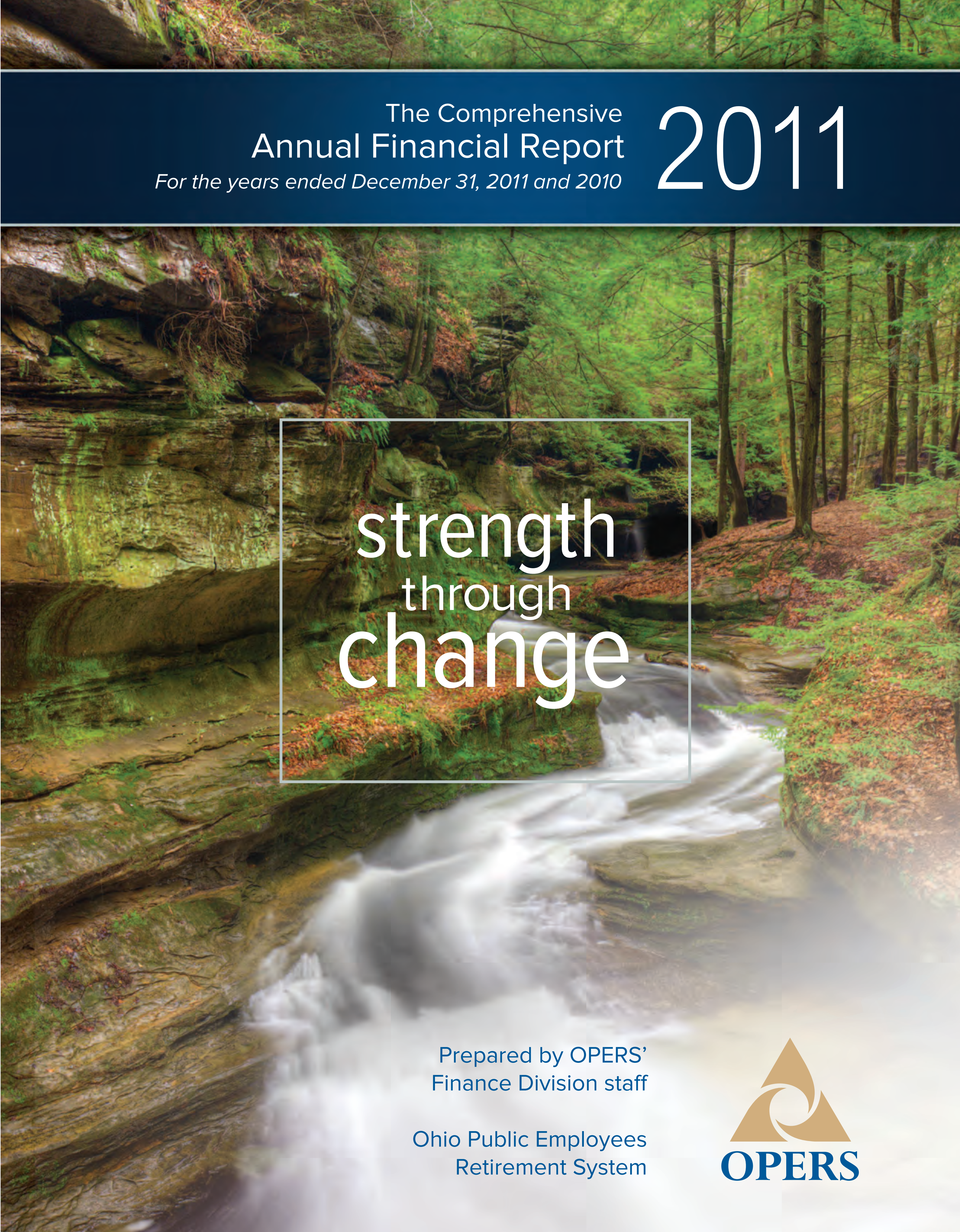


The Comprehensive
Annual Financial Report 2011
For the years ended December 31, 2011 and 2010

strength
through
change

Ohio Public Employees
Retirement System

OPERS



The Comprehensive
Annual Financial Report
For the years ended December 31, 2011 and 2010

2011

strength through change

Prepared by OPERS' Finance Division staff

Ohio Public Employees Retirement System

OPERS

Table of Contents

Employer Composition and Membership Information

For actuarial purposes, participating employers are divided into state, local government, law enforcement and public safety divisions. A complete description of the OPERS membership is contained in the Plan Statement section of this document, beginning on page 166.

Annual Report Organization

This annual report is divided into six sections, listed as each appears in this document:

1. **Introductory Section**—with the Letter of Transmittal, organizational chart, and recognition awards garnered in 2011;
2. **Financial Section**—with the Independent Auditor's Report, Management's Discussion and Analysis, the financial statements of the System, Required Supplementary and Additional Information;
3. **Investment Section**—with a report on investment activity, investment policies, investment results, and various investment schedules;
4. **Actuarial Section**—with the Actuary's Certification Letter, and the most recent results of the annual actuarial valuation;
5. **Statistical Section**—with significant data pertaining to the System; and the
6. **Plan Statement**—with complete membership information and details about the retirement plans offered through OPERS.

Introductory Section

To keep our faces toward change…is strength undefeatable.

Helen Keller, author

Board of Trustees members as of January 2012

Seated, front row (left to right): James Tilling, General Assembly appointee; Matthew Schulz, representing state employees; Kimberly Russell, representing college/university employees, Lennie Wyatt, Governor's appointee

Standing, second row (left to right): Cinthia Sledz, vice chair, representing miscellaneous employees; John Maurer, representing retirees; Ken Thomas, chair, representing municipal employees; David Payne (designee for Robert Blair, Director of the Ohio Department of Administrative Services, statutory member), Sharon Downs, representing retirees.

Not shown in photo: Charlie Adkins, Treasurer's appointee; Robert Blair, Director of Administrative Services; Helen Youngblood, representing county employees

The 11-member Board of Trustees (Board) is the governing body of the Ohio Public Employees Retirement System (referred to as OPERS or the System). The Board is ultimately responsible for the administration and management of all OPERS activities including oversight of investment activities.

The Board is comprised of seven individuals who are elected by the specific stakeholder group each represents: college/university employees, state employees, miscellaneous employees, county employees, municipal employees, and two retiree representatives. Three individuals with investment expertise are appointed by Ohio's Governor, Treasurer, and jointly by the Ohio Legislature. The Board is completed by the Director of the Ohio Department of Administrative Services who serves on the Board by virtue of office.

The OPERS Board of Trustees appoints the Executive Director, an actuary, and other advisors necessary for the transaction of business. By law, the state Treasurer is custodian of OPERS' funds.

The Board meets monthly and receives no compensation, but is reimbursed for necessary expenses.

The OPERS Board of Trustees

Karen E. Carraher
Executive Director

John Lane — *Chief Investment Officer*

Julie Becker — *General Counsel*

Blake W. Sherry — *Chief Operating Officer*

Shelley Wilson — *Director—Human Resources*

Carol Nolan Drake — *Chief External Affairs Officer*

Greg Januszewski — *Director—Internal Audit*

Karen E. Carraher — *Interim Director—Finance*

Julie Reneau — *Director—Benefits*

Marianne Steger — *Director—Health Care*

Chuck Quinlan — *Director—Information Technology*

Auditors

CliftonLarsonAllen LLP
Toledo, Ohio
(under contract with the Auditor of State)

Advisors

Actuary—

Gabriel, Roeder, Smith & Company
Southfield, Michigan

Investment Policy Advisors to the Board of Trustees—

Hewitt EnnisKnupp, Inc.
Chicago, Illinois

NEPC
Cambridge, Massachusetts

See page 71 for a list of investment consultants and payments; page 87 for a list of external asset managers.

Leadership Team

Front row (left to right): *Julie Becker, General Counsel; Blake Sherry, Chief Operating Officer; Karen Carraher, Executive Director*

Second row: Marianne Steger, Director of Health Care

Third row (left to right): Shelley Wilson, Director of Human Resources, Julie Reneau, Director of Benefits; John Lane, Chief Investment Officer

Fourth row (left to right): Greg Januszewski, Director of Internal Audit; Chuck Quinlan, Director of Information Technology; Carol Nolan Drake, Chief External Affairs Officer

OPERS Ohio Public Employees Retirement System
277 East Town Street Columbus, Ohio 43215-4642 1-800-222-7377 www.opers.org

April 27, 2012

Dear Chairman and Members of the Board of Trustees:

We are pleased to submit the *2011 Comprehensive Annual Financial Report* (CAFR) of the Ohio Public Employees Retirement System (OPERS or the System) for the fiscal years ending December 31, 2011 and 2010. This report provides all stakeholders an overview of the significant events for OPERS in 2011 and summarizes the major activities of the organization. The theme, Strength through Change, is reflective of OPERS' journey throughout this turbulent decade. As a seed blossoms into a flower or an athlete grows stronger through practice and training, OPERS has emerged stronger than ever. OPERS continues to deliver on the mission of providing retirement security for members and continues to advance its position as one of the best-run organizations in the U.S.

The 2011 fiscal year provided significant challenges and opportunities. Key activities included pension legislation efforts, a proposed contribution rate shift in the state's budget, health care plan design review, continued investment market volatility, proposed landmark changes from the Governmental Accounting Standards Board (GASB), the continued implementation of the Our Way Forward technology and business process project, and a new executive director. These activities will be described in more detail in this executive summary.

Report Contents and Structure

This CAFR is designed to comply with the reporting requirements of the Governmental Accounting Standards Board (GASB) and in accordance with Governmental Accounting Standards Best Practices. The responsibility for the accuracy of the data presented here as well as the completeness and fairness of the presentation rests with OPERS management.

The management of OPERS is responsible for internal accounting controls, which are designed to provide reasonable but not absolute assurance for the safeguarding of assets and the reliability of financial records. We believe the internal accounting controls currently in place are adequate to meet the purpose for which they were intended. We also believe the financial statements presented in this report and supporting schedules and statistical tables are presented fairly in all material aspects. The System's external auditors, CliftonLarsonAllen LLP, conducted an independent audit of the financial statements in accordance with U.S. generally accepted auditing standards. This audit and the financial statements are described on page 18 of the Financial Section of this report.

Overview of OPERS

OPERS was established and exists solely for the purpose of providing retirement, disability and survivor benefits to Ohio's public employees. OPERS was created in legislation in 1933 and commenced operations January 1, 1935, prior to Social Security. For more than 75 years, OPERS has grown and changed to adapt to the changing environment and marketplace and demographic shifts. In 1974, OPERS added health care access; in 2003, OPERS increased from one pension plan to three. While growing stronger through these changes over the years, OPERS has remained steadfast in its commitment to provide quality retirement, disability, survivor, and health care coverage all while working to deliver superior service to all members. Complete information on current benefits can be found in the Plan Statement section starting on page 166.

As of year-end 2011, OPERS served approximately 985,500 members, including nearly 190,000 retirees and beneficiaries. In addition, the System works with nearly 3,700 public employers. With net assets of $74.0 billion, OPERS is the largest public pension system in Ohio and the 12th largest public pension system in the nation.

Pension Plan Design Changes and Associated Legislative Efforts

In 2011, OPERS continued its efforts to encourage the Ohio legislature to enact pension plan design changes recommended by the OPERS Board in the fall of 2009. These plan design changes are intended to strengthen the plan by recognizing the realities of the changes in the demographics of OPERS membership.

When OPERS was created in 1933, the average life expectancy of a member in retirement was vastly shorter than it is today. For example, if a member retired in 1935 at the age of 55, the retiree was expected to live an average of five years in retirement. Today, with improvements in lifestyle and medical advancements, members may live more years in retirement than they worked in their working career. Simply put, the System was not designed with a funding structure to support the current demographics. Therefore, the OPERS Board approved a series of pension plan design changes intended to recognize these longer life expectancies by modifying the retirement eligibility criteria and benefits, all subject to a phased-in implementation so that those members closest to retirement are not adversely impacted. The proposed pension plan design changes also are designed to correct plan provisions that provide for the subsidization of certain benefits that are available to only a selected group of members—and to give members the tools they need to become active partners in planning for their OPERS retirement.

By law, OPERS is required to pay off unfunded pension liabilities within 30 years. OPERS has always met this requirement. The Board-approved pension plan design changes are important to ensure the System's long-term funded status remains strong and are important if OPERS is to continue to offer access to health care, which our members have told us is an important component of retirement security.

These changes must be approved by the Ohio General Assembly. In 2011, two placeholder bills were introduced in both the Ohio House and Senate. OPERS worked diligently with the legislature to ensure legislators understood the importance of the changes and their impact on the System and its members. While multiple hearings were held on these two bills and OPERS offered testimony at these hearings, these bills have stalled pending the completion of an independent actuarial analysis. This actuarial analysis has been commissioned by the Ohio Retirement Study Council, the body charged with assisting the legislature on pension matters. This study was intended to provide an additional actuarial review beyond the independent actuaries retained by the System. This study is expected to conclude in mid-summer 2012 and we remain hopeful that legislation will be completed in 2012.

These changes are very important to the System and are one of the components that will strengthen the System. Continued delays in the passage and implementation of these changes will force the need for additional, more drastic, changes. That being said, we are encouraged by the actions of the Ohio General Assembly. We will continue stakeholder outreach efforts and working with our elected officials toward the goal of enacting meaningful pension legislation in 2012.

Contribution Rate Shift

As part of the state's fiscal year 2012-2013 budget, the governor proposed modifying the member and employer contribution rates by shifting 2% of the employer's 14% contribution rate to the member's 10% contribution rate, thereby making both contribution rates 12%. While on the surface it appears as if OPERS would be collecting the same 24% overall from both the members and employers, the proposal was problematic for OPERS and created a number of underlying issues. If passed, the proposal would have actually added 5.5 years to OPERS' current amortization period thereby forcing OPERS outside the 30-year funding period for the first time since the requirement was enacted. Consequently, OPERS opposed the changes by offering testimony and outreach efforts. Ultimately, the proposal was not included in the final state budget.

Health Care Preservation Plan 3.0

Although not mandated, for nearly one-half of our 75-year history, OPERS has provided access to health care for retirees. One attribute that sets OPERS apart from almost every other pension fund in the U.S. is that since OPERS began offering health care in 1974, OPERS has funded the liability through the establishment of a health care trust. As of December 31, 2011, the health care fund totaled $11.6 billion, which translates into sufficient funding to provide health care access for approximately 11 years, based on the current level of expenditures of approximately $1.6 billion annually. While this is the largest health care trust fund in the U.S., it will not be sufficient to fund health care for current and future retirees.

OPERS periodically reviews and modifies the health care program, which the Board has the authority to change. The OPERS Board has been reviewing the health care program since the Board approved the changes to the pension plan in 2009. The changes to the pension plan, for which the Board is currently pursuing legislative approval, are intended to allow some funding for health care, but at a level less than what is needed to support the current level of health care expenditures. Thus, the Board will be recommending changes to the health care program. These changes will likely include:

- Changes to eligibility criteria to qualify for participation in the health care program,
- Changes to the subsidy provided to eligible retirees by OPERS,
- Changes to the manner in which health care is delivered, and
- Limiting the number of members excluded or grandfathered from the changes.

As has been the tradition when the Board has proposed changes to the health care program, the Board intends to seek feedback from members and retirees. Currently, the Board is expected to complete the review and recommendations by summer 2012, at which time OPERS will conduct extensive education sessions with members and retirees designed to garner feedback for the Board. After reviewing the feedback, the Board is expected to approve final recommendations by the end of 2012. Changes likely will be implemented sometime during or after 2014.

As with all OPERS-recommended changes, these proposals are designed to strengthen the health care program in order to provide access to health care for current and future retirees. As prudent stewards of retirement contributions, OPERS works diligently to preserve access to and financial assistance for affordable, meaningful health care—although this feature is neither mandated nor guaranteed.

Governmental Accounting Standards Board Proposal

In 2011, the Governmental Accounting Standards Board (GASB) issued a series of proposed changes for pension accounting and financial reporting. These proposed changes are the most extensive changes proposed for pension systems in recent history. Specifically, GASB proposed changes in the manner governmental sponsors of defined benefit pension plans account for and report pension assets, liabilities, and expense in annual financial reports. The GASB proposal would require OPERS to allocate the pension unfunded liability and expense to all 3,700 of our employers. The methodology to allocate the liability and expense is problematic and would likely result in volatile results that may not enhance the information, would hinder benchmarking for funding, and may not be representative of interperiod equity due to the long-term nature of public pension plans and the employer entities funding those plans.

Overall, GASB has played a significant role in standardizing and stabilizing how governmental entities report and track financial data to the public. In 2011, OPERS participated in the GASB rule-making process by participating as one of a handful of systems in the GASB-sponsored field test. From OPERS' perspective, the results supported our initial concerns. OPERS also provided education to employers and sponsored a mechanism for OPERS-contributing employers to provide comment back to GASB. OPERS also provided written comment back to the GASB and testified before the GASB Board about concerns. GASB is expected to issue a final standard in summer 2012, which OPERS will then need to implement.

Public Employee Issues

Throughout 2011, public employees encountered a growing negative feeling from taxpayers toward public employees and public pensions. That tension—fed by a volatile economy, poor understanding about pensions and unrealistic expectations—has intensified, especially as private-sector retirement funds have dwindled or have been eliminated. OPERS provides pension benefits to public employees who do not participate in Social Security and who have made retirement contributions during their careers. These contributions have been invested by OPERS and the investment earnings on those contributions fund more than two-thirds of the ultimate pension benefits. These pension benefits provide an ongoing incentive for public employees, a significant amount of financial security to retirees, and ultimately provide stability to many communities.

During 2011, OPERS noted a significant increase in member retirements, ultimately up 15.3% from the prior year. Based on feedback from members and OPERS' retirement counselors, we believe the combination of the concern over non-OPERS proposals to pension benefits, confusion over the statewide collective bargaining proposals, and the negative attitude toward public employees were the key factors in the increase in members opting for retirement.

To address these misconceptions, OPERS intensified its education and outreach efforts designed to ensure the dissemination of accurate information. Included in the outreach facts shared are the results from an independent study that compared the retirement benefits of the public sector and private sector in Ohio—this independent study showed that OPERS' benefits were in the middle of the range. OPERS will continue educational outreach efforts. We are committed to working with media representatives to help ensure all stakeholder groups are well-educated about important issues relative to the business of pensions.

Our Way Forward

During 2011, OPERS continued the implementation of the Our Way Forward (OWF) project. This project is designed to position the System for the future. As the baby-boomer generation prepares for retirement, OPERS will face an increasing number of retirees. These retirees, as well as current and future members, want 24/7 account access providing self-service options. OPERS has long anticipated the change in needs and has invested in an effort to strengthen our internal systems to support these requirements without a commensurate increase in staffing. This internal initiative will allow increased efficiency and streamlined operations that will enhance service levels while managing administrative costs.

This project involves a four-year implementation of a member contribution/pension data system that will serve as the infrastructure for all OPERS data systems. This implementation began in 2011 with the launch of the first phase of the project.

Investment Results

The 2011 investment market continued the volatility present throughout much of this decade. While the returns were up in the early portion of the year, global uncertainty about international markets and other economic factors in the U.S. had a significant impact on market results. In the U.S., the budget deficit debate and the corresponding markdown of the U.S. credit rating took its toll on the confidence of the U.S. investment market.

Consequently, OPERS' investment results were 0.2% for the year. While these flat returns did exceed the benchmark of a negative 0.87%, they did not meet the actuarial rate of return of 8.0%. OPERS' total portfolio is made up of three underlying portfolios that fund the pension and health care benefits. Specifically, the Defined Benefit portfolio returned 0.36%, compared to the benchmark return of negative 0.88% and compared to the actuarial rate of 8.0%; the Health Care portfolio experienced a negative 0.52%, compared to the benchmark return of negative 0.71% and the actuarial rate of 6.5%. The Defined Contribution portfolio experienced a negative 2.59% return compared to the benchmark of negative 2.63%.

This decade has proved to be a volatile one, with 2008 providing a record low return followed by great returns in 2009 and 2010. Similarly, the early part of the decade saw very low returns from 2000-2002, followed by record high returns in 2003-2007. In times such as these with high volatility, it's important to remember that OPERS is a long-term investor and, as such, focuses on long-term results rather than yearly returns that tend to show more volatility. Over the past 30 years, during which three substantial drops in stock market performance have occurred, OPERS has averaged an 8.97% return on investments, further evidence of a successful long-term investment strategy. A complete discussion of OPERS' investment returns, activities, asset allocation strategy, and policies governing those activities are more fully explained in the Investment Section, beginning on page 74.

2011 Financial Highlights

Funded status: Funded status measures the progress of accumulating the funds necessary to meet future obligations. Historically, periods of diminished funded status were made up as market conditions improved. Similarly, years of enhanced funded status are typically eroded when market conditions are poor.

OPERS' 2010 actuarial pension valuation (most recent valuation) shows a funded status of 76.1% with the unfunded liability expected to be funded within 29 years. Through OPERS' use of a four-year smoothing with a 12% market corridor, the 2010 actuarial valuation included $3.0 billion in unrealized gains which essentially reflects that the entire unrealized loss from the 2008 market downturn had been more than offset with the market gains from 2009 and 2010. As always, OPERS was in compliance with the 30-year funding window required by law.

In 2011, OPERS completed the periodic five-year experience study. As a result of the experience study, OPERS modified various demographic and economic assumptions to better reflect actual experience. Specifically, demographic assumption changes were made to the withdrawal assumption, the normal retirement assumption, the early retirement assumption, the disability assumption and the mortality assumption. The economic assumption changes impacted the wage growth and the price growth assumptions. Additionally, since all the assumptions were reset as of the experience study, OPERS also reset the funding value to the market value, thus recognizing the unrealized gains. Following the experience study and all the changes in assumptions, OPERS was 79.1% funded with the unfunded liability expected to be funded within 24 years.

As noted previously, OPERS is not required by statute or GASB to pre-fund health care; however, OPERS has historically pre-funded this expense. OPERS is one of the few systems in the country that pre-fund health care and consequently has one of the largest health care funds; in addition, our health care assets represent approximately 90% of the total assets pre-funded by all pension systems in the U.S. As of the 2010 health care actuarial valuation, OPERS was 41.8% funded with an expected solvency period of 11 years. The solvency period reflects the number of years the fund could last without additional contributions based on the current level of expenditures. As noted before, OPERS is engaged in a process to develop recommended changes to the health care program designed to extend the life of that fund.

Retirement contributions: Employer contributions, employee contributions and income from investments provide the funds necessary to finance retirement benefits. As noted before in this letter, approximately two-thirds of OPERS' revenue, from which benefits are paid, is generated from investment returns. The remaining amount comes from employee and employer contributions. OPERS' total net assets at the end of 2011 were $74.0 billion, as compared to the 2010 net assets of $76.5 billion and the 2009 net assets of $69.5 billion.

Expenses: Expenses for fiscal year 2011 were $6.3 billion, an increase of 8.0% over 2010, which totaled $5.8 billion. This increase is primarily due to growth in the number of benefit recipients. Unlike the national trend, retiree health-care expenses rose only 0.5% in 2011 to $1.6 billion. It is important to note that in 2011, OPERS paid $4.3 billion in pension benefits and $1.6 billion in health care to nearly 190,000 retired Ohioans and their beneficiaries, of which 90% remain in Ohio during their retirement.

Administrative costs: OPERS works to keep administrative costs low and, for the third consecutive year, in 2011, OPERS employees received no increase in compensation. Administrative costs in 2011 were $96.7 million, including investment expenses. This is a decrease of $0.4 million, or 0.4%, when compared to fiscal 2010. Complete details of administrative expenses are detailed in the Financial Section, starting on page 18.

The Management's Discussion and Analysis beginning on page 20, has a more in-depth discussion of OPERS' funded status as well as a complete analysis of the additions and deductions to Plan Net Assets.

Professional Services

Professional services are provided to OPERS by consultants appointed by the Board of Trustees. Actuarial services are provided by Gabriel, Roeder, Smith & Company; Southfield, Michigan. The investment advisor to the Board of Trustees for all the plans is NEPC, Cambridge, Massachusetts; and Hewitt EnnisKnupp, Chicago, Illinois. The financial records of the System were audited by CliftonLarsonAllen LLP, Certified Public Accountants, Toledo, Ohio, under contract with the Auditor of the State of Ohio.

Acknowledgments

This CAFR is the result of the combined efforts of the System's staff under the direction of the Board of Trustees. Our sincere appreciation is extended to all who assisted in and contributed toward the completion of this document.

As always, the purpose of this report is to provide complete and reliable information so that it serves as a basis for making management decisions, as a method for determining legal compliance, as a resource for establishing our responsible stewardship over the assets held in trust for the members of this System, and as an educational document so that all stakeholders can clearly understand the work of OPERS throughout the past years, our results, and the expectations for the future.

The constant rate of change: New Executive Director

One final change that should be included in the list of 2011 changes is that of the executive director. After being selected to serve in an interim capacity in February 2011, I was honored to be appointed OPERS' executive director in August by the Board of Trustees. I am humbled to lead a group of talented and dedicated professionals focused on ensuring the strength of the pension system and the high quality of service to members. It is my hope that I can continue the long legacy of prudent fiscal stewardship exhibited by the previous executive directors.

Changing to Better Serve Our Members

In closing, we recognize that change can be difficult, but also realize that change is important to keep pace, to grow and to adapt to the changes around us. Throughout all the changes OPERS considers, we never forget those whom we serve—our members and retirees and their beneficiaries. We try to solicit member feedback on proposed changes and incorporate that feedback where we can. We also believe strongly that change should be done incrementally and should allow for adequate planning. When done correctly, change will make us all grow and become better. This is our goal for the System.

Respectfully Submitted,

Karen E. Carraher

Karen E. Carraher, CPA

Executive Director &
Interim Director—Finance

Blake W. Sherry

Blake W. Sherry

Chief Operating Officer

Karen E. Carraher, CPA
Executive Director

Blake W. Sherry
Chief Operating Officer

Fiduciary Responsibilities

The Board of Trustees and executive management of OPERS are fiduciaries of the pension trust funds. Fiduciaries are charged with the responsibility of assuring that the assets of OPERS are used exclusively for the benefit of plan participants and their beneficiaries.

Request for Information

This financial report is designed to provide the Board of Trustees, our membership, taxpayers, investment managers, and creditors with an overview of OPERS' finances and accountability for the money received. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ohio Public Employees Retirement System
Director—Finance
277 East Town Street
Columbus, Ohio 43215-4642

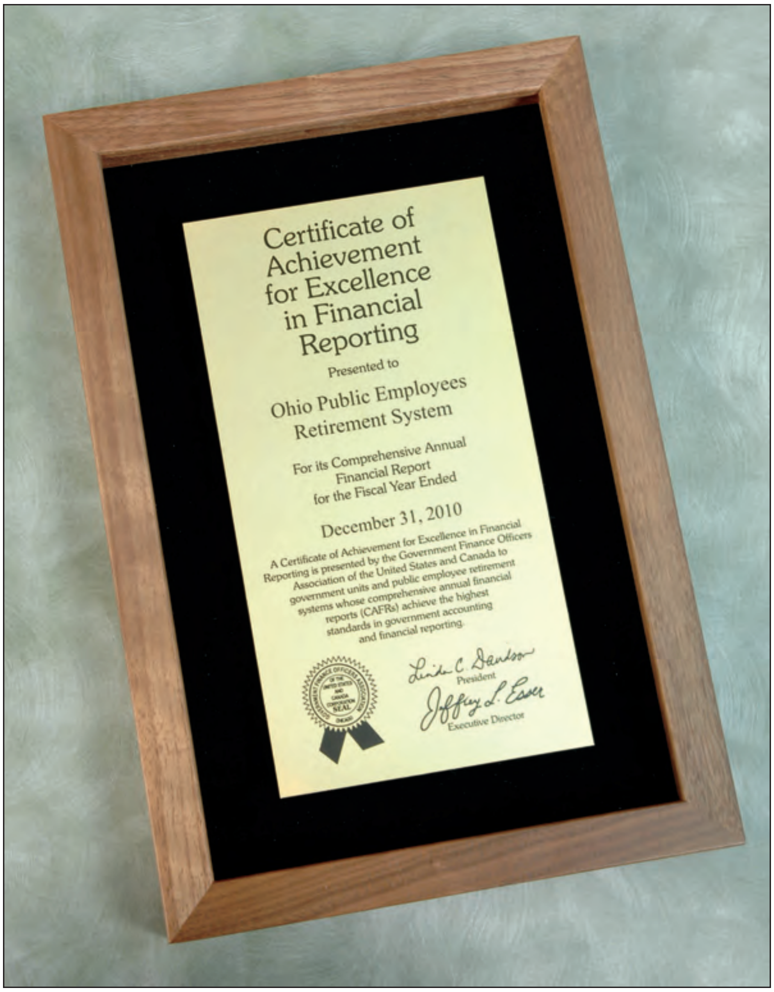
Awards

OPERS has been recognized by national financial experts and organizations for commitment to the highest possible fiscal standards. We are honored to have been recognized with the following awards:

- ***2011 Public Pension Standards Award***—Recognizing OPERS for the professional standards attained for plan funding and administration.

- ***2010 Certificate of Achievement***—For the 28th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded OPERS a Certificate of Achievement for Excellence in Financial Reporting for its *Comprehensive Annual Financial Report* for the fiscal year ended December 31, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

Certificate of Achievement for Excellence in Financial Reporting



- **2010 Award for Outstanding Achievement**—The Government Finance Officers Association of the Untied States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to OPERS for its first *Popular Annual Financial Report* for the fiscal year ended December 31, 2010. This award is a prestigious national award recognizing conformance with the highest standards of creativity, presentation, understandability, and reader appeal for preparation of governmental popular reports.

Award for Outstanding Achievement in Popular Annual Financial Reporting

OPERS

Financial Section

Our only security
is our ability to change.

John Lilly, physician, philosopher
and writer

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditors' Report

Board of Trustees
The Ohio Public Employees Retirement System and
The Honorable Dave Yost
Auditor of State

We have audited the accompanying combining statements of fiduciary net assets of the Ohio Public Employees Retirement System (OPERS) as of December 31, 2011 and 2010, and the related combining statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of OPERS' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OPERS as of December 31, 2011 and 2010 and the changes in its fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Audit Standards*, we have also issued our report dated April 27, 2012, on our consideration of OPERS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions and related notes, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information, including the administrative expenses, and schedules of investment expenses, payments to consultants, and external asset managers' fees, as listed on the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional information, including the administrative expenses and schedules of investment expenses, payments to consultants, and external asset managers' fees are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory, investment, actuarial and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

CliftonLarsonAllen LLP

Toledo, Ohio
April 27, 2012

The management of the Ohio Public Employees Retirement System (OPERS) offers readers of the System's financial statements this narrative overview of the financial activities of OPERS for the years ended December 31, 2011 and 2010. This narrative is intended to supplement the System's financial statements. Readers are encouraged to consider the information presented here in conjunction with the financial statements that begin on page 38.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to OPERS' financial statements. The basic financial statements include:

1. Combining Statements of Fiduciary Net Assets
2. Combining Statements of Changes in Fiduciary Net Assets
3. Notes to Combining Financial Statements

As mandated, this *Comprehensive Annual Financial Report* (CAFR or annual report) also contains the following schedules, referred to as Required Supplementary Information:

1. Schedules of Funding Progress
2. Schedules of Employer Contributions—Pension
3. Schedules of Contributions from Employers and Other Contributing Entities—Post-employment Health Care
4. Notes to Required Supplementary Information

Expenses associated with administering the System are presented immediately following the Notes to Required Supplementary Information in the following Additional Information schedules:

1. Administrative Expenses
2. Schedule of Investment Expenses
3. Schedule of Payments to Consultants
4. Schedule of External Asset Managers' Fees

The financial statements contained in this annual report disclose financial data for each of the benefit plans described below. These plans are established as separate legal entities in accordance with Internal Revenue Service regulations and Ohio law.

The Traditional Plan

The Traditional Plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and final average salary. The pension benefits are funded by both member and employer contributions, and investment earnings on those contributions.

The Combined Plan

The Combined Plan is a defined benefit plan with elements of a defined contribution plan. Under the Combined Plan, members earn a formula benefit similar to, but at a factor less than, the Traditional Plan benefit level. This defined benefit is funded by employer contributions and associated investment earnings. Additionally, member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement or termination, the member may choose a defined contribution retirement distribution that is equal in amount to the member's contributions to the plan and investment earnings (or losses) on those contributions. Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS. The annuity is guaranteed a fixed rate of return equal to the actuarial assumed rate of return.

The Member-Directed Plan

The Member-Directed Plan is a defined contribution plan in which members self-direct the investment of both member and employer contributions. The retirement distribution under this plan is equal to the sum of member and vested employer contributions, plus investment earnings (or losses) on those contributions. Employer contributions and associated investment earnings vest over a five-year period at a rate of 20% per year.

Upon retirement or termination, the member may choose a defined contribution retirement distribution, or may elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS. The annuity is guaranteed a fixed rate of return equal to the actuarial assumed rate of return.

Post-employment Health Care Plan

The Post-employment Health Care Plan is a legal plan established under Section 401(h) of the Internal Revenue Code. This plan is pre-funded and holds the portion of employer contributions made to the Traditional and Combined plans that are set aside for funding retiree health care. The health care portion of the employer contribution rate for the Traditional and Combined plans is comparable, as the same benefits are provided to participants in both plans.

For retirees under the age of 65, OPERS operates the plan on a self-insured basis, assuming both the cost savings of favorable claims experience, and the risk of catastrophic claims. Eligible retirees are provided with a monthly allowance and may chose from three coverage levels with varying costs. If the cost of the selected coverage is less than the monthly allowance, the excess funds are deposited into a Retiree Medical Account (RMA) in the retiree's name. The retiree may use the funds in the RMA to pay for qualified medical expenses not covered by the plan.

For retirees over the age of 65, OPERS offers a fully insured, premium based Medicare Advantage plan. As with the under 65 population, eligible retirees are provided with a monthly allowance and any excess funds are deposited to a RMA for use in paying qualified medical expenses not covered by the plan.

Voluntary Employees' Beneficiary Association (VEBA)

The Voluntary Employee's Beneficiary Association (VEBA) is established under Section 501(c)(9) of the Internal Revenue Code, and functions in a manner similar to a Retiree Medical Account (RMA). The VEBA holds the portion of employer contributions made to the Member-Directed Plan that are set aside for funding retiree health care. Effective January 1, 2009, contributions and interest vest with the member over a five-year period. Prior to 2009, the vesting period was 10 years. Upon separation, the member may use the funds in the VEBA for qualified health care expenses.

Financial activity for each of these plans is reported in the basic combining financial statements described below:

Combining Statements of Fiduciary Net Assets

The Combining Statements of Fiduciary Net Assets is a point-in-time snapshot of plan fund balances at fiscal year end. It reports the assets available to pay future benefits to retirees, and any liabilities that are owed as of the statement date. The resulting Net Asset Value (Assets–Liabilities = Net Assets) represents the value of assets held in trust for pension and post-employment health care benefits. (See Combining Statements of Fiduciary Net Assets for years ended December 31, 2011 and 2010 on pages 38-39 of this report.)

Combining Statements of Changes in Fiduciary Net Assets

The Combining Statements of Changes in Fiduciary Net Assets displays the effect of financial transactions that occurred during the fiscal year, where Additions – Deductions = Net Increase (or Net Decrease) in Net Assets. This net increase (or decrease) in net assets reflects the change in the value of Fiduciary Net Assets that occurred between the current and prior year. (See Combining Statements of Changes in Fiduciary Net Assets for years ended December 31, 2011 and 2010 on pages 40-41 of this report.)

Notes to Combining Financial Statements

The Notes to Combining Financial Statements are an integral part of the financial statements and provide additional information that is essential for a comprehensive understanding of the data provided in the financial statements. These notes describe the accounting and administrative policies under which OPERS operates, and provide additional levels of detail for selected financial statement items. (See Notes to Combining Financial Statements, December 31, 2011 and 2010 on pages 42-63 of this report.)

The financial statements described above are prepared in compliance with Governmental Accounting Standard Board (GASB) Pronouncements, including GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments,* and GASB statement 59, *Financial Instruments Omnibus*. GASB 53 was implemented in 2009 and established standards for recognizing, measuring, and disclosing information regarding derivative instruments and transactions. GASB 59 updates and expands existing standards related to financial reporting of certain financial instruments and external investment pools. This statement was implemented in 2011.

Because of the long-term nature of most pension plans, financial statements alone cannot provide sufficient information to properly reflect the ongoing plan perspective. Therefore, in addition to the financial statements explained above, this report includes two additional Required Supplementary Information schedules and required notes. Each schedule includes historical trend information.

Schedules of Funding Progress

The Schedules of Funding Progress (pages 64-65) include actuarial information about the status of the defined benefit pension plans from an ongoing, long-term perspective, and the progress made in accumulating sufficient assets to pay pension benefits under these plans when due. Valuation Assets in excess of Actuarial Accrued Liabilities indicate that sufficient assets exist to fund the future defined pension benefits of the current members and benefit recipients. Actuarial Accrued Liabilities in excess of Valuation Assets reflect an Unfunded Actuarial Accrued Liability (UAAL). The UAAL represents the value, in current dollars, that would need to be accumulated to fund the pensions of all active and retired members as of the date represented in the schedule. For OPERS, the UAAL is being systematically funded over 29 years as of the most recent valuation dated December 31, 2010 valuation.

Similarly, the Schedule of Funding Progress for the Post-employment Health Care Plan (page 65) includes actuarial information about the status of the health care fund from an ongoing, long-term perspective, and the progress made in accumulating sufficient assets to pay future health care benefits. However unlike pensions, health care benefits are not a statutorily guaranteed benefit and may be changed to ensure the long-term solvency of the fund and OPERS' ability to provide future benefits. Actuarial accrued liabilities are determined based on the current plan, and do not reflect potential changes until approved by the Board of Trustees.

Schedules of Employer Contributions

The Schedules of Employer Contributions (page 66) present historical trend information regarding the value of total annual contributions required to be paid by employers for the employees participating in each defined benefit plan, and the actual performance of employers in meeting this requirement. The information contained in these schedules reflects the required contributions based on the contribution rates approved by the Board of Trustees.

Similarly, the Schedule of Contributions from Employers and Other Contributing Entities—Health Care (page 67) presents information regarding the value of total annual contributions required to fund health care coverage and the total portion of the employers' contributions applied toward this funding. In addition, OPERS participates in federal programs such as Medicare Part D reimbursements and prescription drug plans that provide direct subsidies of health care expenses. These reimbursement/subsidy programs contribute to the funded status of the plan. This schedule is a presented in accordance with GASB 43, which OPERS implemented in 2006.

Notes to Required Supplementary Information

The Notes to Required Supplementary Information (pages 68-69) provide background information, a summary of the actuarial assumptions used for valuation of the pension and post-employment health care plans, and explanatory detail to help in understanding the required supplementary schedules.

The following schedules are provided as Additional Information regarding the expenses associated with administering the system.

Administrative Expenses

The Administrative Expenses schedule displays the total operating costs of managing the System, by major categories of expense (page 70).

Schedule of Investment Expenses

The Schedule of Investment Expenses summarizes the costs incurred in managing the investment assets of the System (page 71). These costs are reported as Investment Administrative Expenses in the Combining Statements of Changes in Fiduciary Net Assets, and are reflected as a reduction in Net Investment Income.

Schedule of Payments to Consultants

The Schedule of Payments to Consultants represents payments made to investment consultants for market analyses, performance statistics, and other activities. These payments are included in the Schedule of Investment Expenses, and provide a more detailed listing of the major investment service providers utilized by the System (page 71).

Schedule of External Asset Managers' Fees

The Schedule of External Asset Managers' fees reports fees paid to external portfolio managers based on the value of assets managed (page 71). These External Asset Management Fees are not accounted for in OPERS' administrative expenses, but are netted against investment income in the Combining Statements of Changes in Fiduciary Net Assets.

Financial Highlights

- The OPERS investment portfolio reported a total return of 0.20% for the year ended December 31, 2011, as compared to a return of 13.90% in 2010 and a return of 20.06% in 2009. The OPERS total portfolio is divided into three sub portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio earned an investment return of 0.36% in 2011 compared to a return of 13.98% in 2010, and 19.09% in 2009. The Health Care portfolio experienced a loss of 0.52% in 2011, compared to investment gains of 13.53% and 24.80% in 2010 and 2009, respectively. The Defined Contribution portfolio also experienced a loss of 2.59% compared to investment gains of 13.74% in 2010 and 26.44% in 2009.
- Plan net assets decreased by nearly $2.5 billion in 2011, compared to the 2010 values, due primarily to lower investment returns resulting from volatility in the investment markets. Net income from investing activities totaled $180.0 million in 2011, compared to incomes of $9.3 and $12.3 billion in 2010 and 2009, respectively. The volatile investment markets of the past four years combined with steadily increasing benefit payments resulted in a $9.5 billion decline in net assets from a System high of $83.6 billion for the year ended December 31, 2007, to $74.0 billion for the year ended December 31, 2011. (Refer to Table 1 for a three-year comparative history of changes in plan net assets.)

Changes to Fiduciary Net Assets (Revenues) (for the years ended December 31, 2011, 2010, and 2009) **Table 1**

	2011	2010	2009	Amount Increase/ (Decrease) from 2010 to 2011	Percent Increase/ (Decrease) from 2010 to 2011
Member and Employer Contributions	$3,244,226,260	$3,183,670,479	$3,207,815,205	$60,555,781	1.9 %
Contract Receipts and Other Income	425,298,672	358,624,180	296,989,731	66,674,492	18.6
Net Income from Investing Activity	179,956,702	9,268,181,189	12,274,797,785	(9,088,224,487)	(98.1)
Total Additions	**3,849,481,634**	**12,810,475,848**	**15,779,602,721**	**(8,960,994,214)**	**(70.0)**
Benefits and Account Refunds	6,230,047,461	5,762,672,679	5,372,020,582	467,374,782	8.1
Administrative and Other Expenses	80,178,697	81,558,708	83,724,713	(1,380,011)	(1.7)
Total Deductions	**6,310,226,158**	**5,844,231,387**	**5,455,745,295**	**465,994,771**	**8.0**
Net Increase (Decrease) in Net Assets	**(2,460,744,524)**	**6,966,244,461**	**10,323,857,426**	**(9,426,988,985)**	**(135.3)**
Net Assets, Beginning of Year	76,491,620,690	69,525,376,229	59,201,518,803	6,966,244,461	10.0
Net Assets, End of Year	**$74,030,876,166**	**$76,491,620,690**	**$69,525,376,229**	**($2,460,744,524)**	**(3.2)%**

- The year ended December 31, 2008 marked the most significant market decline experienced by the System in the past 30 years. As of December 31, 2007, OPERS' actuarial accrued liabilities for its defined benefit pension plans exceeded its actuarial value of assets by only $2.6 billion, representing a funded ratio of 96.3%. The investment losses of 2008 increased these liabilities to $18.2 billion, reducing the funding ratio to 75.3%. The investment gains experienced in 2009 and 2010 exceeded the actuarial assumed rate of return but did not materially improve the System's funding status due to the actuarial smoothing techniques that defer recognition of a portion of the annual investment gains and losses. As of December 31, 2010, the date of the most recent actuarial valuation, OPERS' unfunded actuarial liability for defined benefit pension plans had grown to $19.0 billion. Refer to Table 2 for a comparative history of OPERS' actuarial liabilities and funding years for pension benefits, and to the Funding Status section beginning on page 35 for a discussion of actuarial smoothing.

- OPERS' funding objective is to meet long-term pension benefit obligations, and to the extent possible, fund health care benefits. As of December 31, 2010, the date of the latest actuarial valuation, OPERS' funded ratio for defined benefit pensions was 76.1%. In general, this means that for each dollar's worth of future pension liability, OPERS had accumulated over $0.76 to meet that obligation. This actuarial report indicated that if future activity proceeded according to assumptions, OPERS would accumulate sufficient assets to pay all pension liabilities for active members and retirees within 29 years.

  During 2011, an actuarial experience study was performed comparing actual experience for the past five years to the assumptions used in the actuarial valuation. This experience study resulted in changes to the mortality tables and wage assumptions in both the pension and health care actuarial valuations. Implementation of these recommendations is estimated to result in a change in the projected actuarial accrued liabilities, unfunded actuarial accrued liability (UAAL), and funding years for the year ended December 31, 2010. The original 2010 valuation UAAL of $19.0 billion was revised downward to an estimated $16.8 billion, with a corresponding increase in the funding ratio from 76.1% to 79.1%. Based on the revised assumptions, OPERS would accumulate sufficient assets to pay all pension liabilities as of December 31, 2010 within 24 years. As of the date of this report, the actuarial valuation for the year ended December 31, 2011 is not yet complete; given the limited investment returns of 2011, it is expected that the funding years will increase to 28.

Schedule of Funding Progress * ($ in millions) **Table 2—Traditional, Combined and Member-Directed Plans**

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Funding Years
2010#	$80,485	$63,649	$16,836	79.1%	24
2010#*	79,630	60,600	19,030	76.1	29
2009	76,555	57,629	18,926	75.3	30
2008	73,466	55,315	18,151	75.3	30
2007	69,734	67,151	2,583	96.3	14
2006	66,161	61,296	4,865	92.6	26
2005#	62,498	54,473	8,025	87.2	28
2005#*	61,146	54,473	6,673	89.1	20

* The amounts reported on this schedule do not include assets or liabilities for post-employment health care benefits.
#* Results from original valuation prior to re-statement after completion of experience study.
Revised actuarial assuptions based on experience study.

- OPERS has been reporting long-term health care obligations and the corresponding assets set aside to pay those obligations in accordance with GASB 43 since 2006, resulting in a six-year trend of funding progress. As of December 31, 2010, the date of the latest actuarial valuation, OPERS' liability for health care benefits was $26.9 billion and the System had accumulated assets for that obligation of $11.3 billion. OPERS had an unfunded actuarial accrued liability of $15.7 billion, representing a decrease of nearly $5.0 billion from the December 31, 2009 valuation. The funding ratio also increased from 34.7% in 2009 to 41.8% in 2010. OPERS remains one of only a handful of retirement systems around the country that pre-funds any portion of health care (the accounting requirements do not mandate pre-funding health care benefits).

  However, as previously noted, health care coverage is not a statutorily guaranteed benefit, and may be changed to ensure the long-term solvency of the fund and OPERS' ability to provide future coverage. The funding progress of the health care plan is measured in terms of solvency years, or the number of years that funds are projected to be available to pay health care expenses under the current plan structure before the plan would be reduced to a pay-as-you-go basis. The market losses of 2008 reduced the solvency years of the health care fund from 31 years as of December 31, 2007, to 11 years for the years ended December 31, 2008 through 2011. Refer to Table 3 for a comparative history of OPERS' actuarial liabilities and solvency years for health care benefits.

  During 2011, an actuarial experience study of the health care fund was also performed comparing actual experience for the past five years to the assumptions used in the actuarial valuation. In addition to the changes in mortality tables and wage assumptions noted for the pension study, this experience study also included a reduction in the discount rate and a new participation rate assumption to reflect the impact of eligible members who elect not to participate in the OPERS health care plan. Implementation of these recommendations is estimated to result in an increase in the actuarial accrued liabilities from $26.9 billion to $30.5 billion for the year ended December 31, 2010. The original 2010 valuation UAAL of $15.7 billion is projected to increase to $18.2 billion, with a corresponding decrease in the funding ratio from 41.8% to 40.4%. However, the revised assumptions have a minimal impact on the solvency period of 11 years.

Schedule of Funding Progress ($ in millions) **Table 3—Post-employment Health Care Plan**

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Solvency Years*
2010#	$30,531	$12,320	$18,211	40.4%	11
2010#*	26,929	11,267	15,662	41.8	11
2009	31,558	10,936	20,622	34.7	11
2008	29,623	10,748	18,875	36.3	11
2007	29,825	12,801	17,024	42.9	31
2006	30,748	12,025	18,723	39.1	27
2005#	31,796	11,070	20,726	34.8	18
2005#*	31,307	11,070	20,237	35.4	17

* Solvency years represent an estimate of the number of years the fund will be able to provide benefits under the intermediate actuarial assumptions.
\# Revised actuarial assuptions based on experience study.
#* Results from original valuation prior to re-statement after completion of experience study.

- Revenues (additions to plan net assets) for the year 2011 were $3.8 billion, and include member and employer contributions of $3.2 billion, net income from investment activities of $180.0 million, and other income totaling nearly $425.3 million. Other income is comprised of purchased service agreements, employer interest and penalty charges, vendor performance guarantees and rebates, federal subsidies, settlements, inter-plan activity, and miscellaneous other income. Inter-plan activity represents transactions between plans that are additions to plan assets. Additions to plan net assets for the year 2010 were $12.8 billion, comprised of nearly $3.2 billion in contribution revenues, $9.3 billion in net income from investment activities, and $358.6 million in other income. Refer to Table 5 for a comparative history of OPERS' Additions to Fiduciary Net Assets.
- Expenses (deductions to plan net assets) increased from $5.8 billion during 2010 to over $6.3 billion in 2011, or 8.0%. The increase relates primarily to pension benefits and health care payments which comprise $5.9 billion of the 2011 expenditures. Refunds of member contributions, including interest and additional payments on withdrawal where required by statute, fluctuate each year, increasing by $90.6 million or 38.9 % from 2010 to 2011. Administrative expenses decreased by 1.3% from the prior year, and represent 1.1% of the total expenses. The remaining expenses are comprised of inter-plan activity transactions representing deductions to plan assets. Inter-plan activity for additions and deductions will always be equal, creating a net effect of zero on the Combining Statements of Changes in Fiduciary Net Assets. Refer to Table 6 for a comparative history of OPERS' Deductions in Fiduciary Net Assets.

Analysis of Financial Activities

OPERS' funding objective is to meet long-term benefit obligations with investment income and contributions. Accordingly, the collection of employer and member contributions and the income generated from investment activities provide the reserves needed to finance future retirement and health care benefits. The discussion below provides an analysis of the current year's financial activities in relation to the current member population and relevant economic conditions. Where appropriate, comparative data from the prior year is also presented. (Please refer to Table 4 for relevant membership statistics.)

Membership (as of December 31, 2011, 2010, 2009) **Table 4**

Member Counts	2011	2010	2009	Increase/ (Decrease) from 2010 to 2011
Active Contributing	349,188	356,734	365,229	(7,546)
Inactive Members	451,353	438,434	416,548	12,919
Retired Members*	184,965	175,040	168,318	9,925
Dependents and Beneficiaries Receiving Benefits*	4,859	4,525	3,636	334
Total Pension Plan Membership	**990,365**	**974,733**	**953,731**	**15,632**
Retired Members—Health Care**	163,388	158,846		4,542
Dependents and Beneficiaries Receiving Health Care**	62,507	60,624		1,883
Total Health Care Recipients	**225,895**	**219,470**	**214,480**	**6,425**

* Prior to 2011, Benefits Recipients in the Statistical Section includes dependents and beneficiaries receiving benefits. In 2011, these counts represent retired members only. Survivor benefits paid for member accounts with less than five years of service are classified as Retired Members (rather than Dependents and Beneficiaries Receiving Benefits).

** Retired members includes Member-Directed retirees with a VEBA account. Segregation of covered lives by retiree and covered dependents in the Post-employment Health Care Plan is not available prior to 2010.

Additions to Fiduciary Net Assets (Revenues) (Refer to Table 5)

As previously noted, the reserves needed to finance retirement benefits are accumulated primarily through the collection of member and employer contributions, and through investment income (net of investment expense). Revenues for the year ended December 31, 2011, totaled $3.8 billion, of which $180.0 million resulted from net earnings on investments. By comparison, revenues for 2010 totaled over $12.8 billion, with net investment income of $9.3 billion. The investment gains of 2009 through 2011 total $21.7 billion compared to the 2008 net investment loss of $22.8 billion. On average, investment income historically represents approximately 65% of total revenues.

Total revenues for 2011 decreased by nearly $9.0 billion compared to the prior year. The financial crises of 2008 created an unstable global economy that continues to be volatile in various sectors. It's important to put these market swings in the proper perspective. During the past 30 years, in aggregate, OPERS has experienced negative returns in only eight years (four of these have occurred in the last decade) triggered by the market declines of 2008, the post 9/11 recession, and the recession of the early 1980s brought on by the 1979 energy crisis. Each of these market declines was followed by periods of investment returns in excess of 20%. Despite these economic crises, OPERS has achieved an average annual rate of return of nearly 9.0% during this 30-year period, exceeding the annual actuarial funding requirement of 8.0%. (Refer to the Investment Section for historical rates of return.)

Member and employer contributions for 2011 increased by nearly $60.6 million compared to 2010, or 1.9%. Member and employer contributions include amounts paid by active members and their employers for future retirement benefits, and amounts paid by retirees towards the cost of OPERS-provided health care. Retirement contributions from active members and their employers increased by $23.8 million in 2011, compared to a decrease of $41.4 million in 2010. The market volatility of 2008 resulted in many employers foregoing or deferring pay raises in both 2009 and 2010, implementing furlough days, and reducing the number of employees. The market recovery of 2009 and 2010 began to reverse these trends in 2011; however, the number of actively contributing members continues to decline.

Unemployment rates in Ohio reached their highest levels in 23 years in 2009, exceeding 10% by year end. This trend continued at a rate of 10.1% through 2010, with the ratio of employed workers to total population declining by 0.5%. By the end of 2011, unemployment rates in Ohio had dropped to 8.6%; however, this employment trend is not evident in the staffing levels of public employers. The decline in the number of actively contributing members that began in 2008 continued through 2011 at a rate in excess of 2% per year, as a weak Ohio economy continues to contribute to layoffs and downsizing by employer units. Actively contributing members declined by 2.12% in 2011, 2.33% in 2010, and 2.35% in 2009. At the same time, the number of inactive members increased by 2.95%, 5.25%, and 5.34% respectively, and the number of retired members increased by 5.67%, 3.99%, and 3.29%, respectively.

In addition, although the employment cost index for Ohio indicates average wage increases of 2.4% for 2011 and 2.5% for 2010, the public sector has not experienced these same trends. While most public employers have discontinued the furlough programs instituted in 2008 that required employees to take unpaid days off, the annual salary increases for public employees nationwide continue to lag behind those of the private sector. Nationwide, public administration salaries for calendar year end 2011 and 2010 were 0.9% and 1.1%, respectively. The termination of unpaid leave programs and modest salary increases exceeded the loss in actively contributing members, resulting in a 0.78% increase in revenues from both employee and employer contributions for those members still actively employed.

Member contributions also include amounts paid by retirees towards the cost of OPERS-provided health care. Retirees share in the cost of providing health care coverage for their spouse and dependents. In 2011 these contributions totaled $148.4 million, compared to $111.6 million in 2010 and $94.4 million in 2009. This increase reflects the rising cost of health care benefits, an increase in the retiree population, and the impact of program design changes. The number of retirees elegible for health care increased by 2.9% compared to 2010, with a corresponding increase of 3.1% in the number of dependent recipients eligible for health care coverage. By comparison, the total number of benefit recipients in 2010 increased by 2.3% over the 2009 levels.

Plan design changes adopted in 2004 and 2009 shifted a greater portion of health care expense to the retiree. In 2004, the Board adopted the Health Care Preservation Plan (HCPP) to extend the number of years the health care fund would be available to provide coverage to current and future retirees. The plan featured three coverage levels, and provides monthly allowances for health care coverage for retirees and their eligible dependents based on the retiree's years of service. Members who were eligible to retire on January 1, 2007 with at least ten years of service (Group 1) receive an allowance equal to 100% of the cost of health care coverage under the enhanced plan. Members hired prior to January 1, 2003 but eligible to retire after January 1, 2007 (Group 2) receive allowances ranging from 50% to 100%, while members hired after January 1, 2003 (Group 3) receive allowances ranging from 25% to 100%. The allowances for Groups 2 and 3 increase with each year of service, up to the maximum of 100% with 30 years of service. Prior to 2011 the majority of retirees participating in the health care plan represented Group 1 members who were provided allowances covering the majority of their health care premium. However, by 2011, 13.5% of the retirees in the health care plan were Group 2 and 3 members receiving lower allowances and required to pay a portion of their health care premiums. In addition, effective in 2011 OPERS ceased subsidizing health care coverage for retiree spouses under the age of 55. These spouses may continue to participate in the health care program, but must pay 100% of the premium cost. The plan design changes increased member contribution revenues for health care by $36.7 million in 2011 compared to 2010 revenues.

Contracts and other receipts represent funds received for member purchase of service contracts, employer early retirement incentive programs, vendor rebates, and funds received from other retirement systems for members with service credit under more than one retirement system. These receipts totaled $211.8 million in 2011, reflecting a 7.3% increase over the $197.5 million earned in 2010. The majority of this increase represents gain sharing revenues received in conjunction with the Medicare Advantage program. OPERS is self insured for retirees under the age of 65, but contracts with a vendor to provide a premium-based Medicare Advantage program for retirees over the age of 65. The premium is estimated at the beginning of the year, and adjusted at year end based on OPERS' actual claims experience. In essence, these revenues represent a premium adjustment based on actual experience. In 2011, gain-sharing revenues totaled $46.8 million compared to $22.0 million in 2010. The increase in gain-sharing revenues is offset in part by a reduction in prescription drug rebates from $49.0 million in 2010 to $35.0 million in 2011. Participation in a Medicare eligible prescription drug plan requires the use of specific formularies which reduces the purchase volumes subject to the rebate program.

Federal subsidies are comprised of reimbursements and direct subsidies OPERS received from the federal government for participation in Medicare drug programs and the Early Retirement Reinsurance Program. In 2011 and 2010 OPERS received $109.5 million and $70.6 million respectively from the federal government under the Early Retirement Reinsurance Program as reimbursement for a portion of the health care claims incurred by retirees under the age of 65. Future receipts under this program are not expected to continue as the federal set-aside for this program is exhausted except for claims in process. To date, OPERS has received the third highest distribution of nationwide recipients participating in the program

Employers that offer a high-quality prescription drug program for retirees and their dependents are eligible for a federal subsidy under either the Medicare Part D program or a qualified prescription drug plan (PDP). The Medicare Part D program provides reimbursement of approximately 25-28% of eligible retiree prescription drug costs, and represented over $72.1 million in revenue for OPERS in 2010. These revenues declined to $0.8 million in 2011 with the implementation of the prescription drug plan (PDP). The PDP is also a Medicare drug plan but is structured as a direct subsidy. OPERS receives a fixed amount per member based on the member's risk score, regardless of the member's actual claims experience. Members participate in either the Medicare Part D reimbursement program or the PDP program, but not both. In 2011 the PDP subsidies totaled $81.8 million for a combined Medicare total reimbursement of $82.6 million.

Other income represents the gain or loss on disposal of OPERS' fixed assets, cancellation of prior year's warrants and accruals, settlement activity, and tenant lease revenue. This activity fluctuates and typically represents approximately 1/10 of 1% of the System's total revenue. Receipts in 2011 totaled $0.6 million compared to $1.4 million in 2010 and $0.8 million in 2009.

Other income also includes significant adjustments to prior years' expense accruals. Historically, at the end of each year OPERS estimates the value of claims incurred but not yet reported (IBNR), and records an expense necessary to adjust the medical accounts payable liability for the value of these claims. Payment of these delayed claims may lag several years beyond the incurred date. Accordingly, the accrual is estimated based on an average of the historical claims experience for the preceding four years. Participation in the Medicare Advantage program is mandatory when a retiree and their spouse reach age 65, and as a premium based program, OPERS does not bear the risk of unreported claims. As the retiree population ages and moves to the Medicare Advantage program, the IBNR reserve also decreases with a corresponding charge to other income for the write-off of prior years' expense. The liability account is gradually being reduced over a four year period commensurate with the claims lag history. The amounts included in other income for 2011 and 2010 for the reversal or prior years' accruals are $10.7 million and $6.6 million, respectively.

Inter-plan activity represents transfers between the plans to settle up for activity occurring between the plans. This activity includes members changing from one plan to another in addition to the repayment of initial plan start-up costs. Interplan activity in 2011 resulted in a net inflow of $10.1 million, compared to $10.5 million in 2010 and $7.9 million in 2009. Since this activity represents one plan paying another plan, there is a corresponding interplan expense activity of the same amount in each year. (Refer also to the Deductions from Fiduciary Net Assets discussion below.)

Additions to Fiduciary Net Assets (Revenues) (for the years ended December 31, 2011, 2010, and 2009) **Table 5**

	2011	2010	2009	Amount Increase/ (Decrease) from 2010 to 2011	Percent Increase/ (Decrease) from 2010 to 2011
Members' Contributions	$1,434,755,544	$1,387,327,050	$1,385,175,757	$47,428,494	3.4 %
Employers' Contributions	1,809,470,716	1,796,343,429	1,822,639,448	13,127,287	0.7
Contract and Other Receipts	211,847,098	197,507,372	219,182,666	14,339,726	7.3
Federal Subsidies	192,118,407	142,658,293	69,132,772	49,460,114	34.7
Other Income, Net	11,255,503	7,930,265	794,525	3,325,238	41.9
Interplan Activity	10,077,664	10,528,250	7,879,768	(450,586)	(4.3)
Net Income from Investing Activities	179,956,702	9,268,181,189	12,274,797,785	(9,088,224,487)	(98.1)
Total Additions	**$3,849,481,634**	**$12,810,475,848**	**$15,779,602,721**	**($8,960,994,214)**	**(70.0)%**

Deductions from Fiduciary Net Assets (Expenses) (Refer to Table 6)

OPERS was created to provide retirement, survivor, and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, elective refunds of contributions to employees who terminate employment with a participating employer, and the cost of administering the System.

Expenses for the year ended December 31, 2011 totaled $6.3 billion, an increase of 8.0% over 2010. Expenses for 2010 increased by 7.1% when compared to 2009, from nearly $5.5 billion in 2009 to over $5.8 billion in 2010. Pension and post-employment health care benefits paid on behalf of current retirees and their beneficiaries comprise approximately 94% of the expenses reported in each of these years.

Pension benefits increased by $368.4 million over the 2010 level, or 9.3%. This increase reflects the combination of a net growth of 5.7% in the total number of retirees and beneficiaries receiving benefits, coupled with changing demographics in the retiree population. Defined benefit pension payments are based on a formula determined by the years of contributing service and the average of the three highest years of earnable salary (or final average salary). Benefit reduction factors are then applied to retirees under the age of 65 who have less than 30 years of service. The impact of each of these factors is discussed below.

The number of new retirees in 2011 increased by 15.3% from the number of members who retired in 2010, while the number of new retirees in 2010 represented a decline of 2.1% from the 2009 retirements. The decline in the number of new retirees in 2010 reflected the weak Ohio economy and the trend in members working longer to enhance future retirement benefits. The increase in the number of new retirees in 2011 is likely due to a combination of factors that include "baby-boomers" reaching normal retirement eligibility, and members electing early retirement with a reduced benefit due to potential changes in the pension plan design. As the number of new retirees increases as a percentage of the total retiree population, the cost of these pension payments will continue to rise as the percentage of recent retirees with higher final average salaries exceeds the population of benefit recipients who retired years ago when salaries were significantly lower than those paid for comparable positions today. The cost of pension benefits for 2010 and 2009 demonstrates this trend, increasing at a rate of over 8% each year, despite the 2.1% decrease in the number of new retirees in 2010.

The final average salaries (FAS) for new retirees in 2011 were 3.1% higher than the FAS of those who retired in 2010. By comparison, the FAS of new retirees in 2010 represented a 0.9% decrease from the 2009 retirements as a result of the wage freezes and furlough days discussed earlier. Since FAS is represented by the three highest years of earnable salary, the impact of these temporary wage limitations are mitigated with each additional year that the member works.

A key element in the pension benefit formula is years of service. The demographic shift to longer careers is reflected in the population of new retirees in 2011. As noted above, benefit reduction factors are applied to the benefits of retirees under the age of 65 who have less than 30 years of service. Members between the ages of 60 and 65 are eligible for a retirement benefit with a minimum of 5 years of service, while members under the age of 60 must have a minimum of 25 years of service to qualify for a benefit. In 2011, the number of new retirees with 30 or more years of service increased by 10.0% over the number of new retirees in 2010 with similar service, and the number of new retirees with 25 or more years of service increased by 12.4% over the corresponding 2010 new retiree population. During the five-year period 2004-2008, members with 30 or more years of service averaged 39% of the new retiree population in each year; however, this percentage increased to an average of 42% for the period 2009–2011. As members continue to work longer, the value of their retirement benefit continues to grow through wage increases that affect FAS, in the years of service used to compute the benefit, and in the avoidance of benefit reduction factors.

The increase in health care benefits also reflects the expanding retiree population and the nationwide trend in health care inflation that continues to be well in excess of general inflation. However, through a combination of plan design changes, cost-sharing changes and extensive cost containment efforts, OPERS' 2011 health care expenses rose only 0.5% over the 2010 expenses. The Health Care Preservation Plan (HCPP) adopted by the Board of Trustees in 2004 became effective in 2007. As mentioned previously, the goal of HCPP was to extend the period of time the health care assets were expected to last (the plan solvency years).

HCPP included significant changes to the health care plan design by linking the amount of health care subsidy to years of service, and allowed for variables in deductibles and cost containment efforts. Cost containment efforts included participation in federally subsidized programs such as the Medicare Part D reimbursements, the Medicare prescription drug plan program, Early Retirement Reinsurance Program, and the Medicare Advantage program. In addition, wellness programs were initiated that provide retirees with financial incentives for healthy lifestyles and participation in programs such as smoking cessation. In the five years since the plan effective date, health care expenses have risen an average of 5.6%, well below the national average of approximately 8.4% for the same period. At the same time, the number of retirees and eligible dependents and beneficiaries has steadily increased by 2.2% in 2008, 2.5% in 2009, 2.3% in 2010, and 2.9% in 2011. (Refer to the Statistical Section for a historical schedule of covered lives.

The majority of health care expenses are comprised of medical, dental, vision, and prescription drug costs, as well as reimbursements to retirees for Medicare Part B premiums. These expenses increased by $7.7 million in 2011 compared to an increase of $75.9 million in 2010. Medical expenses increased by $2.1 million or 0.2%, and prescription drug costs rose by $4.3 million or 0.8% in 2011 over the 2010 levels. Statutorily required Medicare Part B reimbursements increased by $1.3 million. Legislative changes that became effective in 2009 permit the Board to determine the value of Medicare Part B reimbursements above a base threshold. This change effectively permits the Board to establish a cap on these reimbursements, which limited the increases in these expenses to approximately 1.8% for both 2009 and 2010. The overall breakdown of health care expenses for 2010 and 2009 reflect similar distributions, with medical expenses averaging approximately 59% of the total, followed by prescription drugs, 33% and Medicare Part B reimbursements and other expenses, 7%.

Other health care expenses are comprised of payments to retiree medical accounts for retirees who elect the basic (lower level) coverage plan and claims paid through the VEBA. These expenses continue to rise with the changing member demographics, but comprise less than 1% of the total annual health care expenses for each of the past three years.

Refunds of member accounts are at the discretion of the member, and vary from year to year. In 2011, member elected refunds totaled $323.7 million, compared to $233.1 million in 2010 and $222.6 million in 2009. Members may only refund their account if they have been separated from OPERS covered employment for at least three months. Accordingly, refunds represent disbursements of inactive member accounts. The number of refunded accounts increased by 22.3% over the number of refunds in 2010, and likely reflect the impact of the weak Ohio economy.

OPERS has consistently managed its Administrative Expense budget with no material variances between planned and actual expenditures in either 2011 or 2010. Administrative expenses, including investment expenses, totaled $96.7 million in 2011 compared to $97.0 million in 2010.

Deductions from Fiduciary Net Assets (Expenses) (for the years ended December 31, 2011, 2010 and 2009) **Table 6**

	2011	2010	2009	Amount Increase/ (Decrease) from 2010 to 2011	Percent Increase/ (Decrease) from 2010 to 2011
Benefits—Pension	$4,329,918,267	$3,961,552,022	$3,661,174,109	$368,366,245	9.3%
Benefits—Health Care	1,576,457,152	1,568,065,943	1,488,266,219	8,391,209	0.5
Refunds	323,672,042	233,054,714	222,580,254	90,617,328	38.9
Administrative Expenses	70,101,033	71,030,458	75,844,945	(929,425)	(1.3)
Interplan Activity	10,077,664	10,528,250	7,879,768	(450,586)	(4.3)
Total Deductions	**$6,310,226,158**	**$5,844,231,387**	**$5,455,745,295**	**$465,994,771**	**8.0%**

Reserves (Refer to Tables 7 and 8)

OPERS' reserves are established from member and employer contributions and the accumulation of investment and other income, net of deductions for benefit payments, refunds of member accounts, and administrative expenses. Chapter 145 of the Ohio Revised Code (ORC) requires that the reserves be maintained in separate funds defined by statute. These funds are used for recordkeeping purposes only. Table 7 displays the statutory funds that OPERS maintains.

Reserves (as of December 31, 2011, 2010 and 2009) **Table 7**

	2011	2010	2009
Employees' Savings Fund	$12,300,117,438	$12,134,839,989	$11,933,642,333
Employers' Accumulation Fund—Pension/Health Care	15,958,870,786	22,277,828,145	20,026,006,552
Annuity and Pension Reserve Fund	43,513,048,458	39,927,499,750	35,616,195,176
Survivors' Benefit Fund	1,568,050,108	1,527,374,797	1,472,264,995
Defined Contribution Fund/VEBA—Retirement/Health Care	588,013,676	522,817,214	376,419,373
Income Fund	99,016,985	99,070,651	95,184,666
Expense Fund	3,758,715	2,190,144	5,663,134
Total Fund Balance	**$74,030,876,166**	**$76,491,620,690**	**$69,525,376,229**

These statutory funds are further subdivided to accumulate reserves by benefit plan. Table 8 displays the values in the statutory funds that comprise the net asset values held in trust for each benefit plan included in the financial statements for 2011, 2010 and 2009. The discussion below presents those statutory requirements that govern the transactions recorded in each fund.

OPERS is required to fully fund the Annuity and Pension Reserve Fund and the Survivors' Benefit Fund each year. These two funds hold reserves set aside to pay formula-based defined benefits to retired members and their survivors. This requirement ensures that priority is first given to setting aside funds necessary to pay non-health care pension and survivor benefits to those who have already retired, and to their beneficiaries. Once these pension obligations have been met, reserves are accumulated to fund the future pension benefits of active members.

The Employees' Savings Fund and Employers' Accumulation Fund hold the reserves accumulated from member and employer contributions for those members participating in a defined benefit plan who have not yet retired. By statute, the Employers' Accumulation Fund is also the fund to which investment income (or losses) in excess of the statutory funding requirements of the Annuity and Pension Reserve and Survivors' Benefit Funds is deposited. The Defined Contribution Fund/VEBA reflects the balances accumulated from member and employer contributions and investment earnings for the defined contribution plans. This balance includes the portion of the employer contribution set aside for the VEBA.

Reserves By Plan (as of December 31, 2011, 2010, and 2009) Table 8

	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2011 Total
Employees' Savings Fund	$12,298,673,251		$1,362,904	$81,283		$12,300,117,438
Employers' Accumulation Fund—Pension/Health Care	4,212,687,070	$11,596,131,868	150,088,076	(36,228)		15,958,870,786
Annuity and Pension Reserve Fund	43,510,467,596		1,514,253	1,066,609		43,513,048,458
Survivors' Benefit Fund	1,568,050,108					1,568,050,108
Defined Contribution Fund/VEBA—Retirement/Health Care			180,842,930	316,083,570	$91,087,176	588,013,676
Income Fund	99,016,985					99,016,985
Expense Fund	3,758,715					3,758,715
Total Fund Balance	**$61,692,653,725**	**$11,596,131,868**	**$333,808,163**	**$317,195,234**	**$91,087,176**	**$74,030,876,166**

	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2010 Total
Employees' Savings Fund	$12,133,856,642		$975,589	$7,758		$12,134,839,989
Employers' Accumulation Fund—Pension/Health Care	9,826,123,016	$12,319,743,979	131,980,123	(18,973)		22,277,828,145
Annuity and Pension Reserve Fund	39,926,390,271		644,239	465,240		39,927,499,750
Survivors' Benefit Fund	1,527,374,797					1,527,374,797
Defined Contribution Fund/VEBA—Retirement/Health Care			167,550,828	278,644,313	$76,622,073	522,817,214
Income Fund	99,070,651					99,070,651
Expense Fund	2,190,144					2,190,144
Total Fund Balance	**$63,515,005,521**	**$12,319,743,979**	**$301,150,779**	**$279,098,338**	**$76,622,073**	**$76,491,620,690**

	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2009 Total
Employees' Savings Fund	$11,932,873,455		$768,977	($99)		$11,933,642,333
Employers' Accumulation Fund—Pension/Health Care	8,508,596,858	$11,415,195,274	102,108,811	105,609		20,026,006,552
Annuity and Pension Reserve Fund	35,615,840,849		251,905	102,422		35,616,195,176
Survivors' Benefit Fund	1,472,264,995					1,472,264,995
Defined Contribution Fund/VEBA—Retirement/Health Care			120,255,104	200,380,138	$55,784,131	376,419,373
Income Fund	95,184,666					95,184,666
Expense Fund	5,663,134					5,663,134
Total Fund Balance	**$57,630,423,957**	**$11,415,195,274**	**$223,384,797**	**$200,588,070**	**$55,784,131**	**$69,525,376,229**

As of December 31, 2010, the date of the latest actuarial valuation, OPERS had accumulated sufficient assets to fund 100% of the benefits for retirees and their beneficiaries, and had also provided nearly 50% of the reserves necessary to fund future pensions for active and inactive members based on service credit earned through year-end 2010. As of year-end 2007, prior to the market declines of 2008, OPERS had accumulated 93% of the reserves needed to fund pensions for active and inactive members. The drop in reserves available to fund the future pensions of active and inactive members reflects the investment losses of 2008. Changes in the funding status of a retirement system provide insights into the progress the system is making in building the reserves necessary to meet future pension and health care obligations.

Funding Status

As previously noted, OPERS' total net investment income for the year ended December 31, 2011 totaled $180.0 million, representing a return of 0.2% on the total OPERS portfolio. Net investment income for the defined benefit plans comprised $274.8 million of this total, with a return of 0.36%. The health care and defined contribution portfolios incurred investment losses of $78.9 million and $16.0 million respectively. As with all mature retirement systems, OPERS' primary means of funding benefit payments in the future will be through investment income. Ultimately, investment income will provide more than 75% of the funds necessary to pay retirement benefits. Therefore, the long-term rate of investment return is critical to the funding status of the System.

To fully understand the funding status of a retirement system, it is often advisable to view actuarial data in conjunction with financial data. The actuarial value of assets used to calculate funded status is not based on year-end fair value (market value) as of the valuation date. Market gains and losses for actuarial funding purposes are smoothed over a rolling four-year period subject to a 12% market corridor. This smoothing of actuarial gains and loss mitigates the need to constantly increase or lower contribution rates because volatile market conditions can be recognized (smoothed in) over several years.

The reality of actuarial smoothing techniques is that the fair value (market value) of assets may be different from the funding value (actuarial value) of assets at a given point-in-time. This means that in periods of extended market decline the fair value of assets will usually be less than the funding, or actuarial value of assets. This was the case with OPERS during the extended down market from 2000 to 2002, and in 2008. Conversely, during periods of extended market gains, the fair value of assets will usually be greater than the funding, or actuarial value of assets.

In order to ensure that the funding value of assets and the market value of assets remain within a logical proximity of each other, OPERS uses a 12% market corridor in conjunction with its four-year smoothing. This policy, instituted by the OPERS Board of Trustees in 2001, is known as the Market Value Corridor, and ensures that the funding value of assets is neither lower than 88% nor higher than 112% of the market value of the assets. The unfunded actuarial accrued liability (the amount by which the actuarial value of liabilities exceeds the actuarial value of assets) at year end 2010 makes the System appear to be funded at a slightly lower level than it actually is at that point in time.

At December 31, 2010, the date of the latest actuarial evaluation prior to the experience study, the actuarial value of net assets set aside to pay defined benefit pension benefits (non-health care assets) was $60.6 billion. The fair value of these defined benefit assets at December 31, 2010, included in the pension plans on the financial statements of OPERS was $63.6 billion. As of December 31, 2010, the actuarial value of assets is less than the fair value of assets, indicating that the remaining investment losses of 2008 are being absorbed by the market gains of 2009 and 2010, with gains yet to be recognized in the valuation assets. With a rolling four-year smoothing, the unrecognized investment gains of 2009 and 2010 will make the system appear to be funded at a lower level than the actual market values would indicate.

It is is important to understand how these smoothing techniques affect funded status when reviewing the actuarial-related data contained within this annual report. Based upon the latest actuarial valuation for the year ended December 31, 2010, the System's actuarial value of liabilities for defined pension benefits exceeded its actuarial value of assets by $19.0 billion. Actuarial projections indicate that, assuming the underlying assumptions are achieved, the $19.0 billion in unfunded liabilities would be amortized and funded over a 29-year period, which is within generally acceptable funding guidelines. However, based on the actuarial smoothing techniques, OPERS has a $3.0 billion net unrealized gain yet to recognize over the next three years. By comparison, the 2009 actuarial valuation reflected an unfunded actuarial liability of $18.9 billion and an unrealized gain yet to be recognized of $104.3 million.

The investment gains of 2009 mitigate the impact of the unrealized losses yet to be recognized from 2008, with the 2010 investment gains adding to the available assets. However, as noted in the Financial Highlights, the funding status of the System is not expected to be significantly impacted by these single year gains.

Other Post-employment Benefits (OPEB)

Beginning in fiscal 2006, the Government Accounting Standards Board (GASB) required retirement systems to estimate their liability for health care benefits similar to the manner in which pension liabilities are estimated. However, unlike pensions, the health care benefits OPERS provides (with the exception of Medicare B reimbursements) are not a guaranteed benefit. As of December 31, 2010, the date of the latest actuarial valuation prior to the experience study, OPERS has an estimated liability for future health care of $26.9 billion. OPERS is one of a relatively few retirement systems that has systematically set aside assets to fund health care. As of December 31, 2010, OPERS had $11.3 billion in assets as stated on a funding basis (actuarially smoothed over a four year period in the same manner as pensions), leaving an unfunded liability of $15.6 billion. Simply put, OPERS had accumulated 41.8% of the assets necessary to pay these benefits. Similar to pensions, the market value of the health care assets was $12.3 billion and was greater than the actuarial or funding value of assets of $11.3 billion. By comparison, the health care liability as of December 31, 2009 was $31.5 billion compared to the actuarial value of assets of $10.9 billion, leaving an unfunded liability of $20.6 billion and a funded ratio of 34.7%.

OPERS continues to make changes to the plan design of the health care benefits. However, the investment losses of 2008 have reduced the period of time that the accumulated assets will be able to provide benefits, known as the solvency period, from 31 years as of December 31, 2007 to 11 years at December 31, 2008. However, the investment gains of 2009 and 2010 have maintained this 11 year solvency period through December 31, 2010 despite the annual health care expenses. OPERS continues to proactively pursue plan design changes to extend the solvency period of the fund while maintaining the funding priority of pension benefits.

Financial Analysis Summary

Net assets may serve over time as a useful indication of OPERS' financial position (please refer to Table 9). At the close of calendar years 2011 and 2010, the net assets of OPERS totaled $74.0 billion and $76.5 billion respectively, compared to the record high of $83.6 billion in 2007. These net assets are available to meet OPERS' ongoing obligations to plan participants and their beneficiaries, and to the extent possible, OPERS' post-employment health care benefits.

Net Assets (as of December 31, 2011, 2010 and 2009)					Table 9
	2011	2010	2009	Amount Increase/ (Decrease) from 2010 to 2011	Percent Increase/ (Decrease) from 2010 to 2011
Current and Other Assets	$1,555,132,426	$1,437,930,409	$1,976,438,032	$117,202,017	8.2 %
Cash and Investments at Fair Value	84,398,079,891	85,566,292,039	78,540,512,304	(1,168,212,148)	(1.4)
Capital Assets	112,092,861	112,130,055	113,508,936	(37,194)	-
Total Assets	86,065,305,178	87,116,352,503	80,630,459,272	(1,051,047,325)	(1.2)
Total Liabilities	12,034,429,012	10,624,731,813	11,105,083,043	1,409,697,199	13.3
Net Assets, End of Year	**74,030,876,166**	**76,491,620,690**	**69,525,376,229**	**(2,460,744,524)**	**(3.2)**
Net Assets, Beginning of Year	76,491,620,690	69,525,376,229	59,201,518,803	6,966,244,461	10.0
Net Increase (Decrease) in Net Assets	**($2,460,744,524)**	**$6,966,244,461**	**$10,323,857,426**	**($9,426,988,985)**	**(135.3)%**

The market losses of 2008 greatly affected OPERS' funding position, returning the system to its 2005 net asset level. Rising pension and health care costs will continue to impact OPERS' ability to fund retirement health care in an unstable market. The distribution of contribution revenues will shift away from health care to meet the priority funding needs of pensions. The passage of Senate Bill 267 in late December 2008 further expanded the Board of Trustees' authority to set member contribution rates for public safety and law enforcement members at levels commensurate with the benefits payable to these groups. The contribution rate changes became effective January 1, 2010, but do not significantly impact total revenues due to the relatively small population of these members. If favorable investment returns resume at a rate higher than the actuarial assumed rate of return, the percentage of employer contributions used to fund post-employment health care benefits may be increased. However, OPERS' first priority remains to be in the position of adequately funding pension benefits.

Capital Assets

As of December 31, 2011, OPERS' investment in capital assets totaled $112.1 million, net of accumulated depreciation and amortization. This investment in capital assets includes equipment, furniture, information technology systems, and the home office complex.

OPERS invested $8.9 million in capital asset additions during 2011, compared to an investment of $7.7 million in 2010. The majority of these capital expenditures relate to the development of information technology systems necessary to support ongoing operations. The most significant additions included expenditures for the Our Way Forward project designed to position the System for the changing member population as the baby boomer generation retires and future members seek more self-service options. This project includes the implementation of a new member savings and pension system, as well as infrastructure improvements to all data systems. The project plan involves a four-year implementation period, with capital expenditures in 2011 totaling $4.1 million.

Other significant projects included completion of the upgrade and enhancements to the investment system, $1.7 million, ongoing enhancements to the health care system to accommodate plan design changes, $1.1 million, and the purchase of a new mainframe, $0.3 million.

Refer to Note 2c (pages 50-51) in the Notes to Combining Financial Statements for information regarding OPERS' capital asset policies and asset activity.

Combining Statements of Fiduciary Net Assets (as of December 31, 2011 and 2010)

	2011				
	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association
Assets:					
Cash and Short-Term Investments	**$2,683,693,306**	**$153,972,958**	**$6,961,822**	**$981,909**	**$2,229,856**
Receivables:					
Members' and Employers'	252,381,565	51,989,914	5,579,425	7,337,573	1,717,956
Retirement Incentive Plan	14,224,004	773,991			
Vendor and Other	719,754	67,535,218			
Investment Sales Proceeds	671,853,157	185,275,974	1,651,367	12,186	997,981
Accrued Interest and Dividends	194,072,194	49,585,342	477,016	3,520	288,278
Due From Other Plans	47,876,381				
Total Receivables	**1,181,127,055**	**355,160,439**	**7,707,808**	**7,353,279**	**3,004,215**
Investments, at fair value:					
Global Bonds	16,250,337,148	4,349,713,914	92,037,558	88,773,372	24,133,945
Domestic Equities	15,382,269,185	3,642,820,108	126,739,183	155,067,937	22,849,059
Real Estate	5,985,680,674		14,712,381	108,569	8,891,222
Private Equities	5,195,364,242	54,927,514	12,769,839	94,234	7,717,274
International Equities	15,263,503,643	3,310,599,792	91,728,985	94,636,610	22,672,643
Other Investments	813,305,897	134,339,269	1,999,049	14,752	1,208,097
Total Investments	**58,890,460,789**	**11,492,400,597**	**339,986,995**	**338,695,474**	**87,472,240**
Collateral on Loaned Securities	**10,363,838,801**		**23,506,898**	**111,647**	**13,766,599**
Capital Assets:					
Land	3,069,419	665,394			
Building and Building Improvements	91,838,350	19,627,154			
Furniture and Equipment	55,963,265	24,809,991	1,146,197	1,524,774	1,800,555
Total Capital Assets	150,871,034	45,102,539	1,146,197	1,524,774	1,800,555
Accumulated Depreciation	(65,947,702)	(18,156,668)	(1,081,113)	(1,429,841)	(1,736,914)
Net Capital Assets	**84,923,332**	**26,945,871**	**65,084**	**94,933**	**63,641**
Prepaid Expenses and Other Assets	**779,630**				
TOTAL ASSETS	**73,204,822,913**	**12,028,479,865**	**378,228,607**	**347,237,242**	**106,536,551**
Liabilities:					
Undistributed Deposits	1,728,029	62,273			
Benefits Payable	1,061,656	118,529,285			422
Investment Commitments Payable	1,124,645,829	294,572,622	2,823,632	123,669	1,670,566
Accounts Payable and Other Liabilities	12,020,409				
Accounts Payable RMA Claims		19,183,817			
Due To Other Plans			18,069,785	29,806,596	
Obligations Under Securities Lending	10,372,713,265		23,527,027	111,743	13,778,387
TOTAL LIABILITIES	**11,512,169,188**	**432,347,997**	**44,420,444**	**30,042,008**	**15,449,375**
Net Assets Held in Trust for Pension and Post-employment Health Care Benefits	**$61,692,653,725**	**$11,596,131,868**	**$333,808,163**	**$317,195,234**	**$91,087,176**

See Notes to Combining Financial Statements, beginning on page 42.

Combining Statements of Fiduciary Net Assets (continued)

	2010					
2011 Total All Plans	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2010 Total All Plans
$2,847,839,851	**$3,331,124,467**	**$310,859,956**	**$7,840,924**	**$1,351,601**	**$3,628,331**	**$3,654,805,279**
319,006,433	219,011,123	62,635,516	5,287,338	5,652,331	1,387,638	293,973,946
14,997,995	35,254,781	2,183,860				37,438,641
68,254,972	530,346	133,916,383				134,446,729
859,790,665	538,750,216	135,342,122	1,169,029	4,019	680,236	675,945,622
244,426,350	201,041,979	49,049,361	436,239	1,500	253,839	250,782,918
47,876,381	44,870,942					44,870,942
1,554,352,796	**1,039,459,387**	**383,127,242**	**6,892,606**	**5,657,850**	**2,321,713**	**1,437,458,798**
20,804,995,937	16,109,368,262	4,355,743,585	73,765,120	74,468,038	16,517,502	20,629,862,507
19,329,745,472	19,025,572,557	3,950,499,244	121,260,678	134,755,017	24,022,054	23,256,109,550
6,009,392,846	5,080,220,992		11,023,524	37,896	6,414,385	5,097,696,797
5,270,873,103	3,325,536,395	27,877,976	7,216,051	24,806	4,198,886	3,364,854,114
18,783,141,673	16,342,454,858	3,649,437,854	90,176,846	92,215,873	20,634,299	20,194,919,730
950,867,064	89,886,738	27,740,509	195,044	671	113,493	117,936,455
71,149,016,095	**59,973,039,802**	**12,011,299,168**	**303,637,263**	**301,502,301**	**71,900,619**	**72,661,379,153**
10,401,223,945	**7,708,958,738**	**1,517,578,594**	**15,196,825**	**40,463**	**8,332,987**	**9,250,107,607**
3,734,813	3,069,419	665,394				3,734,813
111,465,504	91,904,122	19,641,200				111,545,322
85,244,782	53,942,809	22,850,746	1,112,194	1,462,142	1,747,573	81,115,464
200,445,099	148,916,350	43,157,340	1,112,194	1,462,142	1,747,573	196,395,599
(88,352,238)	(63,760,375)	(16,294,444)	(1,077,444)	(1,423,480)	(1,709,801)	(84,265,544)
112,092,861	**85,155,975**	**26,862,896**	**34,750**	**38,662**	**37,772**	**112,130,055**
779,630	**471,611**					**471,611**
86,065,305,178	**72,138,209,980**	**14,249,727,856**	**333,602,368**	**308,590,877**	**86,221,422**	**87,116,352,503**
1,790,302	1,632,149	80,073				1,712,222
119,591,363	31,862	142,952,643			9,320	142,993,825
1,423,836,318	899,118,485	253,257,695	1,950,989	6,707	1,135,244	1,155,469,120
12,020,409	13,463,225					13,463,225
19,183,817		16,114,872				16,114,872
47,876,381			15,303,775	29,445,369	121,798	44,870,942
10,410,130,422	7,708,958,738	1,517,578,594	15,196,825	40,463	8,332,987	9,250,107,607
12,034,429,012	**8,623,204,459**	**1,929,983,877**	**32,451,589**	**29,492,539**	**9,599,349**	**10,624,731,813**
$74,030,876,166	**$63,515,005,521**	**$12,319,743,979**	**$301,150,779**	**$279,098,338**	**$76,622,073**	**$76,491,620,690**

Combining Statements of Changes in Fiduciary Net Assets (for the years ended December 31, 2011 and 2010)

	2011				
	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association
Additions:					
Members' Contributions	$1,221,597,118	$148,370,246	$29,256,952	$35,531,228	
Employers' Contributions	1,233,002,841	503,458,216	23,280,520	33,746,291	$15,982,848
Contract and Other Receipts	121,560,871	89,087,996	386,879	802,270	9,082
Federal Subsidies		192,118,407			
Other Income, Net	340,460	10,915,043			
Interplan Activity	10,077,664				
Total Non-investment Income	**2,586,578,954**	**943,949,908**	**52,924,351**	**70,079,789**	**15,991,930**
Income from Investing Activities:					
Net Appreciation/(Depreciation) in Fair Value	(2,165,958,777)	(401,560,941)	(11,349,743)	(9,966,753)	(2,877,126)
Bond Interest	713,378,568	202,859,266	2,029,034	642,529	947,608
Dividends	595,394,346	134,235,895	1,350,446	6,404	790,885
Real Estate Operating Income, net	688,646,045		1,561,955	7,407	914,755
International Income/(Loss)	(423,406)	(92,053)	(960)	(5)	(562)
Other Investment Income	610,400,704	3,671,640	1,384,477	6,557	810,818
External Asset Management Fees	(178,044,428)	(13,648,040)	(659,317)	(447,642)	(236,503)
Net Investment Income/(Loss)	**263,393,052**	**(74,534,233)**	**(5,684,108)**	**(9,751,503)**	**349,875**
From Securities Lending Activity:					
Security Lending Income	54,521,007		123,663	587	72,422
Security Lending Expenses	(13,027,556)		(29,549)	(140)	(17,305)
Net Security Lending Income	41,493,451		94,114	447	55,117
Unrealized Loss	(8,874,464)		(20,129)	(96)	(11,788)
Net Income from Securities Lending	**32,618,987**		**73,985**	**351**	**43,329**
Investment Administrative Expenses	**(21,481,773)**	**(4,389,394)**	**(200,106)**	**(400,053)**	**(81,707)**
Net Income/(Loss) from Investing Activity	**274,530,266**	**(78,923,627)**	**(5,810,229)**	**(10,151,205)**	**311,497**
TOTAL ADDITIONS	**2,861,109,220**	**865,026,281**	**47,114,122**	**59,928,584**	**16,303,427**
Deductions:					
Benefits	4,329,452,581	1,575,561,578	305,215	160,471	895,574
Refunds of Contributions	302,812,289		6,462,849	14,396,904	
Administrative Expenses	51,196,146	13,076,814	2,559,312	2,354,183	914,578
Interplan Activity			5,129,362	4,920,130	28,172
TOTAL DEDUCTIONS	**4,683,461,016**	**1,588,638,392**	**14,456,738**	**21,831,688**	**1,838,324**
Net Increase/(Decrease)	(1,822,351,796)	(723,612,111)	32,657,384	38,096,896	14,465,103
Net Assets Held in Trust for Pension and Post-employment Health Care Benefits					
Balance, Beginning of Year	63,515,005,521	12,319,743,979	301,150,779	279,098,338	76,622,073
Balance, End of Year	**$61,692,653,725**	**$11,596,131,868**	**$333,808,163**	**$317,195,234**	**$91,087,176**

See Notes to Combining Financial Statements, beginning on page 42.

Combining Statements of Changes in Fiduciary Net Assets (continued)

	2010					
2011 Total All Plans	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2010 Total All Plans
$1,434,755,544	$1,217,388,746	$111,638,313	$27,272,707	$31,027,284		$1,387,327,050
1,809,470,716	1,097,711,440	628,685,237	26,432,761	29,527,197	$13,986,794	1,796,343,429
211,847,098	113,080,115	83,572,868	384,947	462,075	7,367	197,507,372
192,118,407		142,658,293				142,658,293
11,255,503	763,943	7,163,609	1,267	1,108	338	7,930,265
10,077,664	10,501,974				26,276	10,528,250
3,669,524,932	**2,439,446,218**	**973,718,320**	**54,091,682**	**61,017,664**	**14,020,775**	**3,542,294,659**
(2,591,713,340)	5,647,283,276	1,240,024,373	31,547,336	33,529,986	6,104,389	6,958,489,360
919,857,005	626,323,717	137,927,458	1,790,218	914,915	677,020	767,633,328
731,777,976	612,165,204	134,809,505	1,419,066	351,582	661,715	749,407,072
691,130,162	300,704,695		592,784	1,576	325,044	301,624,099
(516,986)	221,032	48,675	436	1	239	270,383
616,274,196	579,191,143	3,778,346	1,141,809	3,101	626,072	584,740,471
(193,035,930)	(117,120,121)	(10,904,604)	(384,978)	(262,515)	(126,600)	(128,798,818)
173,773,083	**7,648,768,946**	**1,505,683,753**	**36,106,671**	**34,538,646**	**8,267,879**	**9,233,365,895**
54,717,679	72,317,399	14,236,338	142,561	379	78,171	86,774,848
(13,074,550)	(21,639,683)	(4,259,969)	(42,659)	(113)	(23,391)	(25,965,815)
41,643,129	50,677,716	9,976,369	99,902	266	54,780	60,809,033
(8,906,477)						
32,736,652	**50,677,716**	**9,976,369**	**99,902**	**266**	**54,780**	**60,809,033**
(26,553,033)	**(20,909,950)**	**(4,495,158)**	**(235,472)**	**(315,427)**	**(37,732)**	**(25,993,739)**
179,956,702	**7,678,536,712**	**1,511,164,964**	**35,971,101**	**34,223,485**	**8,284,927**	**9,268,181,189**
3,849,481,634	**10,117,982,930**	**2,484,883,284**	**90,062,783**	**95,241,149**	**22,305,702**	**12,810,475,848**
5,906,375,419	3,961,217,461	1,567,551,611	128,366	206,195	514,332	5,529,617,965
323,672,042	219,808,143		3,540,043	9,706,528		233,054,714
70,101,033	52,375,762	12,782,968	2,584,673	2,435,285	851,770	71,030,458
10,077,664			6,043,719	4,382,873	101,658	10,528,250
6,310,226,158	**4,233,401,366**	**1,580,334,579**	**12,296,801**	**16,730,881**	**1,467,760**	**5,844,231,387**
(2,460,744,524)	5,884,581,564	904,548,705	77,765,982	78,510,268	20,837,942	6,966,244,461
76,491,620,690	57,630,423,957	11,415,195,274	223,384,797	200,588,070	55,784,131	69,525,376,229
$74,030,876,166	**$63,515,005,521**	**$12,319,743,979**	**$301,150,779**	**$279,098,338**	**$76,622,073**	**$76,491,620,690**

1. Description of OPERS

a. **Organization**—The Ohio Public Employees Retirement System (OPERS, or the System) is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the Traditional Plan—a defined benefit plan; the Combined Plan—a combination defined benefit/defined contribution plan; and the Member-Directed Plan—a defined contribution plan. All public employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the employee's employment. Contributions made prior to the employee's plan selection are maintained in the Traditional Plan and later transferred to the plan elected by the member, as appropriate.

OPERS maintains two health care related plans: a cost-sharing, multiple-employer defined benefit type health care plan and a Voluntary Employees' Beneficiary Association (VEBA). The cost-sharing plan provides health care coverage to retirees in the Traditional and Combined plans and their beneficiaries. This plan is reported as an Other Post-employment Benefit Plan (OPEB) based on the criteria established by the Government Accounting Standards Board (GASB). Periodically, OPERS alters the health care plan design to protect the ongoing solvency of the plan, but generally 10 or more years of service are required to qualify for coverage under this plan. The VEBA plan, a defined-contribution type plan, provides Member-Directed Plan participants with a medical spending account option.

OPERS is administered in accordance with Chapter 145 of the Ohio Revised Code (ORC). The accompanying financial statements comply with the provisions of GASB Statement 14, *The Financial Reporting Entity*, and with the provisions of GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*. GASB Statement 39 amended portions of Statement 14. These statements require that financial statements of the reporting entity include all the organizations, activities, functions and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board of directors and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the reporting entity. OPERS does not have financial accountability over any entities.

OPERS is not part of the state of Ohio financial reporting entity, nor is OPERS a component unit of the state of Ohio. Responsibility for the organization is vested in the System's Board of Trustees, and there is no financial interdependency with the state of Ohio. The Board of Trustees is the governing body of OPERS, with responsibility for administration and management. Seven members are elected by the group they represent: the retirees (two representatives); employees of the state, employees of counties, employees of municipalities, non-teaching employees of state colleges and universities and miscellaneous employees. The remaining four members are appointed or designated by position. The Governor, general assembly and Treasurer of State each appoint a representative. The director of the Ohio Department of Administrative Services completes the Board of Trustees.

The Board of Trustees appoints the executive director, an actuary, and other consultants necessary for the transaction of business. The Board of Trustees meets monthly and receives no compensation, but is reimbursed for necessary expenses. Employer, employee and retiree data as of December 31, 2011 and 2010 follows.

Employer, Employee and Retiree Data (as of December 31, 2011 and 2010)

Year	2011	2010
Employer Units		
State group	271	269
Local government group	3,183	3,189
Law enforcement and public safety group	241	241
Employees, members and retirees—pension		
Traditional Plan retirees and beneficiaries currently receiving benefits	184,876	179,513
Combined Plan and Member-Directed Plan retirees and beneficiaries currently receiving benefits	89	52
Traditional Plan and Combined Plan terminated employees not yet receiving benefits	31,859	31,487
Employees, members and retirees—post-employment health care		
Retirees and beneficiaries currently receiving benefits—OPEB (Traditional and Combined Plan)	161,315	157,269
Dependent and Other Beneficiaries currently receiving benefits – OPEB (Traditional & Combined Plan)	62,507	60,624
Retirees and beneficiaries currently receiving benefits—VEBA (Member-Directed Plan)	2,079	1,577
Traditional Plan and Combined Plan terminated employees not yet receiving benefits	14,408	14,262
Active employees (all plans)		
State group	124,649	123,965
Local government group	216,873	224,802
Law enforcement group	7,561	7,845
Public safety	105	122

All public employees, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded as defined by the ORC. For actuarial purposes, employees who have earned sufficient service credit (five years or 60 contributing months) are entitled to a future benefit from OPERS.

b. **Benefits**—All benefits of the System, and any benefit increases are established by the legislature pursuant to ORC Chapter 145. The Board of Trustees, pursuant to Chapter 145 of the ORC, has elected to maintain funds to provide health care coverage to Traditional and Combined plan retirees and survivors of members. Health care coverage does not vest and is not required under ORC 145. As a result, coverage may be reduced or eliminated at the discretion of the Board of Trustees.

- ***Age-and-Service Defined Benefits***—Benefits in the Traditional Plan for state and local members are calculated on the basis of age, final average salary, and service credit. Members are eligible for retirement benefits at age 60 with five years or 60 contributing months of service credit, at age 55 with 25 or more years of service credit, or at any age with 30 or more years of service credit. The annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. Final average salary represents the average of the three highest years of earnings over a member's career. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment.

  Effective January 1, 2001, HB 416 divided the OPERS law enforcement program into two separate divisions: Law Enforcement and Public Safety. Both groups of members, as defined in ORC Chapter 145, are eligible for special retirement options under the Traditional Plan and are not eligible to participate in the Member-Directed or Combined Plans. Law enforcement officers may file an application for retirement benefits at age 48 or older with 25 or more years of credited service. Those members classified within the public safety group are eligible for retirement at age 52 with 25 or more years of credited service. Annual benefits under both divisions are calculated by multiplying 2.5% of final average salary by the actual years of service for the first 25 years of service credit, and 2.1% of final average salary for each year of service over 25 years. These options also permit early retirement under qualifying circumstances as early as age 48.

  Prior to 2000, payments to OPERS' benefit recipients were limited under Section 415(b) of the Internal Revenue Code (IRC). OPERS entered into a Qualified Excess Benefit Arrangement (QEBA) with the Internal Revenue Service to allow OPERS' benefit recipients to receive their full statutory benefit even when the benefit exceeds IRC 415(b) limitations. Monthly QEBA payments start when the total amount of benefits received by the recipients exceeds the IRC limit each year. The portion of the benefit in excess of the 415(b) limit is paid out of the QEBA and taxed as normal payroll in accordance with IRS regulations.

  Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, final average salary, and years of service. Members are eligible for retirement benefits at age 60 with five years or 60 contributing months of service credit, at age 55 with 25 or more years of service credit, or at any age with 30 or more years of service credit. The annual benefit is based on 1.0% of final average salary multiplied by the years of service in the Combined Plan, rather than the 2.2% used in the Traditional Plan. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

- ***Defined Contribution Benefits***—Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. A variety of payout options are available to members eligible for these benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year.
- ***Early Retirement Incentive Plan***—Employers under OPERS may establish an early retirement incentive plan by purchasing service credit for eligible employees. To be eligible, employees must be able to retire under existing plan provisions after the purchase of the additional credit. Electing employers must contribute all such additional costs as are actuarially determined to fund the benefit. Such a plan, if adopted by an employer, must be offered to a minimum of 5% of covered employees, and may provide for the purchase of up to five years service credit, limited to a maximum of 20% of the member's total service credit.
- ***Disability Benefits***—OPERS administers two disability plans for participants in the Traditional and Combined plans. Members in the plan as of July 29, 1992, could elect, by April 7, 1993, coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. After the disability benefit ends, the member has an opportunity to apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. Law enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury. Those in the Member-Directed Plan are not eligible for disability benefits.
- ***Survivor Benefits***—Dependents of deceased members who participated in either the Traditional Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least 18 months of service credit with the plan, and at least three months of credit within the two and one-half years immediately preceding death. ORC Chapter 145 specifies the dependents and the conditions under which they qualify for survivor benefits.
- ***Health Care Coverage***—The ORC permits, but does not require, OPERS to offer postemployment health care coverage (OPEB). The ORC allows a portion of the employers' contributions to be used to fund health care coverage. OPERS maintains a Health Care Fund established under Internal Revenue Code 401(h), to provide coverage to the retirees and beneficiaries of the Traditional and Combined plans. The System currently provides comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offers coverage to their dependents on a premium deduction or direct bill basis. Coverage includes hospitalization, medical expenses, prescription drugs, and reimbursement of monthly Medicare premiums. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, HMOs, case management, disease management, and other programs.

Effective January 1, 2007, OPERS implemented the first phase of the Health Care Preservation Plan (HCPP) to improve the long-term solvency of the Health Care Fund. The plan provides monthly allowances for health care coverage for retirees and their dependents based on the retiree's years of service. The monthly allowances must be used for the purchase of medical and pharmacy coverage. Three levels of coverage are offered with varying costs, co-pays, deductibles, and out-of-pocket maximums. If the cost of the coverage level selected exceeds the retiree's monthly allowance, the difference is billed to the retiree. Monthly allowances that exceed the cost of coverage are deposited to a Retiree Medical Account (RMA). The retiree may use the funds in the RMA to pay for health care expenses not covered by the plan. Recipients with household income below 150% of the poverty level may apply for a 30% reduction in the cost of premiums.

Participants in the Member-Directed Plan are not eligible for health care coverage under the Post-employment Health Care Plan. A portion of employer contributions for these members is placed in a Voluntary Employees' Beneficiary Association (VEBA or RMA) established under Internal Revenue Code 501(c)(9). Terminated members and retirees may be reimbursed for qualified medical expenses from their VEBA funds.

- ***Other Benefits***—Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit. A death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined plans. Death benefits are not available to beneficiaries of Member-Directed Plan participants.
- ***Money Purchase Annuity***—OPERS' age-and-service retirees who become re-employed in an OPERS-covered position must contribute the regular contribution rates which are applied towards a money purchase annuity. The money purchase annuity calculation is based on the accumulated contributions of the retiree for the period of re-employment, and an amount of the employer contributions determined by the Board of Trustees. Upon termination of service, the members over the age of 65 can elect to receive a lump-sum payout or a monthly annuity. Members under age 65 may receive a refund of their employee contributions made during the period of re-employment, plus interest.
- ***Refunds***—Members who have terminated service in OPERS-covered employment may file an application for refund of their account. The ORC requires a three-month waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's rights and benefits in OPERS.

  Refunds processed for Traditional Plan members include the member's accumulated contributions, interest and any qualifying employer funds. A Combined Plan member's refund may consist of qualifying employer funds plus the value of their account in the defined contribution plan, which consists of member contributions adjusted by the gain or losses incurred based on their investment selections. Refunds paid to members in the Member-Directed Plan include member contributions and vested employer contributions adjusted by the gains or losses incurred based on their investment selections.

c. **Contributions**—OPERS' funding policy provides for periodic employee and employer contributions to all three plans (Traditional, Combined and Member-Directed plans) at rates established by the Board of Trustees, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the System's actuary. All contribution rates were within the limits authorized by the Ohio Revised Code.

Member and employer contribution rates, as a percent of covered payroll, were the same across all three plans for the year ended December 31, 2011. Within the Traditional Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age normal actuarial funding method. This formula determines the amount of contributions necessary to fund: (1) the current service cost, which represents the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time. The annual employer contributions reported for the Traditional Plan for 2011 and 2010 were $1,233,002,841 and $1,097,711,440, respectively. Employer contributions for the Combined Plan for 2011 and 2010 were $23,280,520 and $26,432,761, respectively. Employers satisfied 100% of the contribution requirements.

The following table displays the employee and employer contribution rates as a percent of covered payroll for each division for 2011, 2010, and 2009. Based upon the recommendation of the System's actuary, a portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Plan employer contributions allocated to health care was 4.0% for 2011, as compared to 5.5% for January 1 through February 28, 2010, and 5.0% from March 1 through December 31, 2010. The portion of Combined Plan employer contributions allocated to health care was 6.05% for 2011, as compared to 4.73% for January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for both 2011 and 2010 was 4.5%.

Board of Trustees–Approved Contribution Rates–All Plans

	Employee Rate			Employer Rate		
	2011	2010	2009	2011	2010	2009
State division	10.00%	10.00%	10.00%	14.00%	14.00%	14.00%
Local government division	10.00	10.00	10.00	14.00	14.00	14.00
Law enforcement division	11.60	11.10	10.10	18.10	17.87	17.63
Public safety division	11.00	10.50	10.10	18.10	17.87	17.63

The 2011 employee and employer contribution rates for the state and local divisions are currently set at the maximums authorized by the Ohio Revised Code of 10% and 14%, respectively. The public safety and law enforcement employer rates are also set at the maximum authorized rate of 18.1%. The employee public safety rate is determined by the Board and has no maximum rate established by the Ohio Revised Code. The employee rate for law enforcement members is also determined by the Board, but is limited by the Ohio Revised Code to not more than 2% greater than the public safety rate.

ORC Chapter 145 assigns authority to the Board of Trustees to amend the funding policy. As of December 31, 2011 and 2010, the Board of Trustees adopted the contribution rates that were recommended by the actuary.

As of December 31, 2010, the date of the last actuarial study, the funding period was 29 years. The funding period for the actuarial study performed for the year ended December 31, 2009, was 30 years.

d. Federal Subsidies—OPERS participates in several federal programs that subsidize or provide reimbursements to the Post-employment Health Care Plan. Medicare Part D is a federal program that reimburses 28% of the cost of prescription drugs for Medicare beneficiaries in the United States. During 2011, OPERS implemented a prescription drug plan (PDP) in which the System receives a direct subsidy from the Centers for Medicare and Medicaid Services (CMS) based on the risk score of each eligible retiree. Depending on circumstances, retirees are placed either with the Medicare Part D program or with the PDP plan.

OPERS also participated in the Early Retiree Reinsurance Program (ERRP). This program was established in 2010 as part of the Patient Protection and Affordable Care Act to provide reimbursement to participating employment-based plans for a portion of the cost of health care benefits incurred by members who retire early (before Medicare eligibility). This temporary program was funded by the federal government with $5 billion available to participating plans on a first-come, first served basis until the program funds were depleted in 2011.

The following table summarized the various federal subsidies received by OPERS for the years ending December 31, 2011 and 2010.

Federal Subsidies Received (For the Years ending December 31, 2011 and 2010)

	2011	2010
Medicare Part D Retiree Drug Subsidy	$788,419	$72,100,529
Medicare Prescription Drug Plan	81,802,880	
Early Retiree Reinsurance Program	109,527,108	70,557,764
Total Federal Subsidy	**$192,118,407**	**$142,658,293**

d. Commitments and Contingencies—OPERS has committed to fund various private equity and closed-end real estate investments totaling approximately $6.3 billion and $5.7 billion at December 31, 2011 and December 31, 2010, respectively. The expected funding dates for these commitments extend through 2016.

OPERS is a party in various lawsuits relating to plan benefits and investments. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on OPERS' financial position.

2. Summary of Significant Accounting Policies

The following are the significant accounting policies followed by OPERS for all pension and health care plans:

a. **Basis of Accounting**—The financial statements are prepared using the accrual basis of accounting under which deductions are recorded when the liability is incurred and revenues are recognized when earned. Pension benefit payments are due the first day of the month following the retirement of a member, and the first of each month thereafter. Refunds, for any member who makes a written application to withdraw their contributions, are payable three months after termination of the member's OPERS-covered employment. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Additions to the plans consist of contributions (member and employer), health care reimbursements, federal health care subsidies, other contracts and receipts, interplan activities, net investment income, and other miscellaneous income. Contributions are recorded in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements. Accordingly, both member and employer contributions for the years ended December 31, 2011 and 2010 include year-end accruals based upon estimates derived from subsequent payment activity and historical payment patterns. Member and employer contributions, which are based on members' salaries, are due 30 days after the month in which salaries are earned. Health care reimbursements are recognized when they become measurable and due OPERS based on contractual requirements. Therefore, health care reimbursements contain estimates based on information received from health care vendors and other sources. Plan changes, settlement activity and other interplan activity are recorded as an addition or deduction, based on the nature of the transaction, when the transactions occur. Investment purchases and sales are recorded as of their trade date.

The accounting and reporting policies of OPERS conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government organizations. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement 26, *Financial Reporting for Post-employment Health Care Plans Administered by Defined Benefit Pension Plans*, require that the three pension plans (Traditional, Member-Directed and Combined) and the two health care funds (Post-employment Health Care and VEBA) be shown separately in the combined financial statements as they are legally separate plans. To meet this requirement, plan assets and liabilities, where possible, were specifically identified to a plan or health care fund. Assets and liabilities that were not specifically identifiable to a plan or health care fund were allocated based on calculations and projection formulas that take into account daily investment returns, daily plan cash inflows and outflows, and analysis and allocation of administrative expenses.

GASB Statement 50, *Pension Disclosures*, amended GASB Statement 25, enhancing the standards for footnote disclosures and required supplementary information for pension plans, to include the plan's funding status, actuarial methods and assumptions.

GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*, established the standards for recognizing, measuring, and disclosing information regarding derivative instruments and transactions. GASB Statement 53 was early implemented for the year ended December 31, 2009.

GASB Statement 59, *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. GASB 59 was implemented for the year ended December 31, 2011.

b. Investments—OPERS is authorized by ORC Section 145.11 to invest under a prudent person standard and does so through an investment policy established by the Board of Trustees. ORC 145.11 states, "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 benefit to participants and defraying reasonable expenses of administering the public employees retirement 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."

Member-Directed Plan participants self direct the investment of both member and employer contributions. Contributions must be invested with an investment manager approved by the OPERS Board of Trustees. Similarly, participants in the Combined Plan self direct the investment of member contributions. The investment assets for all other plans are invested under the direction of OPERS' Investment staff in conformance with Board of Trustees-approved policies.

Plan investments are reported at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. All investments, with the exception of real estate and private equity, are valued based on closing market prices or broker quotes. Securities not having a quoted market price have been valued based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate investments is based on estimated current values and independent appraisals. The fair value of private equities are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values.

Net appreciation (depreciation) in the fair value of investment assets is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less purchases of investments at cost, plus sales of investments at fair value. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Commissions paid to brokers are considered a part of the investment asset cost and are, therefore, not reported as expenses of the System. Brokerage commissions for 2011 and 2010 were $33,674,333 and $27,223,399, respectively. Investment administrative expenses consist of custodial banking fees and those expenses directly related to OPERS' internal investment operations, and include a proportional amount of overhead that is allocated based on either the ratio of the square footage of office space for investment personnel to total office square footage or investment personnel to total OPERS personnel, as appropriate.

c. Capital Assets—Capital assets are recorded at cost. OPERS has adopted a capitalization threshold that is used to identify whether assets purchased by the System are classified as capital assets or operating expenses. Building enhancements, furniture and equipment with a cost equal to or greater than $5,000 and computer software purchases of $25,000 or more are recorded as capital assets and depreciated based on the useful life of the asset. OPERS implemented GASB 51 in 2008 for internally developed software and capitalizes software projects in accordance with this standard.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets according to the following schedule:

Useful Lives of Capital Assets

	Years
Buildings and Building Improvements	50
Furniture and Equipment	3-10
Computer Software	3-8

The table below is a schedule of the capital asset account balances as of December 31, 2010, and changes to those account balances during the year ended December 31, 2011.

Capital Asset Account Balances

	Land	Building and Building Improvements	Furniture, Fixtures, and Equipment	Total Capital Assets
Cost:				
Balances December 31, 2010	$3,734,813	$111,545,322	$81,115,464	$196,395,599
Additions		161,412	8,764,084	8,925,496
Write-offs		(241,230)	(4,634,766)	(4,875,996)
Balances December 31, 2011	3,734,813	111,465,504	85,244,782	200,445,099
Accumulated Depreciation:				
Balances December 31, 2010		20,340,396	63,925,148	84,265,544
Depreciation Expense		2,333,699	6,458,831	8,792,530
Write-offs		(59,785)	(4,646,051)	(4,705,836)
Balances December 31, 2011		22,614,310	65,737,928	88,352,238
Net Capital Assets December 31, 2011	**$3,734,813**	**$88,851,194**	**$19,506,854**	**$112,092,861**

d. **Undistributed Deposits**—Cash receipts are recorded as undistributed deposits until they are allocated to employers' receivables, members' contributions, miscellaneous or investment income.

e. **Federal Income Tax Status**—OPERS is a qualified plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a).

f. **Funds**—In accordance with the ORC and Internal Revenue Service (IRS) regulations, various funds have been established to account for the reserves held for future and current benefit payments. Statutory and IRS-mandated funds within each of the three pension plans are as follows:

Traditional Plan

- ***The Employees' Savings Fund***—represents members' contributions held in trust pending their refund or transfer to a benefit disbursement fund. Upon an employee's refund or retirement, such employee's account is credited with an amount of interest (statutory interest) on the employee's contributions based on a Board of Trustees approved rate, which can range from 1% to 4%. Employees eligible for a refund also receive additional funds from the Employers' Accumulation Fund, if qualified. The ORC Chapter 145 requires statutory interest to be compounded annually.
- ***The Employers' Accumulation Fund***—is used to accumulate employers' contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve Fund as members retire or become eligible for disability benefits, and to the Survivors' Benefit Fund for benefits due dependents of deceased members.
- ***The Employers' Accumulation Health Care Fund***—is used to accumulate employers' contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve and Survivors' Benefit Funds for health care coverage paid for retirees and dependents of deceased members.
- ***The Annuity and Pension Reserve Fund***—is the fund from which retirement allowances that do not exceed the IRC 415(b) limitations and health care coverage are paid. This reserve was fully funded according to the latest actuarial study dated December 31, 2010. Accordingly, sufficient assets are available in this fund to pay the vested pension benefits of all retirees and beneficiaries as of the valuation date.

- ***The Survivors' Benefit Fund***—is the fund from which benefits due dependents of deceased members of the System that do not exceed the IRC 415(b) limitations are paid. This fund also was fully funded in relation to vested pension benefits as of December 31, 2010.
- ***Qualified Excess Benefit Arrangement (QEBA)***—is the fund from which annuity, disability and survivors' benefits are paid when the recipient exceeds the IRC 415(b) limits. This reserve is funded by employer contributions on an as-needed basis; therefore, it is fully funded.
- ***The Income Fund***—is the fund credited with all investment earnings and miscellaneous income. Annually, the balance in this fund is transferred to other funds to aid in the funding of future benefit payments and administrative expenses.
- ***The Expense Fund***—provides for the payment of administrative expenses with the necessary monies allocated to it from the Income Fund.

Member-Directed Plan

- ***The Defined Contribution Fund***—represents members' and employers' contributions held in trust pending their refund or commencement of benefit payments. Members self-direct the investment of these funds. Employer funds vest with the member over a five-year period at a rate of 20% per year.
- ***The Annuity and Pension Reserve Fund***—is the fund from which annuity benefits are paid. Upon retirement, Member-Directed participants may elect to liquidate their defined contribution accounts for deposit into a defined benefit annuity. The value of the annuity is based on the value of the defined contribution account at the time of liquidation.
- ***The Income Fund***—is the fund credited with all investment earnings and miscellaneous income. The balance in this fund is used to fund the gains or losses incurred by participants and to fund the administrative expenses of the Member-Directed Plan.
- ***The Expense Fund***—provides for the payment of administrative expenses with the necessary monies allocated to it from the Income Fund.
- ***The Voluntary Employees' Beneficiary Association (VEBA) Fund***—is the fund used to accumulate employer contributions in a retiree medical account. The effective date of the VEBA program coincides with the effective date of the Member-Directed Plan. Accordingly, since January 1, 2003, a portion of employer contributions made on behalf of members electing to participate in the Member-Directed Plan has been deposited to the VEBA. Upon termination, Member-Directed participants can use vested VEBA funds for reimbursements of qualified medical expenses. VEBA funds vest with the member over a five-year period.

Combined Plan

- ***The Defined Contribution Fund***—represents members' contributions held in trust pending their refund or commencement of benefit payments. Members self-direct the investment of these funds.
- ***The Employees' Savings Fund***—represents members' deposits for the purchase of service credit held in trust pending their refund or transfer to the Annuity and Pension Reserve or Survivors' Benefit Funds. Upon an employee's refund or retirement, such employee's accounts are credited with an amount of interest (statutory interest) on the employee's deposits based on a Board of Trustees approved rate. The interest rate has been 1% since January 1, 2003.

- ***The Employers' Accumulation Fund***—is used to accumulate employers' contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve Fund as members retire. Disability and survivor benefits are funded by transfers to Traditional Plan funds, which pay such benefits.
- ***The Employers' Accumulation Health Care Fund***—is used to accumulate employers' contributions to be used in providing health care coverage to retirees and dependents of deceased members.
- ***The Annuity and Pension Reserve Fund***—is the fund from which retirement allowances and health-care coverage are paid. This reserve was fully funded according to the latest actuarial study dated December 31, 2010.
- ***Qualified Excess Benefit Arrangement (QEBA)***—is the fund from which annuity benefits exceeding the IRC 415(b) limits are paid for the defined benefit portion of the Combined Plan. As of December 31, 2011, there were no benefits being paid out of the fund to Combined Plan participants.
- ***The Income Fund***—is the fund credited with all investment earnings and miscellaneous income. The balance in this fund is transferred to other funds to the credit of the member account and to aid in the funding of future benefit payments and administrative expenses.
- ***The Expense Fund***—provides for the payment of administrative expenses with the necessary monies allocated to it from the Income Fund.

The statutory funds defined by ORC 145 and the IRC-required funds are not mutually exclusive. The Combining Statements of Fiduciary Net Assets and the Combining Statements of Changes in Fiduciary Net Assets are presented based on IRC requirements. The following schedule provides the values of the statutory funds and how they are distributed among the various retirement and health care plans administered by the System. The rows represent the statutory funds required by the ORC. In total, these funds will equal the fiduciary net assets of the System. To support the fiduciary net assets for each plan included in the statements, the schedule has been expanded to include the value of the statutory funds as they relate to each plan.

Statutory and IRC Fund balances at December 31, 2011 and 2010 are as follows:

Statutory and IRC Fund Balances (as of December 31, 2011 and 2010)

For Year Ended December 31, 2011	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	VEBA	Total
Employees' Savings Fund	$12,298,673,251		$1,362,904	$81,283		$12,300,117,438
Employers' Accumulation Fund	4,212,687,070	$11,596,131,868	150,088,076	(36,228)		15,958,870,786
Annuity & Pension Reserve Fund	43,510,467,596		1,514,253	1,066,609		43,513,048,458
Survivors' Benefit Fund	1,568,050,108					1,568,050,108
Defined Contribution Fund			180,842,930	316,083,570	$91,087,176	588,013,676
Income Fund	99,016,985					99,016,985
Expense Fund	3,758,715					3,758,715
Total	**$61,692,653,725**	**$11,596,131,868**	**$333,808,163**	**$317,195,234**	**$91,087,176**	**$74,030,876,166**

For Year Ended December 31, 2010	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	VEBA	Total
Employees' Savings Fund	$12,133,856,642		$975,589	$7,758		$12,134,839,989
Employers' Accumulation Fund	9,826,123,016	$12,319,743,979	131,980,123	(18,973)		22,277,828,145
Annuity & Pension Reserve Fund	39,926,390,271		644,239	465,240		39,927,499,750
Survivors' Benefit Fund	1,527,374,797					1,527,374,797
Defined Contribution Fund			167,550,828	278,644,313	$76,622,073	522,817,214
Income Fund	99,070,651					99,070,651
Expense Fund	2,190,144					2,190,144
Total	**$63,515,005,521**	**$12,319,743,979**	**$301,150,779**	**$279,098,338**	**$76,622,073**	**$76,491,620,690**

g. **Risk Management**—OPERS is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; and court challenges to fiduciary decisions. To cover these risks, OPERS maintains commercial insurance and holds fidelity bonds on employees. There were no reductions in coverage nor have there been any settlements exceeding insurance coverage for the past three years. As required by state law, OPERS is registered and insured through the state of Ohio Bureau of Workers' Compensation for injuries to employees. OPERS is self-insured for employee health care coverage. The only outstanding liabilities at the end of 2011 and 2010 were related to the employee health care coverage (see Note 7).

h. **Reclassifications**—Certain 2010 balances have been reclassified to conform with the current-year presentation.

3. Cash and Investments

A summary of cash and short-term securities and investments held at December 31, 2011 and 2010 is as follows:

Summary of Cash and Short-term Securities and Investments (as of December 31, 2011 and 2010)

	2011 Fair Value	2010 Fair Value
Cash and Short-Term Investments:		
Cash	$55,062,108	$92,200,671
Short-Term Securities:		
Commercial Paper	557,096,396	1,223,066,395
U.S. Treasury Obligations	261,812,909	462,187,861
Agency Discount Notes	68,663,435	49,989,395
Repurchase Agreements	250,000,000	500,000,000
Corporate Bonds		66,784,659
Short-Term Investment Funds (STIF)	1,655,205,003	1,260,576,298
Subtotal Short-Term Securities	2,792,777,743	3,562,604,608
Total Cash and Short-Term Investments	**2,847,839,851**	**3,654,805,279**
Investments:		
Global Bonds:		
U.S. Corporate Bonds	7,226,639,725	7,705,247,599
Non-U.S. Notes/Bonds	2,468,380,338	2,562,362,473
U.S. Government and Agencies	6,179,904,949	6,788,045,580
U.S. Mortgage Backed	4,930,070,925	3,574,206,855
Subtotal Global Bonds	20,804,995,937	20,629,862,507
Domestic Equities	19,329,745,472	23,256,109,550
Real Estate	6,009,392,846	5,097,696,797
Private Equities	5,270,873,103	3,364,854,114
International Equities	18,783,141,673	20,194,919,730
Hedge Funds	940,565,305	107,154,521
Derivatives	10,301,759	10,781,934
Total Investments Before Collateral on Loaned Securities	**71,149,016,095**	**72,661,379,153**
Collateral on Loaned Securities:		
Cash	10,401,223,945	9,250,107,607
Total Collateral on Loaned Securities	**10,401,223,945**	**9,250,107,607**
Total Investments Including Collateral on Loaned Securities	**$81,550,240,040**	**$81,911,486,760**

a. **Custodial Credit Risk, Deposits**—Custodial credit risk for deposits is risk that, in the event of the failure of a depository financial institution, OPERS will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. The total amounts of cash and cash equivalent balances held by the bank were $69,658,556 and $101,392,252 at December 31, 2011 and 2010, respectively. OPERS has not experienced any losses in its accounts and believes it is not exposed to a significant credit risk on its cash. OPERS has no formal policy specific to custodial credit risk. These assets are under the custody of the Treasurer of the State of Ohio.

b. **Custodial Credit Risk, Investments**—Custodial credit risk for investments is the risk that, in the event of the failure of the custodian, OPERS will not be able to recover the value of its investment or collateral securities that are in the possession of the custodian. Since the Treasurer of the State of Ohio, as custodian, holds all investments in the name of OPERS or its nominee, OPERS' investments are not exposed to custodial credit risk.

c. Credit Risk—Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by ratings assigned by a nationally recognized statistical rating organization.

OPERS' Public Fixed Income Policy includes limiting non-investment grade securities to 30% of the Fixed Income assets within the Defined Benefit portfolio, Health Care portfolio, fixed income components of any Target Date Funds and fixed income funds offered directly to OPERS members. Limitations on holdings of non-investment grade securities are included in portfolio guidelines.

d. Interest Rate Risk—Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. OPERS monitors the interest rate risk inherent in its portfolio by measuring the weighted average duration of its portfolio. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The effective duration measures the sensitivity of the market price to parallel shifts in the yield curve. The OPERS' Fixed Income Policy states the average effective duration of all Defined Benefit and Health Care assets must be within 20% of the option-adjusted duration of Fixed Income asset class, excluding the Liquidity Funds. The Liquidity Funds' duration may range from zero to 120% of the average option-adjusted duration.

The following table presents the credit quality ratings and effective durations of OPERS' global bond assets, including short-term investments as of December 31, 2011.

Average Credit Quality and Exposure Levels of Guaranteed Securities

Fixed Income Security Type	Fair Value	Percent of All Fixed Income Assets	Weighted Average Duration to Maturity (years)	AAA	AA
Commercial Paper	$557,096,396	2.4%	0.03	$364,976,974	$164,120,496
Short Term—Other		0.0			
Money Market/STIF	1,655,205,003	7.0	0.07		1,655,205,003
Repurchase Agreements	250,000,000	1.1	0.01	100,000,000	150,000,000
Corporate Bonds	6,076,087,308	25.7	5.15	44,601,990	352,689,979
Municipal Bonds	191,716,135	0.8	16.73	10,523,320	96,069,311
Asset Backed Securities	791,286,914	3.4	2.39	166,862,034	98,740,090
Mortages	714,975,722	3.0	2.60	374,515,833	71,285,408
Non-U.S. Corporate Bonds	1,411,272,683	6.0	4.11	207,808,970	226,926,152
Non-U.S. MBS and ABS	234,692,796	1.0	1.87	90,307,439	49,827,051
Non-U.S. Government	822,414,860	3.5	5.91	154,055,427	129,505,609
Commingled Long-Term Global Funds	276,640,650	1.2	0.00		
Agency Mortgages	4,109,901,852	17.4	2.50		4,109,901,852
Agency Bonds	659,426,471	2.8	1.36		659,426,471
Agency Discount Note	68,663,435	0.3	0.22		68,663,435
Total Non-Government Guaranteed	**17,819,380,225**	**75.5**		**1,513,651,987**	**7,832,360,857**
U.S. Treasury Notes	3,692,503,471	15.6	3.37		3,692,503,471
U.S. Treasury Bonds	860,580,056	3.6	14.98		860,580,056
U.S. Treasury Inflation Protected	963,497,019	4.1	3.93		963,497,019
U.S. Treasury Discount Notes	261,812,909	1.1	0.43		261,812,909
Total Global Bonds and Short-Term Securities	**$23,597,773,680**	**100.0%**	**3.81**	**$1,513,651,987**	**$13,610,754,312**

e. Concentration of Credit Risk—Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of December 31, 2011, OPERS' portfolio has no single issuer exposure that comprises 5% or more of the overall portfolio. Therefore, there is no concentration of credit risk.

f. Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates will adversely impact the local currency value of an investment. OPERS' foreign currency exposures primarily reside within OPERS' non-U.S. investment holdings. OPERS' implementation policy is to allow OPERS' external managers to decide what action to take within approved portfolio guidelines, regarding their respective portfolios' foreign currency exposures using forward-currency contracts. See chart on next page.

Average Credit Quality and Exposure Levels of Guaranteed Securities (continued)

A	BBB	BB	B	CCC	CC	C	D	Not Rated
$27,998,926								
1,262,202,223	$1,586,037,936	$1,039,823,706	$1,384,726,460	$350,738,891	$7,728,387		$2,406,900	$45,130,836
75,123,504	10,000,000							
90,366,286	37,816,508	20,369,217	107,951,447	177,459,467	32,147,895	$12,843,884	36,149,842	10,580,244
26,432,614	49,376,842	39,611,350	34,389,102	53,006,695	18,270,637	35,371,278	5,447,155	7,268,808
214,801,221	370,319,615	107,719,082	237,913,356	35,198,475	351,984	1,093,568	1,505,812	7,634,448
12,214,721	8,684,457	44,177,872	11,543,255	17,935,044	937	1,369		651
176,669,305	213,369,086	84,238,655	40,689,970					23,886,808
								276,640,650
1,885,808,800	**2,275,604,444**	**1,335,939,882**	**1,817,213,590**	**634,338,572**	**58,499,840**	**49,310,099**	**45,509,709**	**371,142,445**
$1,885,808,800	**$2,275,604,444**	**$1,335,939,882**	**$1,817,213,590**	**$634,338,572**	**$58,499,840**	**$49,310,099**	**$45,509,709**	**$371,142,445**

Exposure to Foreign Currency Risk in U.S. Dollars (as of December 31, 2011)

Currency	Cash	Forwards	Global Bonds	International Equities	Real Estate	Private Equities
Argentine Peso			$1,315,844			
Australian Dollar	$2,547,387	($4,721,144)		$442,866,015		
Brazilian Real	5,456,867	39,281,541	60,046,364	340,095,095		
British Pound Sterling	2,801,684	(51,225,800)	335,612	1,711,914,255	($5,822,934)	$138,429,684
Canadian Dollar	1,535,811	28,634,245		477,129,191		
Chilean Peso		5,799,283	1,853,635			
Chinese Yuan Renminbi	(44,372)	62,089,112				
Colombian Peso	(2)	1,565,130	24,285,443			
Czech Koruna	305,387	1,164,955		9,694,522		
Danish Krone	263,621	5,106,861		60,503,444		
Egyptian Pound	7,511	1,097,486		78,860		
Euro Currency	17,907,040	(47,736,485)	6,299,737	1,992,676,905	144,982,492	494,438,210
Hong Kong Dollar	710,217	3,808,583		922,027,050		
Hungarian Forint	52,871	(1,158,768)	8,132,589	3,105,686		
Indian Rupee	845,300	22,432,801		181,389,937		
Indonesian Rupiah	348,645	9,973,557	19,858,989	139,399,771		
Isreaeli Shekel	197,388	3,193,969		17,236,489		
Japanese Yen	5,311,364	(42,283,644)		1,763,695,632		
Malaysian Ringgit	2,499,055	9,558,876	27,151,320	95,190,368		
Mexican Peso	1,333,510	23,704,899	42,335,676	112,655,747		
Moroccan Dirham		534,845				
New Zealand Dollar	230,260			11,270,053		
Norwegian Krone	391,002	4,462,578		105,217,225		
Peruvian New Sol		2,307,028				
Philippine Peso	59,238	2,963,275	7,833,331	15,344,709		
Polish Zolty	79,387	7,066,375	16,213,299	36,940,303		
Qatari Rial				7,567,525		
Russian Ruble		30,552,172	11,842,645			
Singapore Dollar	1,304,518	5,282,193		105,777,442		
South African Rand	2,119,662	25,888,147	32,484,418	248,163,585		
South Korean Won	440,237	47,395,057	10,773,381	593,607,439		
Swedish Krona	657,231	14,710,284		128,447,288		
Swiss Franc	997,121	(31,741,623)		542,528,117		
Taiwan Dollar	4,616,721	37,038,268		139,303,122		
Thailand Baht	181,350	6,583,750	8,727,250	132,499,017		
Turkish Lira	446,817	753,664	29,872,399	77,189,605		
Uruguay Peso			9,080,044			
Total	**$53,602,830**	**$224,081,472**	**$318,441,977**	**$10,413,514,396**	**$139,159,559**	**$632,867,894**

g. Securities Lending—OPERS maintains a securities lending program. OPERS uses its discretion to determine the type and amount of securities lent under the program. Under this program securities are loaned to brokers. In return, OPERS receives cash collateral and agrees to return the collateral for the same securities in the future. Cash collateral from securities loaned is, simultaneous to the loan, reinvested in repurchase agreements (repos) and short-term securities. Securities loaned are collateralized at a minimum of 102% of the market value of loaned U.S. securities and 105% of the market value of loaned international securities. Collateral is marked-to-market daily. OPERS does not have the ability to pledge or sell collateral securities absent a broker default. If the market value of the collateral held falls below the required levels, additional collateral is provided.

As of December 31, 2011, the fair value of securities on loan was $10,148,201,907. Associated cash collateral totaling $10,410,130,426 was received. The fair market value of reinvested collateral was $10,401,223,945 at December 31, 2011, which includes an unrealized loss on securities lending income totaling $8,906,481.

As of December 31, 2010, the fair value of securities on loan was $8,975,358,356. Associated collateral totaling $9,250,107,607 was comprised of cash.

Net security lending income/(loss) is composed of four components: gross income, broker rebates, agent fees and unrealized gain/(loss) on collateral. Gross income is equal to earnings on cash collateral received in a security lending transaction. A broker rebate is the cost of using that cash collateral. Agent fees represent the fees paid to the agent for administering the lending program. Unrealized gain/(loss) results from the change in fair value of the reinvested cash collateral. Net security lending income is equal to gross income less broker rebates, agent fees, and unrealized loss on collateral. Security lending income for 2011 and 2010 was recorded on a cash basis, which approximated accrual basis.

h. Derivatives—Derivatives are generally defined as contracts whose values depend on, or are derived from, the value of an underlying asset, reference rate or index. OPERS has classified the following as derivatives:

- ***Forward-Currency Contracts***—OPERS enters into various forward-currency contracts to manage exposure to changes in foreign currency exchange rates on its foreign portfolio holdings. The System may also enter into forward-currency exchange contracts to provide a quantity of foreign currency needed at a future time at the current exchange rates, if rates are expected to change dramatically. A forward-exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risk associated with such contracts includes movement in the value of foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward-exchange rates, and the changes in value of open contracts are recognized as net appreciation/depreciation in the statement of changes in fiduciary net assets. The realized gain or loss on forward-currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included as net appreciation/depreciation in the Combining Statements of Changes in Fiduciary Net Assets.

The fair values of forward-currency contracts and contracts hedged were as follows:

Fair Values of Forward-Currency and Hedged Contracts (as of December 31, 2011 and 2010)

	2011	2010
Forward-currency purchases	$595,368,811	$467,931,699
Forward-currency sales	371,287,339	343,874,964
Unrealized gain	(2,965,690)	4,011,938

- ***Futures Contracts***—OPERS enters into various futures contracts to manage exposure to changes in foreign equity and currency markets and to take advantage of movements on an opportunistic basis. A stock index future is a futures contract that uses a stock index as its base, and which is settled by cash or delivery of the underlying stocks in the index. Financial futures represent an off balance sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts; however, the realized and unrealized gains and losses on futures are recorded in the Combining Statement of Changes in Fiduciary Net Assets. Futures contracts differ from forward contracts by their standardization, exchange trading, margin requirements, and daily settlement (marking to market). Risk associated with stock index futures contracts includes adverse movements in the underlying stock index. The following table shows the futures positions held by OPERS as of December 31, 2011 and 2010.

Futures Positions Held (as of December 31, 2011 and 2010)

	2011		2010	
Futures Contracts	Number of Contracts	Contract Principal	Number of Contracts	Contract Principal
Equity Index Futures purchased long	20,133	$1,373,108,090	37,345	$2,453,271,150
U.S. Treasury Futures purchased long	12	1,737,750	340	3,963,589
U.S. Treasury Futures purchased short	(79)	(9,737,367)		
Euro Currency Futures purchased long			10	2,476,250
Euro Currency Futures purchased short			(10)	(2,469,500)

- ***Total Return Swaps***—OPERS may manage market exposure through the use of total return swaps. A total return swap is an agreement in which one party commits to pay a fee in exchange for a return linked to the market performance of an underlying security, group of securities, index or other asset (reference obligation). Risks may arise if the value of the swap acquired decreases because of an unfavorable change in price of the reference obligation or the counterparty's ability to meet the terms of the contract. OPERS held total return swaps with a notional value of $765,276,118 and $654,809,170 as of December 31, 2011 and December 31, 2010, respectively. The unrealized gain at December 31, 2011 and December 31, 2010 was $13,267,449 and $10,781,934.

- ***Options***—Options give buyers the right, but not the obligation, to buy or sell an asset at a predetermined strike price over a specified period. The option premium is usually a small percentage of the underlying asset's value. When writing an option, OPERS receives a premium up front and bears the risk of an unfavorable change in the price of the underlying asset during the option's life. When OPERS purchases an option, it pays a premium to a counterparty that bears the risk of an unfavorable change in the price of the underlying asset during the option's life. OPERS began investing in options in March 2011. While OPERS invested in options during the year, there were no outstanding options at December 31, 2011.

4. Vacation and Sick Leave

As of December 31, 2011 and 2010, $5,911,525 and $6,473,491, respectively, were accrued for unused vacation and sick leave for OPERS' employees. In 2011, the OPERS Board of Trustees approved a policy change limiting the number of unused vacation hours an employee can carry over year to year. Employees who resign or retire are entitled to full compensation for all earned but unused vacation leave for balances up to three times their annual accrual rate at the time of separation. Unused sick leave pay is forfeited upon termination. However, employees who retire with more than 10 years of service with OPERS are entitled to receive payment for 50% of their unused sick leave up to a maximum of 2,000 hours.

5. Deferred Compensation Plan

OPERS does not sponsor a deferred compensation program. OPERS employees are eligible to participate in the deferred compensation plan sponsored by the state of Ohio. The state-sponsored plan was created in accordance with Internal Revenue Code (IRC) Section 457. The plan is available to all OPERS employees and permits them to defer a portion of their salary until future years. Deferred compensation assets are not available to employees until termination, retirement, death, or unforeseeable emergency.

IRC Section 457 requires that the amount of compensation assets deferred under a plan, all property and rights, and all income attributable to those amounts, property or rights, be held in trust for the benefit of the participants. This insulates IRC Section 457 benefits from the claims of an employer's general creditors. Accordingly, OPERS does not include the deferred compensation assets or liabilities of the Ohio Deferred Compensation Plan in its financial statements.

6. Schedule of Required Contributions

All employees of OPERS are eligible for membership in the benefit plans of the System. The annual required pension and health care contributions for OPERS' employees for the years ended December 31, 2011, 2010 and 2009 are as follows:

Annual Required Pension and Health Care Contributions

	Pension		Health Care	
Year Ended	Annual Required Contribution	Percent Contributed	Annual Required Contribution	Percent Contributed
2011	$3,905,106	100%	$1,551,657	100%
2010	3,576,061	100	2,029,142	100
2009	3,225,327	100	2,320,470	100

Under GASB 51, internal payroll related to the implementation of capital projects is capitalized as part of the fixed asset cost. OPERS implemented GASB 51 at the end of 2008, and began capitalizing internal labor costs effective January 1, 2009. The capitalized cost includes salary and wages as well as the corresponding employer paid Medicare and OPERS contribution expenses. The portion of the 2011 annual required contribution included in fixed assets was $117,158 for pension and $46,864 for health care. The portion of the 2010 annual required contribution included in fixed assets was $106,097 for pension and $59,737 for health care.

7. Self-insured Employee Health Care

OPERS is self-insured under a professionally administered plan for general health, hospitalization, and prescription drug employee benefits. OPERS maintained specific stop-loss coverage per employee for medical benefits in the amount of $250,000 for both 2011 and 2010. For 2010, OPERS had a lifetime maximum coverage per employee for medical benefits in the amount of $2,500,000. However, due to health care reform, the lifetime maximum for coverage was removed effective January 1, 2011.

Employees share in the cost of coverage by payroll deductions which are netted against the claims cost. Employee deductions and vendor rebates totaled $615,768 in 2011 and $629,823 in 2010. The summary of changes in incurred but not reported claims for the years ended December 31, 2011 and 2010 follows:

Employee Health Insurance

	2011	2010
Balance January 1	$16,420	$10,608
Claims Incurred	6,162,280	4,819,299
Claims Paid	(6,116,123)	(4,813,487)
Balance December 31	**$62,577**	**$16,420**

The liability for self-insured employee health care is included in Accounts Payable and Other Liabilities on the Combining Statements of Fiduciary Net Assets.

8. Pension and Health Care Plans

The funded status of the Pension and Health Care plans as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Funded Status of the Pension and Health Care Plans ($ in thousands) (prior to experience study)

Plan	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
Pension Total:	$79,630,074	$60,599,518	$19,030,556	76%	$12,449,000	153%
Traditional Plan	79,458,519	60,461,444	18,997,075	76	12,165,000	156
Combined Plan	171,065	137,635	33,430	81	284,000	12
Member-Directed Plan	490	439	51	90	N/A	N/A
Health Care	$26,928,786	$11,267,491	$15,661,295	42	$12,449,000	126

During 2011 an experience study of the pension liabilities for the five year period ending December 31, 2010 was completed in accordance with the statutory requirements of ORC 145.22. The results of the experience study are reflected in the adjusted valuation funding status below.

Funded Status of the Pension and Health Care Plans ($ in thousands) (after experience study)

Plan	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
Pension Total:	$80,484,496	$63,649,454	$16,835,042	79%	$12,449,000	135%
Traditional Plan	80,307,000	63,515,000	16,792,000	79	12,165,000	138
Combined Plan	177,000	134,000	43,000	76	284,000	15
Member-Directed Plan	496	454	42	92	N/A	N/A
Health Care	$30,531,000	$12,320,000	$18,211,000	40	$12,449,000	146

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. The Schedules of Funding Progress present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Schedules of Funding Progress for defined pension benefits and post-employment health care are presented on pages 64-65 of the Required Supplementary Information section of this document.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the Actuarial Required Contribution rate (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statements 25 and 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employers and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Key methods and assumptions used in the latest actuarial valuations (prior to the experience study) are presented below.

Key Methods and Assumptions Used in Pension and Health Care Actuarial Valuations

Actuarial Information	Pension (Traditional and Combined plans)	Health Care
Valuation date	December 31, 2010	December 31, 2010
Actuarial cost method	Individual entry age	Individual entry age
Amortization method	Level percentage of pay, open	Level percentage of pay, open
Amortization period:		30 years
Traditional Plan	30 years	
Combined Plan	1 year	
Asset valuation method	4-year, smoothed market—12% corridor	4-year, smoothed market—12% corridor
Actuarial assumptions:		
Investment rate of return	8.00%	6.50%
Projected salary increases	4.5%-10.3% (includes wage inflation at 4.0%)	4.5%-10.3% (includes wage inflation at 4.0%)
Health care cost trend rate	N/A	0.0% initial, 4.0% ultimate

The Schedule of Funding Progess includes below includes the Traditional Plan, the defined benefit component of the Combined Plan, and the actuarial impact of the annuitized defined contribution accounts for the Combined and Member-Directed plans. Members in the Combined and Member-Directed plans have the option of converting their defined contribution accounts to a defined benefit annuity at retirement. Separate schedules are also displayed for each plan.

Schedule of Funding Progress* ($ in millions) — All Pension Plans

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as of % of Active Member Payroll
2010***	$80,485	$63,649	$16,836	79%	$12,449	135%
2010**	79,630	60,600	19,030	76	12,449	153
2009	76,555	57,629	18,926	75	12,548	151
2008	73,466	55,315	18,151	75	12,801	142
2007	69,734	67,151	2,583	96	12,583	21
2006	66,161	61,296	4,865	93	12,175	40
2005***	62,498	54,473	8,025	87	11,807	68
2005**	61,146	54,473	6,673	89	11,807	57

* The amounts reported on this schedule do not include assets or liabilities for post-employment health care benefits.
** Results from original valuation prior to re-statement after completion of experience study.
*** Revised actuarial assumptions based on experience study.

Schedule of Funding Progress* ($ in millions) — Traditional Plan

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as of % of Active Member Payroll
2010***	$80,307	$63,515	$16,792	79%	$12,165	138%
2010**	79,459	60,461	18,998	76	12,165	156
2009	76,407	57,519	18,888	75	12,290	154
2008	73,346	55,230	18,116	75	12,546	144
2007	69,639	67,067	2,572	96	12,347	21
2006	66,089	61,235	4,854	93	11,971	41
2005***	62,447	54,433	8,014	87	11,633	69
2005**	61,099	54,433	6,666	89	11,633	57

* The amounts reported on this schedule do not include assets or liabilities for post-employment health care benefits.
** Results from original valuation prior to re-statement after completion of experience study.
*** Revised actuarial assumptions based on experience study.

See Notes to Required Supplementary Information, beginning on page 68.

See accompanying independent auditor's report on pages 18-19.

The Combined Plan is a retirement plan with both a defined benefit and a defined contribution component. At retirement, members have the option to convert their defined contribution account to a defined benefit annuity. The schedule below includes the funding status for both defined formula benefits and the purchased annuities, when applicable.

Schedule of Funding Progress* ($ in millions) — Combined Plan

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as of % of Active Member Payroll
2010***	$177	$134	$43	76%	$284	15%
2010**	171	138	33	81	284	12
2009	148	110	38	74	258	15
2008	120	85	35	71	255	14
2007	95	84	11	88	236	5
2006	72	61	11	85	205	5
2005***	51	40	11	78	174	6
2005**	47	40	7	85	174	4

* The amounts reported on this schedule do note include assets or liabilities for post-employment health care benefits.
** Results from original valuation prior to re-statement after completion of experience study.
*** Revised actuarial assumptions based on experience study.

The Member-Directed plan is a defined contribution plan. At retirement, members have the option to convert their defined contribution account to a defined benefit annuity. The schedule below displays the funding status of the purchased defined benefit annuities.

Schedule of Funding Progress* ($ in millions) — Member-Directed Annuities#

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as of % of Active Member Payroll
2010***	$496	$454	$42	92%	N/A	N/A
2010**	490	439	51	90	N/A	N/A
2009	253	206	47	81	N/A	N/A
2008	166	148	18	89	N/A	N/A

* Participants in the Member- Directed plan do not have access to post-employment health care. Instead, a portion of the employer contributions are deposited into an individual account in a Voluntary Employees' Beneficiary Association (VEBA).
** Results from original valuation prior to re-statement after completion of experience study.
*** Revised actuarial assumptions based on experience study.
# Plan inception January 1, 2003. Actuarial data for annuitized accounts is not available prior to 2008.

Schedule of Funding Progress ($ in millions) — Post-employment Health Care Plan

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as of % of Active Member Payroll
2010**	$30,531	$12,320	$18,211	40%	$12,449	146%
2010*	26,929	11,267	15,662	42	12,449	126
2009	31,558	10,936	20,622	35	12,548	164
2008	29,623	10,748	18,875	36	12,801	147
2007	29,825	12,801	17,024	43	12,584	135
2006	30,748	12,025	18,723	39	12,175	154
2005**	31,796	11,070	20,726	35	11,806	176
2005*	31,307	11,070	20,237	35	11,806	171

* Results from original valuation prior to re-statement after completion of experience study.
** Revised actuarial assumptions based on experience study.

See Notes to Required Supplementary Information, beginning on page 68.
See accompanying independent auditor's report on pages 18-19.

Schedule of Employer Contributions* — Traditional and Combined Plans

Year Ended December 31	Annual Required Contributions	% Contributed
2011	$1,256,283,361	100%
2010	1,124,144,201	100
2009	1,042,979,659	100
2008	913,046,745	100
2007	1,071,049,868	100
2006	1,110,687,879	100

Schedule of Employer Contributions* — Traditional Plan

Year Ended December 31	Annual Required Contributions	% Contributed
2011	$1,233,002,841	100%
2010	1,097,711,440	100
2009	1,019,582,360	100
2008	892,693,746	100
2007	1,051,808,289	100
2006	1,092,998,459	100

Schedule of Employer Contributions* — Combined Plan

Year Ended December 31	Annual Required Contributions	% Contributed
2011	$23,280,520	100%
2010	26,432,761	100
2009	23,397,299	100
2008	20,352,999	100
2007	19,241,579	100
2006	17,689,419	100

* The Board of Trustees has approved all contribution rates as recommended by the actuary. Annual required contributions exclude funds deposited for purchase of service credit, employer-paid retirement incentive programs, interest and penalties. These deposits are included in Contract and Other Receipts in the Combining Statements of Changes in Fiduciary Net Assets.

See Notes to Required Supplementary Information, beginning on page 68.

See accompanying independent auditor's report on pages 18-19.

The table below displays the annual required contributions based on the actuarially determined rate, and the percentage of these contributions billed (and paid) by the employers each year. Federal subsidies are comprised of direct subsidies for the Medicare Prescription Drug Plan and Medicare Part D reimbursements.

Schedule of Contributions from Employers and Other Contributing Entities					Post-employment Health Care	
Year Ended December 31	Annual Required Contributions	% Contributed by Employers#	Prescription Drug Plan	Medicare Part D	Total Medicare Subsidizes	Total % Contributed
2011	$1,831,329,260	27.49%	$81,802,880	$788,419	$82,591,299	32.00%
2010	1,650,917,533	38.08		72,100,529	72,100,529	42.45
2009	1,698,928,499	43.61		69,132,772	69,132,772	47.67
2008	1,855,720,690	48.04		63,310,194	63,310,194	51.46
2007	2,068,922,571	33.64		59,075,120	59,075,120	36.49
2006	1,990,561,830	27.06		58,987,181	58,987,181	30.01

The % Contributed by Employers column displays the percentage of the annual required contribution that was billed to employers (and paid) each year.

See Notes to Required Supplementary Information, beginning on page 68.

See accompanying independent auditor's report on pages 18-19.

Description of Schedule of Funding Progress

Each time a new benefit is added that applies to service already rendered, an unfunded actuarial accrued liability is created. Laws governing OPERS require that these additional liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to unfunded actuarial accrued liability.

In an inflationary economy, the value of the dollar is decreasing. This environment results in employee pay increasing in dollar amount, with a corresponding increase in unfunded actuarial accrued liabilities—all at a time when the actual value of these items, in real terms, may be decreasing. Looking at just the dollar amounts of unfunded actuarial accrued liabilities can be misleading. Unfunded actuarial accrued liabilities divided by active employee payroll provides an index that adjusts for the effects of inflation. The smaller the ratio of unfunded actuarial accrued liabilities to active member payroll, the stronger the system is considered to be. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

Actuarial Assumptions and Methods

The actuarial assumptions and methods described below are based on the actuarial valuation study for the years ended December 31, 2010 (prior to the experience study completed in 2011) and December 31, 2009.

Defined Benefit Pension Plans:

- ***Funding Method***—An entry age normal actuarial cost method of valuation is used in determining benefit liabilities and normal cost. Differences between assumed and actual experience (the actuarial gains and losses) become part of unfunded actuarial accrued liabilities. Unfunded actuarial accrued liabilities for pension benefits are amortized over a period of time to produce payments that are level percents of payroll contributions based on an open amortization period.

  As of December 31, 2010, the date of the last actuarial study, the funding period was 30 years for the Traditional Plan and one year for the Combined Plan.

- ***Asset Valuation Method***—For actuarial purposes, assets are valued using a method that recognizes book value plus or minus realized and unrealized investment gains and losses, amortized on a straight-line basis over a four-year period. This funding value is not permitted to deviate from market value by a corridor of plus or minus 12%.

- ***Significant Actuarial Assumptions***—Employed by the actuary for funding purposes as of December 31, 2010, the date of the latest actuarial study, and 2009 include:

  - ***Investment Return***—An investment return rate of 8% compounded annually, for all members, retirees, and beneficiaries was assumed for the years 2010 and 2009.

  - ***Salary Scale***—The active member payroll was assumed to increase 4% annually, which is the portion of the individual pay increase assumption attributable to inflation and overall productivity. Also assumed were additional projected salary increases ranging from 0.50% to 6.30% per year depending on age, attributable to seniority and merit.

  - ***Benefit Payments***—Benefit payments are assumed to increase by 3% of the original retirement benefit per year after retirement.

Multiple Decrement Tables:

- ***Mortality***—The rates used for retiree allowances in the 2010 and 2009 valuations were 110% of RP-2000 mortality table for males, and 100% of RP-2000 mortality table for females with 15 years of projected mortality improvements. The rates used for disability allowances were the RP-2000 mortality table for disabled lives, setback four years for males and set-forward four years for females. OPERS changed the mortality tables for the December 31, 2006 actuarial valuation based on the results of an experience study.
- ***Disability***—Projections for active employees are based on OPERS' experience.
- ***Withdrawal***—Projections for active employees are based on OPERS' experience.

Post-employment Health Care Coverage:

Funding Method—An individual entry-age actuarial-cost method of valuation is used in determining benefit liabilities and normal cost. Differences between assumed and actual experience (the actuarial gains and losses) become part of unfunded actuarial accrued liabilities. Unfunded actuarial accrued liabilities for post-employment health care coverage are amortized over a period of time to produce payments that are level percents of payroll contributions based on an open amortization period.

Asset Valuation Method—For actuarial purposes, assets are valued utilizing a method which recognizes book value plus or minus realized and unrealized investment gains and losses, amortized on a straight-line basis over a four-year period. This funding value is not permitted to deviate from market value by a corridor of plus or minus 12%.

Significant Actuarial Assumptions—Assumptions employed by the actuary for funding purposes as of December 31, 2010, the date of the latest actuarial study, and for 2009 include:

- ***Investment Return***— An investment return rate of 6.5% compounded annually, for all members, retirees, and beneficiaries for the years 2010 and 2009.
- ***Salary Scale***—The active member payroll was assumed to increase 4% annually, which is the portion of the individual pay increase assumption attributable to inflation and overall productivity. Also assumed were additional projected salary increases ranging from .50% to 6.30% per year depending on age, attributable to seniority and merit.
- ***Benefit Payments***—Health-care expenses are assumed to increase initially at 0% before rising to 7.5%. Health-care expenses ultimately level off to 4% in the ninth year.

Multiple Decrement Tables:

- ***Mortality***—The rates used for retiree allowances were 110% of RP-2000 combined mortality table for males and 100% of RP-2000 combined mortality table for females with 15 years of projected mortality improvements. The rates used for disability allowances were the RP-2000 mortality table for disabled lives, setback four years for males and set forward four years for females.

Administrative Expenses (for the years ended December 31, 2011 and 2010)

	2011	2010
Personnel Expenses:		
Wages and Salaries	$40,637,432	$40,254,659
Retirement Contributions—OPERS	5,292,741	5,439,369
Retirement Contibutions—Medicare	654,372	541,023
Employee Insurance	7,063,372	5,578,745
Other Personnel Expense	325,677	197,410
Purchased Services and Supplies:		
Professional expenses:		
Audit Services	260,732	317,202
Actuarial Services	1,027,190	605,614
Consulting Services	616,498	1,443,515
Investment & Financial Services	7,795,216	6,925,268
Legal & Investigation Services	2,836,564	2,263,986
Medical Examinations	3,464,251	1,804,296
Retirement Study Council	266,498	280,688
Custodial & Banking Fees	1,929,553	4,122,570
Information Technology	7,088,484	8,963,564
Communications	2,064,249	2,254,495
Office Supplies & Equipment	777,349	790,198
Education—Member & Staff	1,332,406	1,819,469
Other Miscellaneous	682	3,733
Facility Expenses	4,341,795	4,410,942
Subtotal Operating Expenses	**87,775,061**	**88,016,746**
Depreciation Expense:		
Building	2,333,699	2,335,953
Furniture & Equipment	6,458,831	6,378,149
Gain/Loss for Fixed Asset Disposal	86,475	293,349
Subtotal Depreciation	**8,879,005**	**9,007,451**
Total Administrative Expenses	**96,654,066**	**97,024,197**
Investment Expenses	(26,553,033)	(25,993,739)
Net Administrative Expenses	**$70,101,033**	**$71,030,458**

Schedule of Investment Expenses (for the years ended December 31, 2011 and 2010)

	2011	2010
Investment Staff Expense	$12,956,347	$11,159,311
Investment Services	10,008,736	11,888,698
Investment Legal Services*	2,407,570	1,859,135
Allocation of Administrative Expenses (See Note 2b to Financial Statements)	1,180,380	1,086,595
Total Investment Expenses*	**$26,553,033**	**$25,993,739**

* Excludes fees and commissions, please see Schedule of Brokerage Commissions Paid beginning on page 84.

OPERS incurred expenses with the following investment consultants during 2011:

Schedule of Payments To Consultants

Cliffwater LLC	$292,222
Hewitt EnnisKnupp Inc.	183,336
ING Institutional Plan Services LLC	62,542
Keyhaven Capital Partners LTD	34,000
Mercer Investment Consulting	233,333
Morningstar Inc.	48,500
NEPC LLC	462,308
Strategic Capital Management AG	225,000
The Townsend Group	75,000
Total	**$1,616,241**

Schedule of External Asset Managers' Fees (for the years ended December 31, 2011 and 2010)

	2011	2010
Global Bonds	$14,067,330	$9,468,414
Domestic Equities	16,165,460	8,151,830
International Equities	50,176,176	36,236,425
Real Estate	49,604,803	39,717,633
Private Equities	63,022,161	35,224,516
Total	**$193,035,930**	**$128,798,818**

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OPERS

Investment Section

Continuity gives us roots; change gives us branches, letting us stretch and grow and reach new heights.

Pauline R. Kezer, teacher and politician

Dear Members of the OPERS Board of Trustees:

It is a privilege to send you the Ohio Public Employees Retirement System 2011 Investment Report.

The Year in Review

The year 2011 will long be remembered for the European Sovereign Debt Crisis, primarily Greece, and the near-default and eventual downgrade of the United States to AA.

In the United States, the U.S. Federal Reserve continued to fend off a recession that always seemed to be just over the horizon. In the third quarter, as the U.S. economy was starting to slow, the Federal Reserve actions, including Operation Twist, provided monetary stimulus, which drove long-term interest rates to unprecedentedly low levels. As the year ended, the United States unemployment rate remained at historically high levels and the hopes for housing recovery never arrived.

Throughout the year, Europe was dealing with its own debt crisis, with concerns that Greece would default, causing a domino effect on Italy and Spain, forcing European banks into insolvency. Emerging market countries were materially impacted by a flight to quality during the third quarter with a sell-off in their equity markets.

Other events around the world added to keeping the financial markets off-balance during the year. Early in the year, the nuclear disaster in Japan and domestic unrest in the Middle East, primarily in Egypt and Libya, drew the focus of the world. As the year was drawing to an end, there were concerns that sanctions against Iran by the developed world may not be enough to persuade it to abandon the quest for nuclear weapons.

Market Performance

It was a turbulent year in the global equity markets. Global equities started the year off on a positive note eventually succumbing to a major downturn in the third quarter of the year. As the year ended, U.S. equities returned to positive territory, with international equities reporting negative returns for the year.

For the U.S. bond market, it was very different. With the Federal Reserve implementing different forms of Quantitative Easing throughout the year, the U.S. bond markets experienced excellent returns for the year.

- The broad-based Russell 3000 equity index increased approximately 1.0% in 2011. The international equity markets, as measured by the MSCI All Country World Index (excluding the United States), finished down 13.7% for the calendar year 2011.
- The domestic fixed income markets, as evidenced by the Barclays U.S. Universal Index, finished the year up 7.4%.

Investment Results

The Ohio Public Employees Retirement System's Defined Benefit and Health Care Funds both performed well relative to each plan's targeted asset allocation benchmark.

- The Defined Benefit Fund returned 0.36% for 2011, outperforming its target policy benchmark by 124 basis points.
- The Health Care Fund returned -0.52% during 2011 and outperformed its customized benchmark by 19 basis points.
- The Defined Contribution Fund outperformed its benchmark by 4 basis points for 2011. Six of the 16 investment options had positive returns for the year.

The Investment Portfolio

In 2011, the Board approved several changes to the asset allocation for both the Defined Benefit and Health Care Plans. In 2012, staff will be implementing these new target allocation changes throughout the year with completion targeted by year end. The Private Equity, Real Estate and Hedge Fund sub-asset classes are also expected to be at their long-term target allocations by year end.

Looking Ahead

In 2012, the world will still be dealing with the fallout of the financial crisis that started in the United States in 2008 with the collapse of Lehman Brothers. While progress has been slow, there are now positive signs that the banking systems and financial markets are beginning to heal themselves. This doesn't mean that we are in the clear. We are in uncharted territory in finding a solution to the crisis and there may be many setbacks in front of us. The Ohio Public Employees Retirement System, under the direction of the Board, is prepared to face these challenges in 2012.

Respectfully,

John C. Lane
Chief Investment Officer

Board Investment and Fiduciary Duties

(A) The members of the public employees retirement board shall be the trustees of the funds created by section 145.23 of the Revised Code. The board shall have full power to invest the funds. 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 public employees retirement 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.

(B) In exercising its fiduciary responsibility with respect to the investment of the funds, it shall be the intent of the board to give consideration to investments that enhance the general welfare of the state and its citizens where the investments offer quality, return, and safety comparable to other investments currently available to the board. In fulfilling this intent, equal consideration shall also be given to investments otherwise qualifying under this section that involve minority owned and controlled firms and firms owned and controlled by women either alone or in joint venture with other firms.

OPERS

NEPC, LLC

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April 15, 2012

Board of Trustees
Ohio Public Employee Retirement System
277 East Town Street
Columbus, OH 43215-4642

As an independent investment advisor to the Ohio Public Employees Retirement System ('OPERS') and the Board of Trustees (the 'Board'), NEPC, LLC is providing an opinion on the reporting of OPERS investment results, investment policies, internal compliance procedures and the Board's oversight of the Retirement System's investments.

Investment Results

To the best of NEPC's knowledge and belief, OPERS investment results, as presented in this Comprehensive Annual Financial Report (CAFR), accurately represent the performance of the Retirement System's Defined Benefit (DB), Health Care (HC) and Defined Contribution (DC) assets. All measurements shown have been calculated using standard performance evaluation methods and are presented in a manner that is consistent with investment industry standards.

Investment Policies

OPERS investment policies can be accessed online at https://www.opers.org/investments/inv-policies.shtml and are organized as follows: Part I: Investment Objectives and Asset Allocation Policies; Part II: Asset Class and Sub-Asset Class Policies; and Part III: Investment-Wide Policies.

In NEPC's opinion, OPERS assets are managed under a set of transparent investment policies and guidelines. These policies and guidelines adequately highlight the strategic performance objectives of the Ohio Public Employees Retirement System and emphasize the dual importance of maintaining robust risk controls and program diversification.

Internal Compliance

The constant testing of Plan portfolios and the continuous review of the compliance function itself is considered to be best practice within the investment industry. While serving as OPERS generalist investment consultant, NEPC has witnessed Staff's consistent and ongoing efforts to improve the effectiveness of their internal compliance procedures. NEPC also believes that the Investment Division's support of the CFA® Institute's Code of Ethics and Standards of Professional Conduct, as well as the guidelines and procedures that are set forth in the OPERS Code of Ethics and OPERS Personal Trading Policies, are consistent with industry best practice for investment professionals.

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25 Years 1986-2011

Page 2

Prudent Oversight

The daily management of the OPERS assets has been clearly delegated to the Retirement System's investment Staff. In NEPC's opinion, this clear delegation of accountability helps the Board maintain effective oversight of the OPERS Defined Benefit, Health Care and Defined Contribution Plans through quarterly performance reviews, regular oversight of Staff's activities and monthly meetings with Staff, the investment consultants and other independent service providers.

Craig Svendsen, CFA
Partner

NEPC, LLC

Introduction

OPERS' total investment portfolio, as reflected in the Combining Statements of Fiduciary Net Assets, pages 38-39, is comprised of Defined Benefit (DB), Health Care (HC) and Defined Contribution (DC) portfolio assets. The DB assets originate from member and employer contributions to the Traditional Plan, employer contributions to the Combined Plan and the VEBA Plan, and funds received from defined contribution account transfers to defined benefit plans. The management of these assets is the responsibility of OPERS' Investment staff under the direction of the Board of Trustees. During 2005, the HC portfolio assets were segregated from the pension portfolio and invested with a more conservative asset-allocation strategy. The HC portfolio is comprised of the assets set aside to provide post-employment health care for the Traditional and Combined plans. DC assets originate from member contributions to the Combined Plan and both member and employer contributions to the Member-Directed Plan. The investment of DC assets is self-directed by members of the Combined and Member-Directed plans, but is limited to investment vehicles approved by the Board of Trustees.

The Investment Summary

OPERS' Total Investment Summary (page 79), relates to the System-wide investments and includes the assets of all three portfolios (DB, HC and DC). The balance of information in this Investment Section is organized as follows: OPERS' DB portfolio investments (pages 88-90) relates exclusively to the DB investments; OPERS' HC portfolio investments (pages 91-93) relates exclusively to the HC investments; OPERS' DC portfolio investments (pages 94-96) relates exclusively to the DC investments. The Investment Objectives and Policies and Asset Class Policies (pages 98-107) provide information on System-wide investment policies and performance objectives.

A complete listing of assets held at December 31, 2011, is available from OPERS upon request. All returns presented throughout the Investment Section are net of external manager fees, overdraft charges, debit interest, registration expenses and stamp duties and taxes spent on foreign securities. In addition, the securities lending money market returns are net of custodial fees, transfer agent expenses and professional fees.

The following table reflects the total investment portfolio, which includes all three component portfolios—the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Performance results and market values for the real estate and private equities asset classes are typically reported on a quarter lag basis, adjusted for cash flow activity during the fourth quarter. If any significant market gains or losses occur in the fourth quarter, these asset classes are adjusted for financial reporting purposes to reflect the estimated market value at year end. The investment results reported for these asset classes in the Investment Section reflect this practice. The table below displays the comparative market values of investment assets consistent with the presentation in the financial statements on pages 38-39.

Total Investment Summary (as of December 31, 2011 and 2010)

	2011		2010	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
Cash and Short-Term Investments:				
Cash	$55,062,109	0.07%	$92,200,671	0.12%
Short-Term Securities:				
Commercial Paper	557,096,396	0.75	1,223,066,395	1.60
U.S.Treasury Obligations	261,812,909	0.35	462,187,861	0.61
Agency Discount Notes	68,663,435	0.09	49,989,395	0.07
Repurchase Agreements	250,000,000	0.34	500,000,000	0.66
Corporate Bonds		0.00	66,784,659	0.09
Short-Term Investment Funds (STIF)	1,655,205,003	2.24	1,260,576,298	1.64
Total Cash and Short-Term Investments	**2,847,839,851**	**3.84**	**3,654,805,279**	**4.79**
Investments:				
Global Bonds:				
U.S. Corporate Bonds	7,226,639,725	9.77	7,705,247,599	10.10
Non-U.S. Notes Bonds	2,468,380,338	3.34	2,562,362,473	3.36
U.S. Government and Agencies	6,179,904,949	8.35	6,788,045,580	8.89
U.S. Mortgage Backed	4,930,070,925	6.66	3,574,206,855	4.68
Subtotal Global Bonds	20,804,995,937	28.12	20,629,862,507	27.03
Domestic Equities	19,329,745,472	26.13	23,256,109,550	30.48
Real Estate	6,009,392,846	8.12	5,097,696,797	6.68
Private Equities	5,270,873,103	7.12	3,364,854,113	4.41
International Equities	18,783,141,673	25.39	20,194,919,730	26.46
Derivatives	10,301,759	0.01	10,781,934	0.01
Hedge Funds	940,565,305	1.27	107,154,522	0.14
Total Long-Term Investments	**71,149,016,095**	**96.16**	**72,661,379,153**	**95.21**
Total Cash and Investments	**$73,996,855,946**	**100.00%**	**$76,316,184,432**	**100.00%**

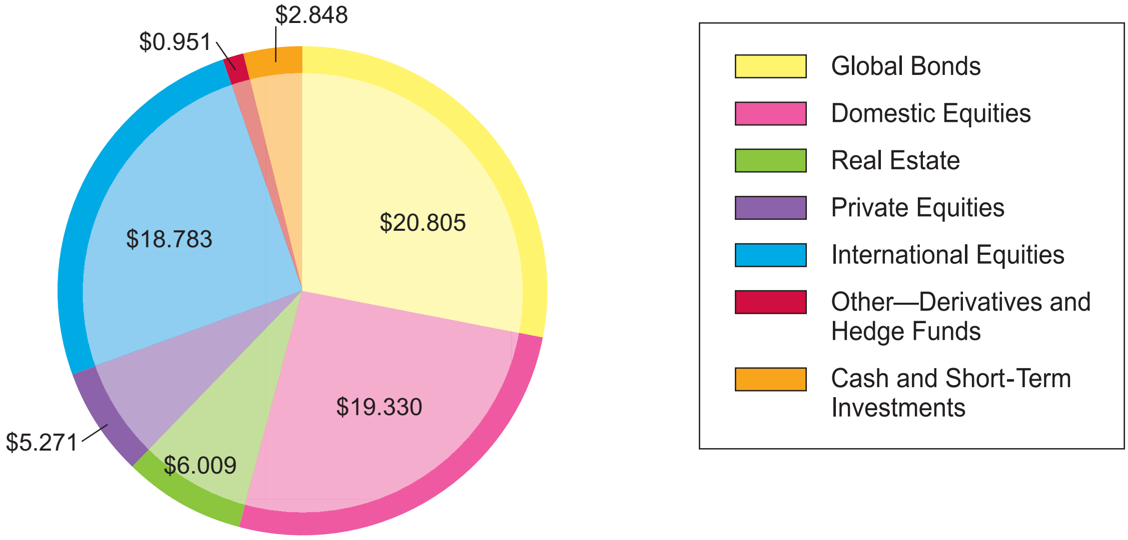
The following table reflects the breakdown of the total investment portfolio into the three component portfolios—the Defined Benefit, Health Care, and the Defined Contribution portfolios.

Total Investment Summary by Portfolio* (as of December 31, 2011)

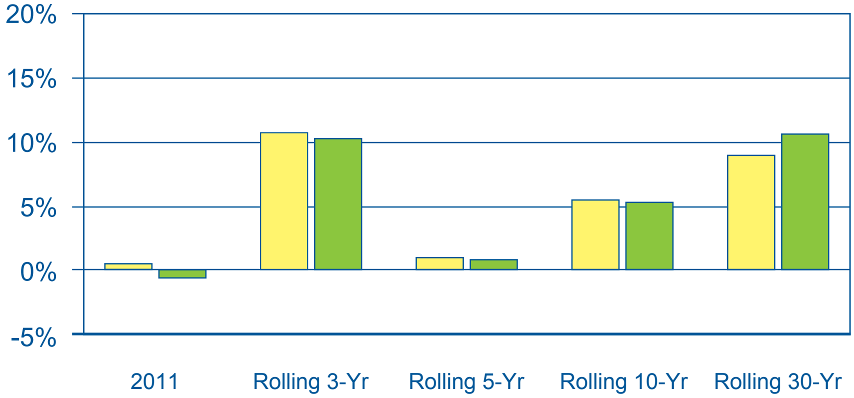
	Defined Benefit	Health Care	Defined Contribution	Total
Global Bonds	$16,314,700,431	$4,349,713,914	$140,581,592	$20,804,995,937
Domestic Equities	15,443,205,782	3,642,820,108	243,719,582	19,329,745,472
Real Estate	6,009,392,846			6,009,392,846
Private Equities	5,215,945,589	54,927,514		5,270,873,103
International Equities	15,323,969,752	3,310,599,792	148,572,129	18,783,141,673
Derivatives	8,870,058	1,431,701		10,301,759
Hedge Funds	807,657,737	132,907,568		940,565,305
Cash and Short-Term Investments	2,692,344,135	153,972,958	1,522,758	2,847,839,851
Total	**$61,816,086,330**	**$11,646,373,555**	**$534,396,061**	**$73,996,855,946**

* Assets summarized on performance basis.

Total Investment Summary (as of December 31, 2011) ($ in billions)



Total Investment Returns—Annual Rates of Return*



	2011	Rolling 3-Yr	Rolling 5-Yr	Rolling 10-Yr	Rolling 30-Yr
OPERS' Return	0.20%	11.07%	1.67%	5.51%	8.97%
Policy Benchmark Return	-0.87%	10.61%	1.50%	5.27%	10.29%

* Annual rates of return—The OPERS return is the result of the returns generated by defined benefit, health care and defined contribution investments, based on a combination of time-weighted calculations and market-value-weighted calculations. The policy benchmark is derived by a market-value-weighted calculation of the defined benefit, health care and defined contribution investments policy benchmarks while all other returns throughout the remainder of this section are derived from a time-weighted calculation. All returns presented throughout the Investment Section are net of external manager fees, overdraft charges, debit interest, registration expenses and stamp duties and taxes spent on foreign securities. In addition, the securities lending money market returns are net of custodial fees, transfer agent expenses and professional fees.

Historical Investment Returns

Year	Total Portfolio Return	Total Defined Benefit Return*	Total Health Care Return*	Total Defined Contribution Return**
2011	0.20%	0.36%	(0.52)%	(2.59)%
2010	13.90	13.98	13.53	13.74
2009	20.06	19.09	24.80	26.44
2008	(26.92)	(27.15)	(25.77)	(28.00)
2007	8.53	8.89	6.87	5.80
2006	14.66	15.05	12.78	12.96
2005	9.03	9.25	8.00	6.88
2004	12.49	12.50	N/A	9.73
2003	25.33	25.39	N/A	
2002	(10.74)	(10.74)	N/A	
2001	(4.60)	(4.60)	N/A	
2000	(0.74)	(0.74)	N/A	
1999	11.94	11.94	N/A	
1998	14.35	14.35	N/A	
1997	13.33	13.33	N/A	
1996	7.88	7.88	N/A	
1995	20.51	20.51	N/A	

* Prior to 2005, the Health Care assets were included in the Defined Benefit Portfolio. In 2005 the Health Care assets were segregated from the Defined Benefit into a separate portfolio with portfolio-specific asset allocation and investment policies. Accordingly, Defined Benefit returns for 2004 and prior represent a composite of the Defined Benefit and Health Care assets.

** Defined Contribution plans commenced January 1, 2003, with a separate portfolio established in 2004.

Largest Equity Holdings (by fair value)* (as of December 31, 2011)

Description	Shares	Fair Value
Exxon Mobil Corporation	6,521,426	$552,756,068
Apple Incorporated	1,334,534	540,486,270
Chevron Corporation	2,858,506	304,145,038
International Business Machines Corporation	1,633,192	300,311,345
General Electric Company	14,679,102	262,902,717
Microsoft Corporation	9,956,868	258,480,293
Pfizer Incorporated	11,478,549	248,395,800
AT&T Incorporated	8,149,802	246,450,012
Johnson & Johnson Company	3,755,422	246,280,575
Procter & Gamble Company	3,651,722	243,606,375
Total	**64,019,123**	**$3,203,814,493**

Largest Bond Holdings (by fair value)* (as of December 31, 2011)

Description	Coupon	Maturity	Rating	Par Value	Fair Value
U.S. Treasury Note	1.000%	10/31/2016	AAA	$256,835,000	$ 259,316,034
U.S. Treasury Note	0.750	6/15/2014	AAA	210,940,000	213,247,702
U.S. Treasury Note	2.000	11/15/2021	AAA	179,540,000	181,574,194
U.S. Treasury Note	0.375	11/15/2014	AAA	174,970,000	175,092,479
U.S. Treasury Note	1.000	8/31/2016	AAA	167,650,000	169,477,392
U.S. Treasury Inflation Indexed Bonds	3.375	1/15/2012	AAA	165,769,500	165,821,220
U.S. Treasury Note	2.250	3/31/2016	AAA	152,900,000	163,095,370
U.S. Treasury Note	1.000	5/15/2014	AAA	159,920,000	162,576,276
U.S. Treasury Note	0.875	11/30/2016	AAA	157,610,000	158,085,985
U.S. Treasury Note	2.000	4/30/2016	AAA	143,370,000	151,390,121
Total				**$1,769,504,500**	**$1,799,676,773**

*A complete list of assets held at December 31, 2011, is available from OPERS upon request.

U.S. Equity Commissions (for the year ended December 31, 2011)

Brokerage Firm	U.S. Equity Commissions Paid	Shares Traded	Average Commission Per Share
UBS Securities LLC	$ 3,196,825	294,337,498	$0.011
Credit Suisse Securities (USA) LLC	1,421,995	81,975,317	0.017
Investment Technology Group Inc.	1,240,100	82,721,426	0.015
Goldman Sachs & Co.	1,211,092	13,479,703	0.090
J.P. Morgan Securities, LLC	1,163,850	51,728,944	0.022
Liquidnet Inc.	883,505	44,263,217	0.020
Citigroup Global Markets Inc.	817,034	42,369,927	0.019
Merrill Lynch, Pierce, Fenner & Smith Inc.	613,096	20,573,748	0.030
Barclays Capital Inc.	602,226	16,310,592	0.037
Deutsche Bank Securities Inc.	538,497	17,936,306	0.030
Morgan Stanley & Co., Inc.	520,762	17,336,259	0.030
Jefferies & Co., Inc.	373,659	12,468,278	0.030
Sanford C. Bernstein Co., LLC	368,839	12,414,447	0.030
Cantor Fitzgerald & Co., Inc.	262,265	9,588,951	0.027
Robert W. Baird & Co., Inc.	253,733	8,454,826	0.030
Pershing LLC	238,019	8,225,042	0.029
Simmons & Co. International	203,539	6,784,618	0.030
Raymond James & Assoc. Inc.	197,451	6,571,580	0.030
National Financial Services Corp	195,317	6,451,641	0.030
ISI Group, Inc.	185,401	6,180,024	0.030
Cowen and Company, LLC	180,762	6,025,412	0.030
RBC Capital Markets, LLC	165,256	5,509,251	0.030
Miller Tabak & Co.	156,809	5,226,969	0.030
Sandler O'Neill & Partners	102,913	3,430,446	0.030
Jonestrading Institutional Services, LLC	98,981	5,053,924	0.020
BTIG, LLC	98,259	3,349,940	0.029
Oppenheimer & Co., Inc.	77,162	2,557,225	0.030
Leerink Swann & Co.	75,819	2,523,341	0.030
Keybanc Capital Markets Inc.	69,882	2,320,177	0.030
Stifel Nicolaus & Co., Inc.	68,355	2,518,743	0.027
William Blair & Co.	44,624	1,426,349	0.031
Keefe, Bruyette and Woods, Inc.	44,387	1,480,601	0.030
Wedbush Securities	38,532	1,280,563	0.030
Jones Associates	25,813	645,314	0.040
MF Global	20,518	683,938	0.030
Other Commissions less than $20,000	246,610	7,802,337	0.032
Total U.S. Equity Commissions	**$16,001,887**	**812,006,874**	**$0.020**

Non-U.S. Equity Commissions (for the year ended December 31, 2011)

Brokerage Firm	Non-U.S. Equity Commissions Paid	Shares Traded	Average Commission Per Share
Credit Suisse Asset Management Securities Inc.	$2,411,420	536,924,498	$0.004
Citigroup Global Markets Inc.	1,806,612	484,477,766	0.004
UBS Securities LLC	1,310,776	323,828,998	0.004
Deutsche Bank Securities Inc.	1,052,396	152,498,830	0.007
J. P. Morgan Securities LLC	929,581	199,286,746	0.005
Morgan Stanley & Co. International Ltd	893,962	104,861,324	0.009
Merrill Lynch & Co., Inc.	839,191	181,084,939	0.005
Goldman Sachs & Co.	578,051	56,783,214	0.010
Nomura Securities International, Inc.	570,793	141,220,424	0.004
Credit Lyonnais Bank	485,103	118,475,517	0.004
Instinet	482,762	166,853,680	0.003
Macquarie Bank Ltd	393,317	77,845,645	0.005
S.G. Securities	302,505	62,112,589	0.005
Barclays Bank PLC	290,120	15,278,122	0.019
HSBC Bank	213,982	31,678,848	0.007
Sanford C. Bernstein & Co. Inc.	178,383	36,188,776	0.005
ITG Inc.	133,949	27,252,831	0.005
Bank Of New York	132,785	33,726,201	0.004
Daiwa Capital Markets Inc.	130,488	18,997,982	0.007
Bouzet (Du) S A Societe De Bourse	122,700	19,690,947	0.006
Itau USA Securities Inc.	121,515	3,678,856	0.033
Royal Bank Of Scotland PLC	119,431	44,544,857	0.003
BNP Paribas	107,893	15,262,248	0.007
Investment Technology Group Ltd	106,091	28,161,374	0.004
Brockhouse & Cooper Inc.	98,110	13,857,270	0.007
Jefferies & Co. Inc.	91,488	5,014,274	0.018
Exane Inc.	74,161	3,843,919	0.019
Renaissance Capital Ltd.	72,438	4,459,775	0.016
Hoare Govett Secs Ltd.	67,631	11,973,049	0.006
Liquidnet	65,369	9,026,948	0.007
Mizuho International PLC	62,024	2,597,201	0.024

continued on page 86

continued from page 85

Non-U.S. Equity Commissions (continued)

Brokerage Firm	Non-U.S. Equity Commissions Paid	Shares Traded	Average Commission Per Share
Pershing Securities Ltd.	59,166	7,831,703	0.008
VTB Bank Europe PLC	53,030	1,831,817	0.029
Redburn Partners LLP	52,767	5,088,428	0.010
Royal Bank Of Canada	52,454	3,374,244	0.016
China International Capital Corp	49,457	20,739,700	0.002
Main First Bank	47,141	421,838	0.112
ING Bank	46,034	3,176,390	0.014
Cowen and Company LLC	44,993	1,499,780	0.030
Bradesco SA	42,545	1,875,050	0.023
Ringfloor Limited	41,488	7,726,747	0.005
ABN Amro	39,178	28,200,044	0.001
CLSA Global	38,896	1,770,144	0.022
Samsung Securities Ltd.	38,212	11,751,573	0.003
Salomon Smith Barney Securities	37,885	463,482	0.082
Bank Of Tokyo Mitsubishi Ltd Total	34,666	2,254,552	0.015
Calyon Securities	30,287	6,671,782	0.005
Stifel Nicolaus	30,047	1,001,567	0.030
Penserra Securities LLC	28,492	2,080,173	0.014
Knight Securities	28,446	12,570,819	0.002
India Infoline Ltd.	26,469	2,279,460	0.012
Banco BTG Pactual SA	26,326	767,450	0.034
G-Trade Services Ltd.	25,184	2,101,828	0.012
Credit Agricole	25,147	1,560,343	0.016
Execution Ltd.	25,109	822,214	0.031
Caceis Bank	24,972	580,385	0.043
C L Global Partners Securities Corp.	24,585	934,100	0.026
Standard Chartered Bank	24,446	18,830,788	0.001
Berenberg Gossler & Co.	23,071	681,241	0.034
Mirae Asset Securities Co. Ltd.	20,483	1,344,959	0.015
Other Commissions Less Than $20,000	630,458	61,089,732	0.010
Total Non-U.S. Equity Commissions	**$15,916,461**	**3,142,809,981**	**$0.005**

Futures Commissions (for the year ended December 31, 2011)

Brokerage Firm	Futures Commissions Paid	Number of Contracts	Average Commission Per Contract
Goldman, Sachs & Co.	$1,222,846	525,689	$2.33
Credit Suisse Securities (USA) LLC	387,045	162,868	2.38
J. P. Morgan Securities LLC	146,094	61,838	2.36
Total Futures Commissions	**$1,755,985**	**750,395**	**$2.34**
Total U.S. Equity, Non-U.S. Equity and Futures Commissions	**$33,674,333**	**N/A**	**N/A**

The brokerage commissions do not include commissions paid by external investment managers utilizing commingled fund structures. OPERS maintains a commission recapture program with several of its investment managers. Capital Institutional Services Inc., Donaldson Co. and Frank Russell Securities Inc. perform record-keeping services for the commission recapture program.

Schedule of Fees to External Asset Managers (for the year ended December 31, 2011)

	Defined Benefit	Health Care	Defined Contribution	Total
Global Bonds	$10,400,740	$3,537,233	$129,357	$14,067,330
Domestic Equities	11,565,201	1,124,377	161,076	12,850,654
International Equities	40,933,134	8,832,262	410,779	50,176,175
Real Estate	49,604,803			49,604,803
Private Equities	62,875,697	146,464		63,022,161
Other*	3,307,103	7,704		3,314,807
Total Fees	**$178,686,678**	**$13,648,040**	**$701,212**	**$193,035,930**

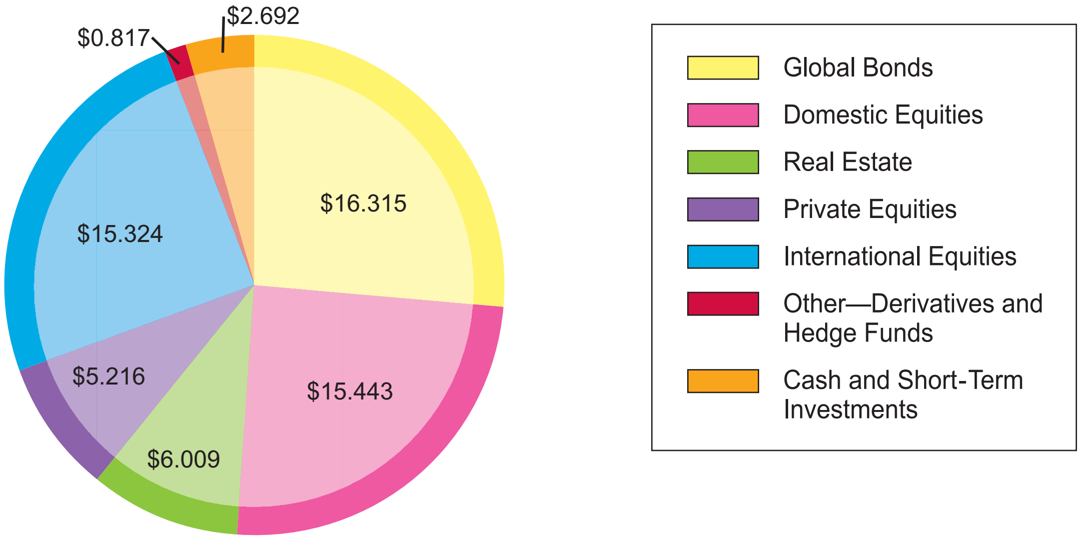
* Other represents fees paid for derivatives and hedge funds.

Schedule of External Asset Managers (for the year ended December 31, 2011

U.S. Equity Managers:		
Affinity Investment Advisors	J.P. Morgan	Redwood
Atlanta Capital Management	Leading Edge	Sasco Capital
Credo Capital Management	Los Angeles Capital	Seizert Capital
Dean Investment Associates	New South	Shapiro Capital Management
Disciplined Growth Investors	Nicholas Investment Partners	Sparta Asset Management
Elessar Investment Management	Nichols Asset Management	Systematic Financial Management
First Fiduciary Investment	Opus Capital Management	The Boston Company
Geneva Capital Management	Penn Capital Management	Wasatch Advisors
GW Capital	Piedmont	Winslow Asset Management
Hahn Capital Management	Progress	
Invesco	Pyramis	
Non-U.S. Equity Managers:		
Acadian	Fisher Investments	Schroders
AllianceBernstein	J.P. Morgan	Strategic Global Advisors
Arrowstreet	JO Hambro	Trilogy
Ballie Gifford	Lazard	T. Rowe Price
Baring	LSV	TT International
BlackRock	Manning and Napier	Vontobel
Brandes	Oldfield	Walter Scott
Bond Managers:		
AFL-CIO Housing Investment Trust	J.P. Morgan	Shenkman Capital Management
Capital Guardian	Logan Circle Partners	Stone Harbor
Fort Washington	Neuberger Berman	Wellington Management
Goode Investment Management	Post Advisory Group	
Hedge Fund Managers:		
Arrowgrass Partnership	Davidson Kemper	Prisma
BlueCrest Capital	K2	Taconic
Crestline	Och Ziff	York Capital Management

As noted previously, the Investment Division manages the OPERS total investment portfolio by dividing it into three sub-portfolios. These portfolios are: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. All information prior to this point has been reported on the OPERS total investment portfolio, however, all the following information will be presented on the specific portfolio level.

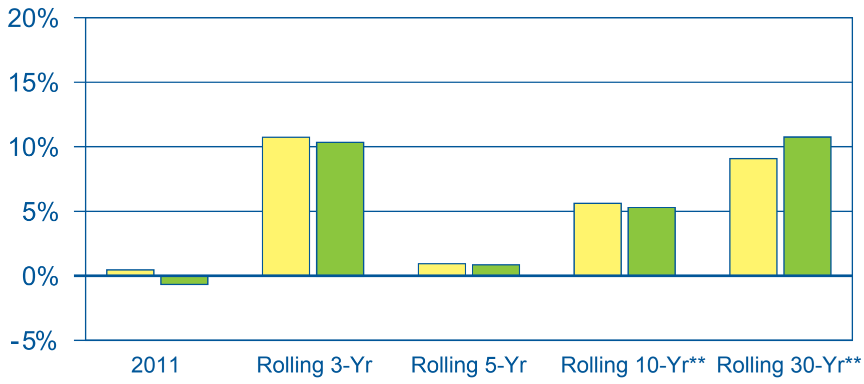
Defined Benefit Portfolio Asset Allocation (as of December 31, 2011) ($ in billions)



Investment Returns

The OPERS DB portfolio returned 0.36% in 2011. The overall portfolio return is compared to a composite benchmark return that could be achieved by a portfolio that is passively invested in the broad market, with percentage weights allocated to each asset class as specified in OPERS' *Statement of Investment Objectives and Policies*. The return of the policy benchmark for 2011 was (0.88)%.

Investment Returns—Annual Rates of Return—Defined Benefit Portfolio*



	2011	Rolling 3-Yr	Rolling 5-Yr	Rolling 10-Yr**	Rolling 30-Yr**
OPERS' Defined Benefit Portfolio	0.36%	10.86%	1.56%	5.51%	8.97%
Policy Benchmark Return	-0.88%	10.40%	1.29%	5.21%	10.27%

* Annual rates of return—The OPERS Defined Benefit portfolio return is based on a time-weighted calculation. The policy benchmark is derived by a market-value-weighted calculation of the defined benefit investments policy benchmarks. All returns are net of external manager fees, overdraft charges, debit interest, registration expenses and stamp duties and taxes spent on foreign securities.
** The Health Care portfolio was segregated from the Defined Benefit portfolio in 2005; thus, the 10-year and 30-year rolling return information reflect both the Defined Benefit and Health Care portfolios.

Historical returns for the Defined Benefit investments underlying asset class composites and their respective benchmarks are shown.

Schedule of Investment Results—Defined Benefit Portfolio (for the year ended December 31, 2011)

	2011	Rolling 3-Year	Rolling 5-Year
Total Defined Benefit Portfolio	**0.36%**	**10.86%**	**1.56%**
Total Defined Benefit Portfolio Benchmark[1]	**(0.88)**	**10.40**	**1.29**
U.S. Equity Composite	1.09	14.93	(0.15)
U.S. Equity Composite Benchmark	1.03	14.88	(0.01)
Non-U.S. Equity Composite	(13.63)	10.95	(2.91)
Non-U.S. Equity Composite Benchmark	(14.19)	10.50	(3.03)
Core Fixed Composite	7.52	N/A	N/A
Core Fixed Composite Benchmark	7.84	N/A	N/A
High Yield Composite	4.64	N/A	N/A
High Yield Composite Benchmark	4.98	N/A	N/A
Liquidity Composite	0.25	N/A	N/A
Liquidity Composite Benchmark	0.10	N/A	N/A
Private Equity Composite	15.93	8.47	9.14
Private Equity Composite Benchmark	3.55	4.47	2.07
Real Estate Composite	12.68	(0.70)	N/A
Real Estate Composite Benchmark	16.10	(1.45)	N/A
Hedge Fund Composite	(2.38)	N/A	N/A
Hedge Fund Composite Benchmark	7.00	N/A	N/A
Opportunistic Composite	4.84	N/A	N/A
Opportunistic Composite Benchmark	5.06	N/A	N/A
Cash Composite	0.35	(2.07)	0.20
Cash Composite Benchmark	0.10	0.15	1.48
Additional Annuity	2.10	2.97	3.41
Additional Annuity Composite Benchmark	0.10	0.15	1.48

Footnotes for Schedule of Investment Results—Defined Benefit Portfolio

[1] **Defined Benefit Portfolio Benchmark**—The returns for this benchmark are derived from the asset class composite benchmark returns summarized in the table above, the historical asset class target allocations listed in the following table and the asset class composite benchmark indices listed in the table on the following page.

Historical Asset Class Target Allocations—Defined Benefit Portfolio

Asset Class	2011	2010	2009	2008	2007
U.S. Equity	29.1%	35.5%	42.4%	43.4%	45.4%
Opportunistic	1.6	1.3	0.6	0.2	0.1
Core Bonds (Universal Bonds pre-2010)	17.9	12.4	14.0	14.4	16.2
Stable Value	0.0	0.0	0.0	0.0	0.0
Long Duration Bond	0.0	5.6	10.0	9.6	8.6
Non-U.S. Equity	24.6	24.5	20.0	20.0	20.0
Real Estate	9.7	8.5	8.0	8.0	7.2
Private Equity	8.8	5.2	5.0	4.4	2.5
High Yield	5.0	5.0	N/A	N/A	N/A
Cash Equivalents	2.0	2.0	0.0	0.0	0.0
Emerging Market Debt	0.1	N/A	N/A	N/A	N/A
Hedge Funds	1.2	N/A	N/A	N/A	N/A
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

To arrive at customized benchmark performance, the asset allocation targets are multiplied by the performance of the corresponding asset class reference indices. The asset class reference indices are specified by the Investment Policy, and are displayed below:

Historical Asset Class Composite Benchmark Indices—Defined Benefit Portfolio

Asset Class Composite Benchmarks	12/31/2011	12/31/2010-12/31/2008	12/31/2007
U.S. Equity	Russell 3000 [2]	Russell 3000	Russell 3000
Opportunistic	Custom Opportunistic Benchmark [3]	LIBOR (2 month lag) + 4%	LIBOR (2 month lag) + 4%
Core Bond (formerly Universal)	Barclays U.S. Aggregate Bond Index [4]	Barclays U.S. Aggregate Bond Index	Barclays Universal
Stable Value	90-day U.S. Treasury Bill [5]	90-day U.S. Treasury Bill	90-day U.S. Treasury Bill
Long Duration Bond	N/A	Barclays U.S. Long Government/Credit Bond	Barclays U.S. Long Government/Credit Bond
Non-U.S. Equity	Custom Non-U.S. Equity Benchmark (Net) [6]	MSCI ACWI x U.S. (Net)	MSCI ACWI x U.S. (Net)
Private Real Estate	NCRIEF Property Index (quarter lag) [7]	NCRIEF Property Index (quarter lag)	NCREIF Property Index
REITS	DJ U.S. Select REIT TR [8]	DJ U.S. Select REIT TR	DJ Wilshire RESI
Private Equity	Russell 3000 (quarter lag) + 3% [2]	Russell 3000 (quarter lag) + 3%	Russell 3000 (quarter lag) + 3%
Cash Equivalents	90-day U.S. Treasury Bill [5]	90-day U.S. Treasury Bill	90-day U.S. Treasury Bill
High Yield	Barclays Capital U.S. Corporate High Yield [9]	Barclays Capital U.S. HY BA/B 3% Issuer Cap (2010 Only)	N/A
Emerging Market Debt	Custom Emerging Market Debt Benchmark [10]	N/A	N/A
Hedge Funds	Custom Hedge Fund Benchmark [11]	N/A	N/A

The footnotes below provide definitions for the 12/31/2011 asset class composite benchmark indices.

[2] **Russell 3000 Stock Index**—A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

[3] **Custom Opportunistic Benchmark**—As of 12/31/11 blend was 70% Barclays CMBS + 2%, 30% MSCI Emerging Market Currency [USD] index.

[4] **Barclays U.S. Aggregate Bond Index**—A market cap weighted broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

[5] **90-day U.S. Treasury Bill Index**—The 90-day Treasury Bill return as measured by Barclays.

[6] **Custom Non-U.S. Equity Benchmark**—As of 12/31/11 blend was 64% MSCI World ex United States (Net), 33% MSCI Emerging Markets (Net), and 3% MSCI World ex United States Small Cap (Net).

[7] **NCREIF Property Index (NPI)**—Appraisal-based valuations of privately owned commercial real estate that consists of both equity and leveraged properties, reported on an unleveraged basis. Prior to 1/1/2006, 100 basis points were deducted annually.

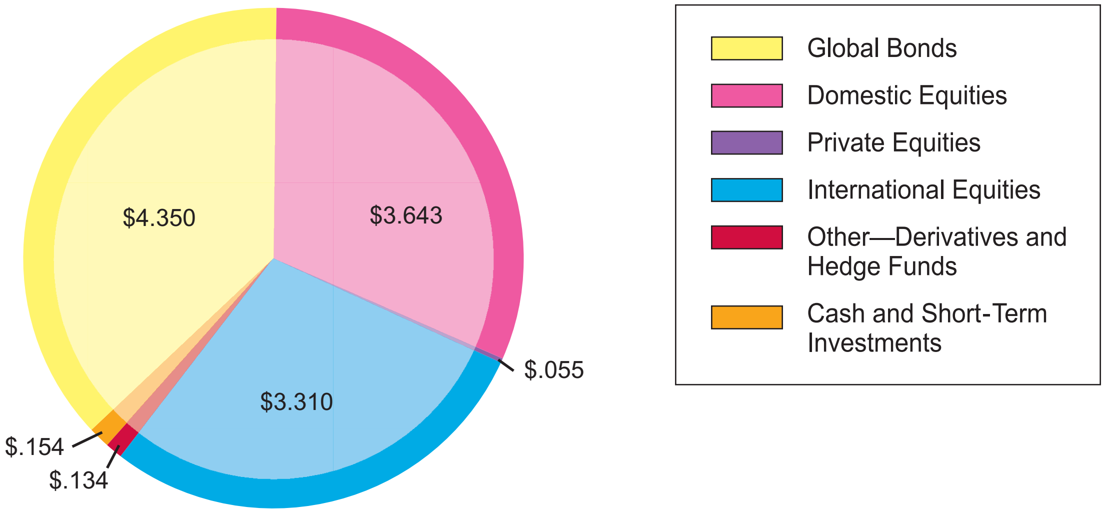
[8] **DJ U.S. Select REIT TR**—The Dow Jones U.S. Select Real Estate Securities Index (RESI) represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded in the U.S. Prior to 7/1/2007, OPERS used the DJ RESI full market capitalization. Prior to 1/1/2006, 20 bps were deducted annually.

[9] **Barclays Capital U.S. Corporate High Yield**—Covers the universe of fixed rate, non-investment grade debt.

[10] **Custom Emerging Market Debt**—As of 12/31/11 blend was 50% JPMorgan EMBI Global Index, 50% JPMorgan GBI-Emerging Markets Global Diversified USD.

[11] **Custom Hedge Fund Benchmark**—The higher of 3 Month U.S. LIBOR (London Interbank Offered Rate) + 4% or a straight 7%.

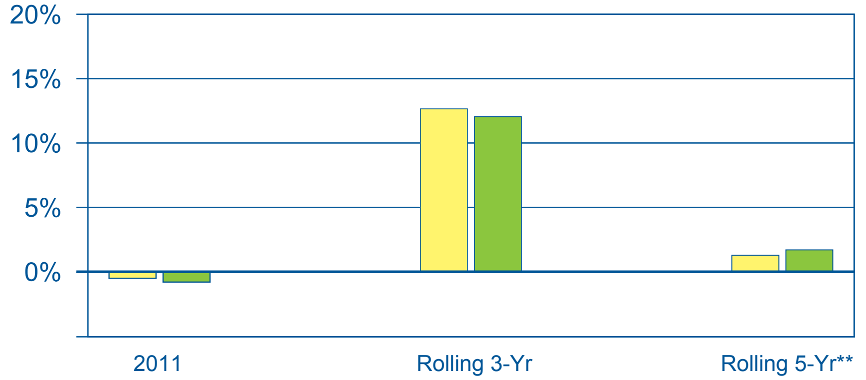
Health Care Portfolio Asset Allocation (as of December 31, 2011) ($ in billions)



Investment Returns

The OPERS Health Care portfolio returned a negative 0.52% in 2011. The overall portfolio return is compared to a composite benchmark return that could be achieved by a portfolio that is passively invested in the broad market, with percentage weights allocated to each asset class as specified in OPERS' *Statement of Investment Objectives and Policies*. The return of the policy benchmark for 2011 was (0.71)%.

Investment Returns—Annual Rates of Return—Health Care Portfolio*



	2011	Rolling 3-Yr	Rolling 5-Yr**
OPERS' Health Care Portfolio	-0.52%	12.12%	2.26%
Policy Benchmark Return	-0.71%	11.63%	2.56%

* Annual rates of return—The OPERS Health Care portfolio return is based on a time-weighted calculation and market-value-weighted calculation. The policy benchmark is derived by a market-value-weighted calculation of the health care investments policy benchmarks. All returns are net of external manager fees, overdraft charges, debit interest, registration expenses and stamp duties and taxes spent on foreign securities.

** The Health Care portfolio was segregated from the Defined Benefit portfolio in 2005, thus the 10-year and 30-year rolling returns information are not available.

Investment returns for the Health Care portfolio underlying asset class composites and their respective benchmarks are shown below.

Schedule of Investment Results—Health Care Portfolio (for the year ended December 31, 2011)

	2011	Rolling 3-Year	Rolling 5-Year
Total Health Care Portfolio	**(0.52)%**	**12.12%**	**2.26%**
Total Health Care Portfolio Benchmark[1]	**(0.71)**	**11.63**	**2.56**
U.S. Equity Composite	1.09	14.93	(0.15)
U.S. Equity Composite Benchmark	1.03	14.88	(0.01)
Non-U.S. Equity Composite	(13.63)	10.95	(2.88)
Non-U.S. Equity Composite Benchmark	(14.19)	10.50	(3.03)
Core Fixed Composite	7.52	N/A	N/A
Core Fixed Composite Benchmark	7.84	N/A	N/A
TIPS Composite	13.60	10.58	8.14
TIPS Composite Benchmark	13.56	10.38	7.95
High Yield Composite	4.64	N/A	N/A
High Yield Composite Benchmark	4.98	N/A	N/A
Emerging Market Debt Composite	1.63	17.64	N/A
Emerging Market Debt Composite Benchmark	3.33	14.02	N/A
Liquidity Composite	0.23	N/A	N/A
Liquidity Composite Benchmark	0.10	N/A	N/A
Private Equity Composite	5.15	(12.56)	N/A
Private Equity Composite Benchmark	3.55	4.47	N/A
REIT Composite	9.61	22.41	(2.02)
REIT Composite Benchmark	8.87	21.74	(2.22)
Hedge Fund Composite	(2.38)	N/A	N/A
Hedge Fund Composite Benchmark	7.00	N/A	N/A
Opportunistic Composite	4.84	N/A	N/A
Opportunistic Composite Benchmark	5.06	N/A	N/A
Commodities Composite	1.17	N/A	N/A
Commodities Composite Benchmark	(1.18)	N/A	N/A
Cash Composite	0.43	0.67	1.87
Cash Composite Benchmark	0.10	0.15	1.48

Footnotes for Schedule of Investment Results—Health Care Portfolio

[1] **Health Care Portfolio Benchmark**—The returns for this benchmark are derived from the asset class composite benchmark returns summarized in the table above, the historical asset class target allocations listed in the following table and the asset class composite benchmark indices listed in the tables on the following page.

Historical Asset Class Target Allocations—Health Care Portfolio

Asset Class	2011	2010	2009	2008	2007
U.S. Equity	28.7%	30.2%	28.4%	29.0%	30.0%
Commodities	1.0	1.0	N/A	N/A	N/A
Opportunistic	1.7	1.3	1.0	0.0	0.0
Core Bond (previously Universal)	21.5	21.5	10.0	10.3	15.0
TIPS	3.5	3.5	20.0	20.2	20.0
Short Duration Bond	0.0	0.0	10.0	11.5	15.0
High Yield	2.0	2.0	N/A	N/A	N/A
Non-U.S. Equity	27.3	27.3	24.5	23.0	15.0
Emerging Market Debt	5.0	5.0	N/A	N/A	N/A
REITS	6.0	6.0	6.0	6.0	5.0
Cash Equivalents	2.0	2.0	0.0	0.0	0.0
Private Equity	0.4	0.2	0.1	0.0	0.0
Hedge Funds	0.9	N/A	N/A	N/A	N/A
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Historical Asset Class Composite Benchmark Indices—Health Care Portfolio

Asset Class Composite Benchmarks	12/31/2011	12/31/2010	12/31/2009
U.S. Equity	Russell 3000 [2]	Russell 3000	Russell 3000
Commodities	S&P Goldman Sachs Commodity Index [2]	S&P Goldman Sachs Commodity Index	N/A
Opportunistic	Custom Opportunistic Benchmark [4]	LIBOR (2 month lag) + 4%	LIBOR (2 month lag) + 4%
Core Bonds (Previously Universal)	Barclays U.S. Aggregate Bond Index [5]	Barclays U.S. Aggregate	Barclays U.S. Aggregate
TIPS	Barclays U.S. TIPS [6]	Barclays U.S. TIPS	Barclays U.S. TIPS
High Yield	Barclays Capital U.S. Corporate High Yield [7]	Barclays Capital U.S. Corporate High Yield	N/A
Non-U.S. Equity	Custom Non-U.S. Equity Benchmark (Net) [8]	MSCI ACWI x U.S.	MSCI ACWI x U.S.
Emerging Market Debt	Custom Emerging Market Debt Benchmark [9]	Custom Emerging Market Debt Benchmark	N/A
REITS	DJ U.S. Select REIT TR [10]	DJ U.S. Select REIT TR	DJ Wilshire RESI (full cap)
Cash Equivalents	90-day U.S. Treasury Bill [11]	90-day U.S. Treasury Bill	90-day U.S. Treasury Bill
Private Equity	Russell 3000 (quarter lag) + 3% [2]	Russell 3000 (quarter lag) + 3%	Russell 3000 (quarter lag) + 3%
Hedge Funds	Custom Hedge Fund Benchmark [12]	N/A	N/A

The footnotes below provide definitions for the 12/31/2011 asset class composite benchmark indices.

2 **Russell 3000 Stock Index**—A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

3 **S&P Goldman Sachs Commodity Index**—Tracks general price movements and inflation in the world economy. The index is calculated primarily on a world-production weighted basis and is comprised of the principal physical commodities that are the subject of active, liquid futures markets.

4 **Custom Opportunistic Benchmark**—As of 12/31/11 blend was 70% Barclays CMBS + 2%, 30% MSCI Emerging Market Currency [USD] index.

5 **Barclays U.S. Aggregate Bond Index**—A market cap weighted broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

6 **Barclays U.S. TIPS Index**—This index consists of Inflation-Protection securities issued by the U.S. Treasury.

7 **Barclays Capital U.S. Corporate High Yield**—Covers the universe of fixed rate, non-investment grade debt.

8 **Custom Non-U.S. Equity Benchmark**—As of 12/31/11 blend was 64% MSCI World ex United States (Net), 33% MSCI Emerging Markets (Net), and 3% MSCI World.

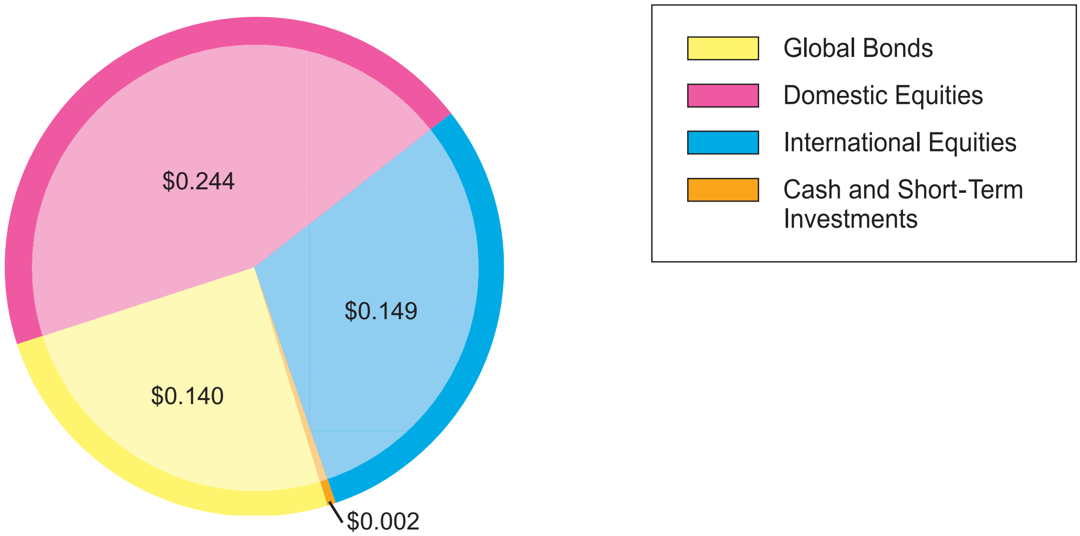
9 **Custom Emerging Market Debt Benchmark**—As of 12/31/11 blend was 50% JPMorgan EMBI Global Index, 50% JPMorgan GBI-Emerging Markets Global Diversified USD.

10 **DJ U.S. Select REIT TR**—The Dow Jones U.S. Select Real Estate Securities Index (RESI) represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded in the U.S.

11 **90-day U.S. Treasury Bill Index**—The 90-day Treasury Bill return as measured by Barclays.

12 **Custom Hedge Fund Benchmark**—The higher of 3-Month U.S. LIBOR (London Interbank Offered Rate) + 4% or a straight 7%.

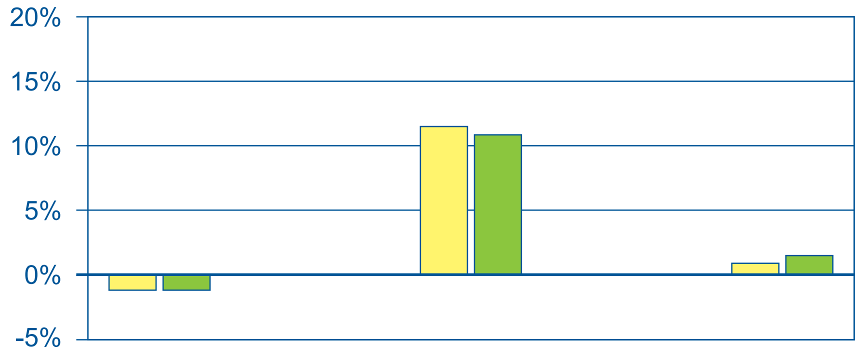
Defined Contribution Portfolio Asset Allocation (as of December 31, 2011) ($ in billions)



Investment Returns

The OPERS Defined Contribution portfolio returned a negative 2.59% in 2011. The portfolio composite is derived from the individual investment option returns and their actual year-end market values. Members may not invest in this portfolio composite but may invest in the individual investment options as they choose. The returns for the OPERS investment options and their respective indices are shown on the following page.

Investment Returns—Annual Rates of Return—Defined Contribution Portfolio*



	2011	Rolling 3-Yr	Rolling 5-Yr
OPERS' Defined Contribution Portfolio	-2.59%	11.89%	1.31%
Policy Benchmark Return	-2.63%	11.82%	1.87%

* Annual rates of return—The OPERS Defined Contribution portfolio return is the result of the returns generated by defined contribution investments based on a combination of time-weighted and market-value-weighted calculations. The defined contribution plans began in 2003, thus 10-year and 30-year return information does not exist.

Historical returns for the Defined Contribution investments underlying asset class composites and their respective benchmarks are shown below.

Schedule of Investment Results—Defined Contribution Portfolio (for the year ended December 31, 2011)

	2011	Rolling 3-Year	Rolling 5-Year
Target Payout Fund	2.57%	8.97%	3.26%
Target Payout Fund Index [1]	2.26	7.25	2.93
Target 2015 Fund	1.02	10.62	0.92
Target 2015 Fund Index [2]	1.36	10.13	2.10
Target 2020 Fund	(1.81)	11.63	0.11
Target 2020 Fund Index [3]	(1.07)	11.54	1.30
Target 2025 Fund	(4.09)	12.10	(0.45)
Target 2025 Fund Index [4]	(3.51)	12.48	0.63
Target 2030 Fund	(4.67)	12.08	(0.72)
Target 2030 Fund Index [5]	(4.48)	12.46	0.30
Target 2035 Fund	(4.95)	12.12	(0.88)
Target 2035 Fund Index [6]	(4.84)	12.55	0.12
Target 2040 Fund	(5.36)	12.10	(1.09)
Target 2040 Fund Index [7]	(5.33)	12.60	(0.08)
Target 2045 Fund	(5.80)	12.09	(1.36)
Target 2045 Fund Index [8]	(5.76)	12.68	(0.37)
Target 2050 Fund	(5.85)	12.08	(1.36)
Target 2050 Fund Index [9]	(5.86)	12.65	(0.38)
Target 2055 Fund	(5.75)	12.12	(1.34)
Target 2055 Fund Index [10]	(5.86)	12.65	(0.38)
Stable Value Index Portfolio	2.15	3.01	3.49
ML 3-Month Treasury Bill [11]	0.10	0.14	1.48
Bond Index Portfolio	7.77	11.17	6.27
Barclays U.S. Aggregate Index [12]	7.85	7.87	6.48
Stock Index Portfolio	1.02	14.90	0.05
Russell 3000 Stock Index [13]	1.02	14.87	(0.02)
Large Cap Index Portfolio	1.44	15.05	(0.51)
Russell 1000 Stock Index [14]	1.51	14.81	(0.02)
Small Cap Index Portfolio	(4.37)	15.60	(0.03)
Russell 2000 Stock Index [15]	(4.17)	15.63	0.15
Non-U.S. Stock Index Portfolio	(13.50)	9.20	(4.83)
MSCI ACWI x U.S. [16]	(13.71)	10.71	(2.92)

Footnotes for Schedule of Investment Results—Defined Contribution Portfolio

[1] **Target Payout Fund Index**—25% ML 3-Month U.S. Treasury, 32% Barclays U.S. Aggregate, 10% Russell 1000, 5% Russell 2000, 15% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 13% Barclays U.S. TIPS.

[2] **Target 2015 Fund Index**—9% ML 3-Month U.S. Treasury, 38% Barclays U.S. Aggregate, 12% Russell 1000, 9% Russell 2000, 21% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 11% Barclays U.S. TIPS.

[3] **Target 2020 Fund Index**—1% ML 3-Month U.S. Treasury, 36% Barclays U.S. Aggregate, 16% Russell 1000, 13% Russell 2000, 30% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 4% Barclays U.S. TIPS.

[4] **Target 2025 Fund Index**—21% Barclays U.S. Aggregate, 20% Russell 1000, 17% Russell 2000, 38% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 4% Barclays U.S. Government/Credit.

[5] **Target 2030 Fund Index**—11% Barclays U.S. Aggregate, 22% Russell 1000, 19% Russell 2000, 41% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 7% Barclays U.S. Government/Credit.

[6] **Target 2035 Fund Index**—8% Barclays U.S. Aggregate, 23% Russell 1000, 19% Russell 2000, 42% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 8% Barclays U.S. Government/Credit.

[7] **Target 2040 Fund Index**— 7% Barclays U.S. Aggregate, 24% Russell 1000, 20% Russell 2000, 43% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 6% Barclays U.S. Government/Credit.

[8] **Target 2045 Fund Index**—5% Barclays U.S. Aggregate, 25% Russell 1000, 20% Russell 2000, 45% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 5% Barclays U.S. Government/Credit.

[9] **Target 2050 Fund Index**—5% Barclays U.S. Aggregate, 25% Russell 1000, 20% Russell 2000, 45% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 5% Barclays U.S. Government/Credit.

[10] **Target 2055 Fund Index**— 5% Barclays U.S. Aggregate, 25% Russell 1000, 20% Russell 2000, 45% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 5% Barclays U.S. Government/Credit.

[11] **ML 3-Month Treasury Bill**—The 3-Month Treasury Bill return as measured by Merrill Lynch.

[12] **Barclays U.S. Aggregate Index**—A market value weighted index consisting of Barclays Corporate, Government and Mortgage-Backed Indices. This index is the broadest available measure of the aggregate U.S. fixed income market.

[13] **Russell 3000 Stock Index**—A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

[14] **Russell 1000 Stock Index**—A capitalization-weighted stock index consisting of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

[15] **Russell 2000 Stock Index**—A capitalization-weighted stock index consisting of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

[16] **MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)**—A capitalization-weighted index of stocks representing 45 developed and emerging country markets, excluding the U.S. market.

The 10 largest direct investments in the state of Ohio, measured as the market value of our investment in the securities of firms headquartered in Ohio, totaled approximately $0.5 billion at the end of the year.

The 10 largest indirect investments, measured as the market value of our investment in the securities of 10 companies with the largest employment presence in the state, totaled approximately $1.1 billion. Employment presence is measured by the number of persons employed at a business located in Ohio, as defined by the Office of Strategic Research, Ohio Department of Development. Firms with the largest employment presence in Ohio employed approximately 201,000 people in Ohio.

Top Ohio Holdings (for the year ended December 31, 2011)

Direct		Indirect		
Largest Firms Headquartered In Ohio	Fair Value	Firms With Largest Employment Presence	Ohio Employment Estimated Headcount	Fair Value
Procter & Gamble Co.	$243,606,375	Wal-Mart Stores, Inc.	52,275	$133,560,433
FirstEnergy Corp.	48,396,952	Kroger Co.	39,000	18,412,044
Eaton Corp.	37,432,405	JPMorgan Chase & Co.	19,500	181,123,290
Fifth Third Bancorp	35,209,278	Procter and Gamble Co.	13,900	243,606,375
Cardinal Health Inc.	24,393,371	United Parcel Service, Inc.	13,650	77,010,079
Ltd. Brands Inc.	25,005,500	Honda Motor Co., Ltd.	13,500	65,930,252
American Electric Power Co.	23,946,994	PNC Financial Services Group	13,400	44,539,118
Macy's Inc.	24,376,994	General Electric Co.	13,000	262,902,717
JM Smucker Co.	22,063,092	Sears Holdings Corp.	12,000	420,100
Owens-Illinois Inc.	20,525,028	Target Corp.	11,000	57,590,078
Total	**$504,955,989**	**Total**	**201,225**	**$1,085,094,486**

The investment powers and fiduciary responsibilities of Ohio Public Employees Retirement System Board of Trustees (OPERS Board of Trustees) are governed by Section 145.11 of the Ohio Revised Code and the requirements of the OPERS *Code of Ethics and Personal Trading Policy*, and applicable state statutes. The OPERS Board of Trustees shall discharge their duties solely in the interest of participants and beneficiaries, for the exclusive purpose of providing benefits and defraying reasonable expenses of administering OPERS, with care, skill, prudence, and diligence of a prudent person, by diversifying the investments.

The OPERS Board of Trustees reviews all policies and approves changes or additions as appropriate. The Investment staff fulfills the mandates and obligations described in the policies and recommends changes to the OPERS Board of Trustees, as appropriate. The following policies reflect those in place for the 2011 fiscal year.

The OPERS Board of Trustees believes OPERS' assets should be managed in a fashion that reflects OPERS' unique liabilities, funding resources and portfolio size, by incorporating accepted investment theory and reliable, empirical evidence. The OPERS Board of Trustees ensures adequate risk control of the defined benefit, health care and defined contribution portfolios through diversification, portfolio guidelines, risk budgeting, compliance and monitoring.

The purpose of OPERS' policies is to provide a broad strategic framework for managing portfolios. Portfolio-related policies are summarized below. Approved OPERS Board of Trustees asset class policies are summarized beginning on page 104 and are posted on the OPERS website, www.OPERS.org, where they can be viewed in their entirety.

Defined Benefit Investment Policies

Investment Objective

The primary objective of the Defined Benefit portfolio is to secure statutory benefits provided by OPERS, earning sufficient returns to improve benefits periodically, and to keep OPERS' costs reasonable for employees and employers.

Asset Allocation and Performance Objectives

The approved OPERS Board of Trustees asset allocation policy establishes a framework for OPERS that has a high likelihood of realizing OPERS' investment objective. The Defined Benefit portfolio's performance objectives are to exceed the OPERS performance benchmark, net of investment expenses over five-year periods; and exceed the actuarial interest rate (currently 8%) over a reasonable longer-time horizon.

The Board sets target allocations (Targets) to various asset classes that are designed to meet OPERS' long-term investment objectives. Targets for the Public Equity and Fixed Income asset classes are 50% and 25%, respectively, with the remaining 25% allocated to a diverse group of asset classes referred to collectively as Alternatives. The Board also establishes a band of minimum and maximum allowable allocations, or Ranges, surrounding each asset class target. The purpose of Ranges is to appropriately and cost-effectively balance the Board's Investment Policy with the investment strategies pursued over shorter time periods. The following table lists the Defined Benefit portfolio Targets, Ranges and performance benchmarks for each asset class.

Defined Benefit Asset Allocation

Asset Class	Target Allocation	Range	Benchmark Index
Public Equity:	**50%**	**40 to 60%**	
U.S. Equity	Mkt. Wgt.*	+/- 5	Russell 3000 Stock Index
Non-U.S. Equity	Mkt. Wgt.*	+/- 5	Custom benchmark of the following indices: 55% MSCI World Index ex U.S. Standard 10% MSCI World Index ex U.S. Small Cap 31% MSCI Emerging Markets Standard 4% MSCI Emerging Markets Small Cap
Global Bonds:	**25%**	**17 to 33%**	
Core Fixed	13	9 to 17	Custom benchmark using the Barclays Capital Aggregate Index weightings with a maximum allocation to treasuries and government-related issues of 25% with corresponding pro-rata increases to the credit and securitized sectors.
Emerging Market Debt	2	0 to 4	Custom benchmark of the following indices: 50% JP Morgan Emerging Markets Bond Index Global 50% JP Morgan Government Bond Index-Emerging Markets Global Diversified
Floating Rate Debt	1	0 to 2	Credit Suisse Leveraged Loan Index
Securitized Debt	1	0 to 2	CMBS component of U.S. Aggregate Index plus 200 basis points
High Yield	5	2 to 8	Barclays U.S. High Yield Index
Global High Yield	1	0 to 2	Barclays Global High Yield Index
Liquidity	2	0 to 4	Merrill Lynch 3-month U.S. Treasury Bill Index
Alternatives:	**25%**	**8 to 30%**	
Private Equity	10	0 to 14	Russell 3000 Stock Index plus 300 basis points
Real Estate	10	0 to 14	NCREIF Property Index
Hedge Funds	3	0 to 5	3 Month LIBOR plus 400 basis points, minimum 700 basis points
Opportunistic	2	0 to 3	Market Weight of underlying portfolio benchmarks
Operating Cash	**0%**	**0 to 3%**	
Total	**100%**		

* U.S. to Non-U.S. equity ratio reset quarterly based on the MSCI All Country World Index (ACWI)—Investable Market Index U.S. to Non-U.S. ratio.

Rebalancing

The staff shall ensure conformance with the asset allocation policy through monthly or more frequent review. The OPERS Board of Trustees expects the Investment staff to ensure compliance with the target asset allocation percentages specified above at reasonable costs and in the best interest of OPERS.

The OPERS Board of Trustees establishes the asset allocation targets and ranges and reviews them annually. The OPERS Board of Trustees will review, at least annually, the investment policy and asset allocation target and ranges in conjunction with the actuarial assessment of the solvency of the fund. Every three to five years the Board will undertake a comprehensive strategic asset allocation review designed to assess the continuing appropriateness of this policy. Such review will consider an asset-liability study of future benefit payments, liabilities, required funding, the appropriateness of the actuarial interest rate assumption and the prospective funded status of liabilities. It may also include a study of portfolio design for optimal diversification and comparisons with peer practices.

Health Care Investment Policies

Investment Objective

The primary objective of the Health Care portfolio is to provide discretionary health care benefits for eligible members over a solvency period as defined by the Board from time to time. The assets of the Health Care portfolio shall be invested with the objectives of a) preservation of capital and b) earning a reasonable return.

Asset Allocation and Performance Objectives

The approved OPERS Board of Trustees asset allocation establishes a framework for OPERS that has a high likelihood of realizing OPERS' long term investment objective. The Health Care portfolio's performance objective is to exceed the OPERS performance benchmark net of investment expenses. For the Health Care portfolio, the Targets for the Public Equity and Fixed Income Asset Classes are 55% and 34%, respectively, with the remaining 11% to Alternatives. The table below sets forth Targets, Ranges and performance benchmarks for each asset class.

Health Care Asset Allocation

Asset Class	Target Allocation	Range	Benchmark Index
Public Equity:	**55%**	**44 to 66%**	
U.S. Equity	Mkt. Wgt.*	+/- 5	Russell 3000 Stock Index
Non-U.S. Equity	Mkt. Wgt.*	+/- 5	Custom benchmark of the following indices: 55% MSCI World Index ex U.S. Standard 10% MSCI World Index ex U.S. Small Cap 31% MSCI Emerging Markets Standard 4% MSCI Emerging Markets Small Cap
Global Bonds:	**34%**	**24 to 44%**	
Core Fixed	18.5	13 to 24	Custom benchmark using the Barclays Capital Aggregate Index weightings with a maximum allocation to treasuries and government-related issues of 25% with corresponding pro-rata increases to the credit and securitized sectors.
Emerging Market Debt	5	1 to 9	Custom benchmark of the following indices: 50% JP Morgan Emerging Markets Bond Index Global 50% JP Morgan Government Bond Index-Emerging Markets Global Diversified
Floating Rate Debt	1	0 to 2	Credit Suisse Leveraged Loan Index
Securitized Debt	1	0 to 2	CMBS component of U.S. Aggregate Index plus 200 basis points
TIPS	3.5	2 to 5	Barclays U.S TIPS Index
High Yield	2	0 to 4	Barclays U.S. High Yield Index
Global High Yield	1	0 to 2	Barclays Global High Yield Index
Liquidity	2	0 to 4	Merrill Lynch 3-month U.S. Treasury Bill Index
Alternatives:	**11%**	**2 to 14%**	
REITS	6	2 to 10	Dow Jones U.S. Select Real Estate Securities Index Total Return
Hedge Funds	2.4	0 to 5	3 Month LIBOR plus 400 basis points, minimum 700 basis points
Opportunistic	1.6	0 to 3	Market Weight of underlying portfolio benchmarks
Commodities	1	0 to 2	Standard & Poor's-Goldman Sachs Commodity Index Total Return
Operating Cash	**0%**	**0 to 3%**	
Total	**100%**		

* U.S. to Non-U.S. equity ratio reset quarterly based on the MSCI All Country World Index (ACWI)—Investable Market Index U.S. to Non-U.S. ratio.

Rebalancing

The staff shall ensure conformance with the asset allocation policy through monthly or more frequent review. The OPERS Board of Trustees expects the Investment staff to ensure compliance with the target asset allocation percentages specified above at reasonable costs and in the best interest of OPERS.

The Board establishes the asset allocation targets and ranges and reviews them annually. Every three to five years the Board will undertake a comprehensive asset allocation review designed to assess the continuing appropriateness of this policy. Such review will consider an asset-liability study of future benefits, funding requirements, the appropriateness of the actuarial interest rate assumption and the prospective funded status of future benefits. It may also include a study of portfolio design for optimal diversification and comparisons with peer practices.

Defined Contribution Investment Policies

Investment Objective

The Defined Contribution portfolio investment options are intended to be primary retirement savings vehicles for members. The long-term objectives of the Defined Contribution (DC) Portfolios are to support DC Plan members in having independent control over their OPERS retirement assets, while providing a suitable framework to invest their assets over the long-term.

Asset Allocation

The asset allocation and diversification objective is based on three components: Target Date Funds, OPERS Funds and the self-directed brokerage account, which offers members in the OPERS DC Plans (the Member-Directed Plan and the Combined Plan) diversified investment options. The default investment option for DC Plan members that fail to make a selection is to place their contributions into the OPERS Target Date Fund that most closely corresponds to their current age assuming a payout at age 65.

- **OPERS Target Date Funds**

  OPERS Target Date Funds are primarily a passive program that links a DC member's investment portfolio to a particular time horizon, typically an expected retirement date. A target fund aiming at a date in the distant future will have an allocation tilted more toward equities. As the target retirement date approaches, the fund is designed to reduce its weighting to higher risk/higher reward assets to better preserve the accumulated capital. The Asset Class ranges for each OPERS Target Date Fund are below:

Defined Contribution Asset Allocation

	OPERS Target Date Funds									
	Payout		2015		2020		2025		2030	
Fund	Target	Range	Target	Range	Target	Range	Target	Range	Target	Range
Stable Value	25.0%	+/-3.7%	5.0%	+/-2.1%	0.0%	+/-0.0%	0.0%	+/-0.0%	0.0%	+/-0.0%
Bond	32.0	+/-4.0	39.0	+/-4.1	35.0	+/-2.7	17.0	+/-2.4	10.0	+/-2.4
TIPS	13.0	+/-3.4	10.0	+/-3.5	2.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.0
Long-Duration Bond	0.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.0	5.0	+/-1.5	8.0	+/-1.4
Large Cap	10.0	+/-1.3	13.0	+/-1.4	17.0	+/-1.7	21.0	+/-1.9	22.0	+/-2.1
Small Cap	5.0	+/-1.7	10.0	+/-1.8	14.0	+/-2.1	18.0	+/-2.4	19.0	+/-2.6
Non-U.S. Stock	15.0	+/-2.2	23.0	+/-2.4	32.0	+/-2.6	39.0	+/-2.8	41.0	+/-2.8

Defined Contribution Asset Allocation (continued)

	OPERS Target Date Funds									
	2035		2040		2045		2050		2055	
Fund	Target	Range	Target	Range	Target	Range	Target	Range	Target	Range
Stable Value	0.0%	+/-0.0%	0.0%	+/-0.0%	0.0%	+/-0.0%	0.0%	+/-0.0%	0.0%	+/-0.0%
Bond	8.0	+/-2.3	7.0	+/-2.2	5.0	+/-2.1	5.0	+/-2.1	5.0	+/-2.1
TIPS	0.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.5
Long-Duration Bond	8.0	+/-1.3	6.0	+/-1.3	5.0	+/-1.2	5.0	+/-1.2	5.0	+/-1.2
Large Cap	23.0	+/-2.1	24.0	+/-2.2	25.0	+/-2.3	25.0	+/-2.3	25.0	+/-2.3
Small Cap	19.0	+/-2.7	20.0	+/-2.7	20.0	+/-2.8	20.0	+/-2.8	20.0	+/-2.8
Non-U.S. Stock	42.0	+/-2.9	43.0	+/-3.0	45.0	+/-3.1	45.0	+/-3.1	45.0	+/-3.1

- **OPERS Funds**

  OPERS offers members in the OPERS DC Plans (the Member-Directed Plan and the Combined Plan) low cost, primarily passive, asset class-specific investment funds. Those funds and their respective indices are as follows:

OPERS Fund	Market Index
Stable Value	91 day U.S. Treasury Bills
Bond Index	Barclays Aggregate
Stock Index	Russell 3000
Large Cap	Russell 1000
Small Cap	Russell 2000
Non-U.S. Stock Index	MSCI All-Country World Index Ex-U.S.

- **OPERS Self-Directed Brokerage Account**

  The OPERS self-directed brokerage account option provides DC members more flexibility in choosing their own retirement savings investments by allowing them to invest in a variety of active and passive mutual funds. The program parameters are the following:

  > Only designated mutual funds can be purchased through the window.

  > Maximum of 50% of a member's portfolio is allowed to be invested through the brokerage window, though the Plan will not rebalance the brokerage investments should they grow to exceed 50% of participant's assets.

  > Account minimum of $5,000 is required before a participant can use the window.

  > The annual cost of the window is borne by the participant using the window.

Rebalancing

The ranges specified for the OPERS Target Date Funds are a function of the expected volatility of each asset class and the proportion of the total fund allocated to the asset class. The staff shall ensure conformance of the OPERS Target Date Funds with the asset allocation policy through quarterly review and rebalancing.

Performance Objectives and Risk Management

The performance objectives for the OPERS Target Date Funds are to meet the return of the respective performance benchmarks primarily through the use of passive index funds. The performance benchmarks will be a custom index composed of market indices in allocations equal to the OPERS Target Date Funds' target allocations as specified in this policy. The performance objectives for the primarily passive OPERS Funds are to meet the return of their respective performance benchmarks, gross of investment fees. There is no plan-level performance objective for the OPERS Self-Directed Brokerage Account because the mutual funds purchased through it are selected by members.

The OPERS DC Fund Investment Options shall offer diversification to minimize the impact of loss from individual positions. In addition to diversification, the program will be primarily passively managed for the OPERS Target Date and OPERS Funds. The OPERS Self-Directed Brokerage Account will offer participants a broad range of mutual fund choices, which will be self-selected and subject to the program parameters described in the Asset Allocation section.

Global Bonds

The Global Bonds program includes investments in Fixed Income sub-asset classes of Core Fixed, Emerging Market Debt, Floating Rate Debt, Securitized Debt, TIPS, High Yield, Global High Yield, Liquidity, and Stable Value.

The Global Bonds program utilizes active and passive management strategies through internal and external managers. The internal core portfolio uses a risk-controlled active strategy focusing on investment grade securities. Currently, external managers are used for the high yield and emerging debt sectors, which require specialized expertise. The Long-Duration, the TIPS, and the Short-Duration portfolios are internally managed using risk controlled active strategies.

Domestic Equities

The U.S. Equity program is expected to outperform the Russell 3000 with a tracking error not to exceed 100 basis points.

The active component is expected to deliver excess returns primarily through an optimal mix of large cap exposure versus small cap exposure and traditional fundamental analysis versus quantitative approaches incorporating both internal and external money managers.

The index component is expected to bring the overall risk tolerances within the specified limits, as set by the risk budgeting process at the OPERS total fund level. The primary vehicle to achieve this objective is an internally managed Russell 3000 Index portfolio shown to deliver low tracking error and index-like returns.

Real Estate

The private market Real Estate program is expected to meet or exceed the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (NPI) over rolling five-year periods, net of manager fees. Leverage will be limited to 40% loan to value of the aggregate private market Real Estate, with a range plus or minus 10 percentage point.

The private market Real Estate program uses active management strategies through external managers with single manager exposure limited to 20% of the private market Real Estate program. At least 80% of the private market Real Estate investments will be in apartment, industrial, office and retail assets. Single direct investments are limited to 15% of the private market Real Estate target allocation. Single open end commingled funds are limited to 10% of the private market Real Estate target allocation.

The U.S. public market Real Estate program is expected to meet or exceed the Dow Jones Real Estate Securities Index, net of fees.

The Non-U.S. public market Real Estate program is expected to meet or exceed the Financial Times Stock Exchange (FTSE) European Public Real Estate Association (EPRA)/National Association of Real Estate Investment Trusts (NAREIT) Global Index (ex-U.S.) by 100 basis points annualized over rolling five-year periods, net of fees.

The public market Real Estate program may engage in active and passive management strategies through internal and external managers. Liquidity, diversification and single security risk are controlled at an aggregate level within a reasonable tolerance of the benchmark to minimize biases and unintended portfolio mismatches.

Private Equities

The Private Equity program is expected to outperform the Russell 3000 Index plus 300 basis points with an internal rate of return (IRR) cash-flow method.

The Private Equity program exclusively uses active management strategies and is 100% externally managed with single partnership exposure limited to 25%, or $400 million, of the Private Equity program. Risk is also managed beyond manager and firm exposure through a combination of quantitative and qualitative constraints for liquidity, vintage, currency, industry, leverage and geography. Diversification will be achieved by investing in partnerships that are complementary in nature regarding fund size, sector and strategic focus, including corporate finance, venture capital and special situations.

International Equities

The Non-U.S. Equity program is expected to outperform the custom benchmark consisting of various MSCI indices, with a tracking error not to exceed 300 basis points.

The Non-U.S. Equity program utilizes both index and active management styles and is managed 100% through external investment managers. Allocations to a single external manager are limited to 15% of the sub-asset class excluding passive investment portfolios.

Cash Management

The Cash Management program actively invests cash collateral to the respective benchmarks of each portfolio within established risk parameters. Interest rate, credit and liquidity risk are managed through a combination of quantitative and qualitative constraints with the objective being to preserve principal, maintain liquidity, and to provide a market rate of return.

Derivatives

Derivatives may be used to facilitate cost-effective and timely investment and risk management as well as to provide for trading efficiency, and enhance or manage the risk/return profile of individual securities or portfolios.

Derivatives are grouped into three categories: Category I derivatives are securities-based and are traded either on an exchange or over-the-counter (OTC); Category II derivatives are non-securities-based exchange-traded futures, options on futures and options; and Category III derivatives are non-securities-based OTC transactions.

The following table sets forth the maximum gross exposure to Category II and Category III derivatives for each asset category:

Asset Class	Derivatives Limit
Public Equity:	
U.S. Equity	25%
Equity Funds (DC)	10
Non-U.S. Equity Fund (DC)	10
Non-U.S. Equity	25
Global Bonds:	
Liquidity	0
Stable Value (DC Fund)	10
Core Fixed	25
Bond (DC)	10
TIPS	0
Long Bonds	25
High Yield	25
Emerging Market Debt	25
Floating Rate Debt	25
Securitized Debt	25
Alternatives:	
Private Equity	N/A*
REITS	10
Real Estate (private)	N/A*
Commodities	100
Hedge Funds	N/A*
Opportunistic	100

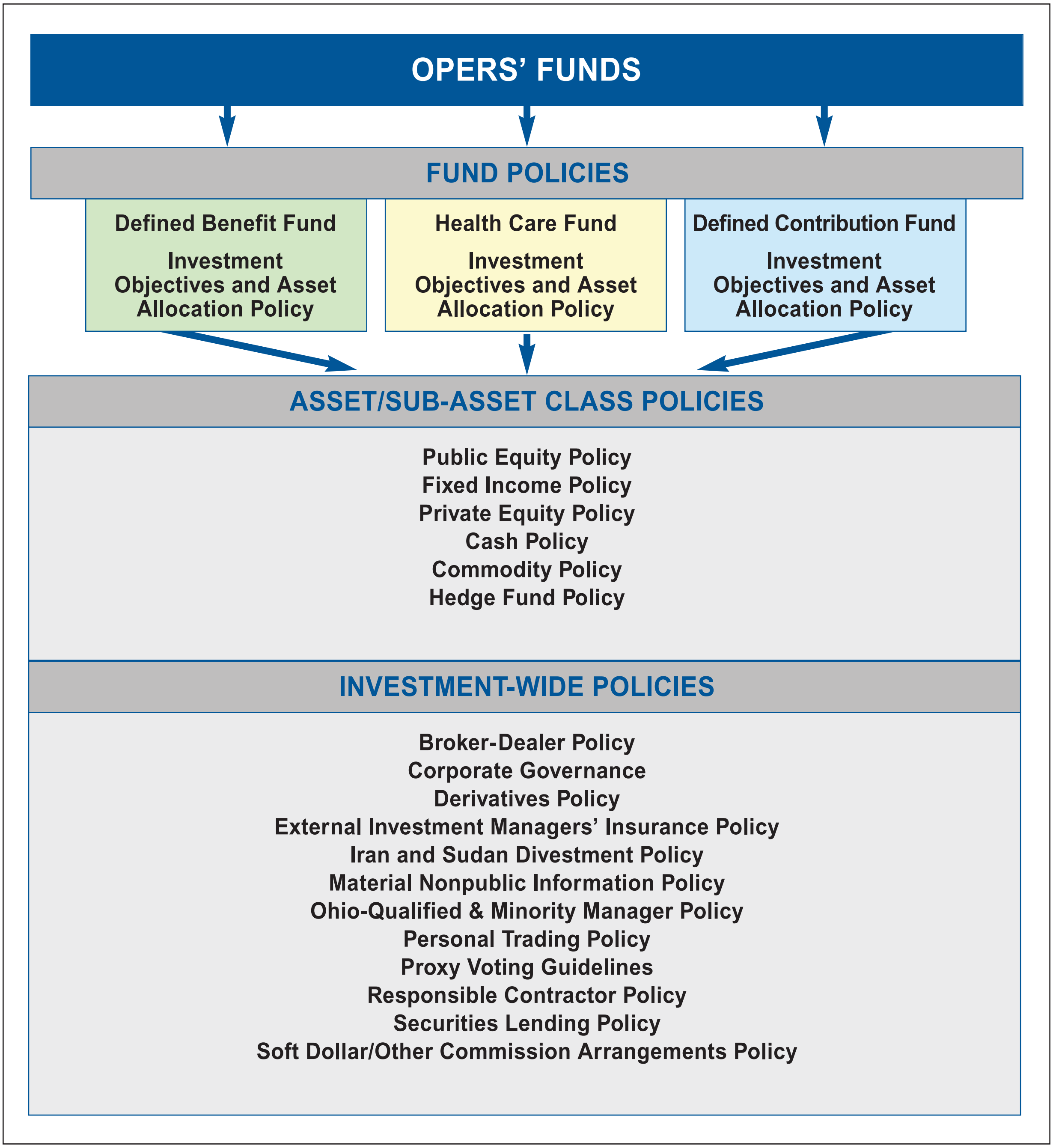
*Total loss exposure is limited to assets invested in asset class by structure.

Securities Lending

The Securities Lending program actively lends securities through various programs to qualified borrowers in order to provide incremental income to the respective asset classes. Staff will assess the performance of the securities lending program on no less than an annual basis.

Cash reinvestment risk, counterparty risk and liquidity risk is managed through a combination of quantitative and qualitative constraints. Excess collateral, marked to market daily, is held for each loan in the amount of 102% for domestic securities and 105% for international securities. The maximum percentage of assets that may be on loan is 50% of the total plan while the maximum amount that may be on loan with any one borrower is 10% of the total plan.

The following exhibit illustrates the structure and relationship of the 14 investment policies within the total System and its three investment portfolios.



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Actuarial Section

The only man I know who behaves sensibly is my tailor; he takes my measurements anew each time he sees me. The rest go on with their old measurements and expect me to fit them.

George Bernard Shaw, playwright

GRS

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April 24, 2012

The Retirement Board
Ohio Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215

Dear Board Members:

The basic financial objective of the Ohio Public Employees Retirement System (OPERS) 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 OPERS 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, 2010.

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 actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report:

Actuarial Section

Summary of Actuarial Assumptions
Individual Employee Pay Increases
Percent Separating Within Next Year
Percent of Eligible Active Members Retiring Next Year
Analysis of Financial Experience

Financial Section

Schedule of Funding Progress

The Retirement Board
April 24, 2012
Page 2

OPERS Staff prepared the schedules showing the trend of short-term solvency based upon material prepared by the actuary.

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.

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. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions comply with the requirements of the Governmental Accounting Standards Board Statement No. 25 and Statement No. 43, and meet the parameters set by GASB Statement No. 43 for the disclosures presented in the financial section. 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 December 31, 2010 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2001-2005 period.

The computed amortization period for pension benefits decreased from 30 years as of the December 31, 2009 annual valuation to 29 years in the December 31, 2010 valuation. Favorable pension experience and the passage of time had a downward effect on the computed amortization period. The reduction in the valuation payroll had an offsetting upward effect. Experience in the retiree health plan continues to be cause for concern. The solvency period in the retiree health plan remained at 11 years. Rapidly escalating health care costs, declining contribution income and a solvency period of 11 years are likely to lead to further restructuring of the plan.

Based upon the results of the December 31, 2010 valuations, we are pleased to report to the Board that with respect to pension benefits, the Public Employees Retirement System of Ohio is meeting its basic financial objective and continues in sound condition in accordance with actuarial principles of level percent of payroll financing. However, continued recovery in the investment markets is very important to OPERS and most other retirement plans in the country.

The signing actuaries are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

Brian B. Murphy

Mita Drazilov

Brian B. Murphy, FSA, MAAA

Mita D. Drazilov, ASA, MAAA

BBM/MDD:mdd

Gabriel Roeder Smith & Company

The actuarial information presented in the *2011 Comprehensive Annual Financial Report* is based on the System's most current actuarial valuation data of December 31, 2010.

OPERS conducts experience studies every five years in accordance with ORC 145.22. The actuary conducted an experience study for the five-year period ending December 31, 2010. The results and recommendations of the study were adopted and approved by the Board of Trustees late in the fall of 2011 and will be incorporated into the 2012 CAFR. The information presented in this section reflects the assumptions approved and adopted by the Board of Trustees in 2006. These methods and assumptions apply to both the Traditional Plan and the Combined Plan.

Funding Method

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

Economic Assumptions

The following economic assumptions were used by the actuary:

- ***Investment Return***—8.00% compounded annually, net after administrative expenses.
- ***Wage Inflation Rate***—4.00% compounded annually. The wage inflation is defined to be the portion of total pay increases for an individual that are due to macroeconomic forces including productivity, price inflation, and labor market conditions. The wage inflation rate does not include pay changes related to individual merit and seniority effects.
- ***Assumed Real Rate of Return***—4.00% compounded annually. The assumed real rate of return is defined as the investment return of 8.00%, less the wage inflation rate of 4.00%.
- ***Active Member Population***—Consists of the sum of the active members in the Traditional Plan and Combined Plan, and is assumed to remain constant. For purposes of financing the unfunded liabilities, total payroll is assumed to grow at the wage inflation rate of 4.00% per year.
- ***Individual Employee Pay Increases***—An active employee's pay is assumed to increase each year, in accordance with an age-based table. Part of the assumed increase is for merit and/or seniority increases, and the balance recognizes the wage inflation rate. The following table describes annual increase percentages for sample ages.

Individual Employee Pay Increases

	Merit and Seniority					Total Increase Next Year			
Age	State	Local	Public Safety	Law	Wage Inflation	State	Local	Public Safety	Law
30	3.00%	3.00%	4.00%	4.00%	4.00%	7.00%	7.00%	8.00%	8.00%
40	1.80	1.80	0.85	0.85	4.00	5.80	5.80	4.85	4.85
50	1.20	1.20	0.50	0.50	4.00	5.20	5.20	4.50	4.50
60	0.70	0.70	0.50	0.50	4.00	4.70	4.70	4.50	4.50

- ***Turnover***—Probabilities of separation from OPERS-covered employment before age-and-service retirement because of employment termination (withdrawal from service), death, or disability. The separation probabilities are based on historical trends of OPERS actual experience, without consideration of the manner in which the members' accounts are distributed.

Percent Separating Within Next Year—Withdrawal from Employment

		Withdrawal							
	Years of Service	State		Local		Public Safety		Law Enforcement	
		Men	Women	Men	Women	Men	Women	Men	Women
	0	40.00%	40.00%	40.00%	40.00%	16.00%	18.00%	15.00%	18.00%
	1	25.00	25.00	25.00	25.00	12.00	12.00	9.00	12.00
	2	15.00	17.00	15.00	17.00	8.00	8.00	7.00	8.00
	3	10.00	12.00	10.00	12.00	7.00	7.00	5.00	7.00
	4	8.00	9.00	8.00	9.00	7.00	7.00	5.00	7.00
30	5 & over	5.44	7.28	5.90	7.04	3.90	3.16	2.66	2.90
40	5 & over	3.32	3.88	3.32	4.18	2.20	2.80	1.48	1.50
50	5 & over	2.18	2.88	2.50	3.14	1.60	2.00	1.20	1.20
60	5 & over	2.10	2.70	2.50	3.00	1.60	2.00	1.20	1.20

Percent Separating Within Next Year—Death or Disability

Sample Ages	Years of Service	Death		Disability					
		All Divisions		State		Local		Public Safety & Law Enforcement	
		Men	Women	Men	Women	Men	Women	Men	Women
25	5 & over	0.04%	0.01%	0.15%	0.15%	0.13%	0.12%	0.20%	0.20%
35	5 & over	0.08	0.03	0.32	0.32	0.28	0.21	0.90	0.90
45	5 & over	0.15	0.08	0.72	0.72	0.62	0.45	1.50	1.50
55	5 & over	0.36	0.19	1.36	1.36	1.34	0.98	3.10	3.10
60	5 & over	0.67	0.35	2.20	2.20	1.54	1.35	4.00	4.00

The turnover probabilities in the above tables estimate the number of active members who will separate from employment based on the criteria of age, gender, and years of service. These members may be eligible for a refund of their account or an annuity benefit depending on the nature of the separation. The method of distribution and the resulting liabilities are calculated for this population based on the following assumptions (see next page):

- ***Withdrawal from Service***— Assumes that members terminating before age 35, members terminating with less than five years of service, and a percentage of all other members will withdraw their contributions and forfeit their entitlement to an employer-financed benefit. The percentage withdrawing their contributions is 100% at age 35 and is reduced for each year of age after 35, becoming 0% at age 55 (age 45 for law members).
- ***Death-in-service and Disability Benefits***—Assumes that members with at least five years of service will elect to receive an annuity benefit. It is assumed that Combined Plan members will transfer to, and take a benefit from, the Traditional Plan, unless a lump sum distribution from the Combined Plan would have a greater value.

Assets Valuation Method

For actuarial purposes, the Funding Value of Defined Benefit Assets recognizes assumed investment returns fully each year. Differences between actual and assumed investment returns are phased in over a closed four-year period. Funding value is not permitted to deviate from market value by more than 12%. The Traditional and Combined Plan's retiree post-employment health care funding value of assets is developed independently beginning with the December 31, 2004 valuation.

Valuation Data

The demographic and financial data used in the actuarial valuation were provided to the actuary by the OPERS staff. The actuary examined the data for general reasonableness and year-to-year consistency, but did not audit the information.

Decrement Assumptions

The probabilities used by the actuary related to specific risk areas are displayed in the following tables.

- ***Mortality***—The tables used in evaluating age-and-service and survivor benefit allowances to be paid were 110% of rates in the RP-2000 mortality table for males and 100% of the rates in the RP-2000 tables for females with 15 years of projected mortality improvements. The mortality rates used in evaluating disability allowances were the RP-2000 mortality table for disabled lives, set back four years for males and set forward four years for females.
- ***Retirement***—Probabilities of age-and-service retirement applicable to members eligible to retire are as shown in the schedules on pages 115-116.

Percent of Eligible Active Members Retiring Within Next Year

With Unreduced Age-and-Service Retirement Benefits

Members may retire with no reduction in benefits if they have the following total years of service credit and have attained division specific minimum ages:

- ***State and Local***—30 years of service at any age;
- ***Public Safety***—25 years of service and attained the age of 52;
- ***Law Enforcement***—25 years of service and attained the age of 48.

Retirement Age	State		Local		Public Safety	Law Enforcement
	Men	Women	Men	Women		
45-47	40%	30%	30%	30%		
48-51	40	30	30	30		20%
52	35	30	30	30	30%	20
53	35	30	30	30	30	22
54	35	30	30	30	25	22
55	30	30	30	30	25	22
56-57	25	30	28	30	25	22
58	25	30	28	30	20	22
59	25	30	25	30	20	25
60	30	35	25	30	35	30
61	30	35	25	30	35	20
62-63	30	35	35	30	35	25
64	35	35	30	30	35	25
65	30	30	20	20	35	30
66	25	20	20	20	35	30
67-69	20	20	15	15	35	30
70-74	20	20	15	15	100	100
75 & Over	100	100	100	100	100	100

Percent of Eligible Active Members Retiring Within Next Year

With Reduced Age-and-Service Retirement Benefits

Members who have a minimum of 25 years of total service credit and who have attained the age of 55 for State and Local or 48 for Public Safety, may retire with a reduced benefit.

	State		Local		
Retirement Age	Men	Women	Men	Women	Public Safety
48-51	N/A	N/A	N/A	N/A	15%
55-59	11%	11%	10%	12%	N/A
60	11	12	10	12	N/A
61	11	14	10	12	N/A
62-63	16	15	15	12	N/A
64	16	15	12	12	N/A

The tables below display statistical information regarding the average defined benefits paid to retirees receiving an age-and-service, disability, or survivor benefit. Additional benefits paid through the Additional Annuity and re-employed retiree programs, and annuities purchased from defined contribution accounts are excluded as these benefits are not calculated under the defined formula.

Average Defined Benefits Paid OPERS Retirees — Traditional Plan

Year	Average Age at Retirement	Average Service at Retirement	Average Final Average Salary	Average Pension at Retirement	Average Age on Valuation Date	Average Pension on Valuation Date
2010	57.2	22.4	$35,025	$17,380	69.3	$21,600
2009	57.2	22.2	33,808	16,725	69.3	20,731
2008	57.2	22.0	32,401	15,942	69.4	19,751
2007	57.2	21.9	31,214	15,318	69.4	18,917
2006	57.3	21.7	29,974	14,711	69.4	18,096
2005	57.3	21.5	28,817	14,131	69.5	17,322

Average Defined Benefits Paid OPERS Retirees — Combined Plan*

Year	Average Age at Retirement	Average Service at Retirement	Average Final Average Salary	Average Pension at Retirement	Average Age on Valuation Date	Average Pension on Valuation Date
2010	64.3	7.9	$40,548	$2,158	65.9	$2,219
2009	65.0	7.6	35,139	1,590	66.6	1,635
2008	64.0	7.4	29,454	1,239	64.8	1,260
2007	61.1	4.8	43,743	1,620	62.0	1,644
2006	62.1	3.8	50,116	1,656	62.3	1,656

* Plan inception January 1, 2003, first eligible retiree in 2006.

Actuarial Valuation Data

The following tables display the actuarial valuation data for the active and retired members of the Traditional Plan, and the defined benefit component of the Combined Plan and Member-Directed Plan. The annual allowances in these tables include additional benefits paid through the Additional Annuity and re-employed retiree programs.

Actuarial Valuation Data — Traditional Plan

	Active Members				Retired Lives		
Valuation Year	Number	Annual Payroll ($ millions)	Average Pay	Percent Increase in Average Pay	Number*	Annual Allowance ($ millions)	Average Allowance
2010	334,507	$12,165	$36,367	1.15%	181,433	$3,868	$21,319
2009	341,777	12,288	35,953	0.29	174,637	3,576	20,477
2008	349,969	12,546	35,849	3.87	169,000	3,300	19,525
2007	357,743	12,347	34,514	2.76	163,505	3,063	18,731
2006	356,430	11,971	33,586	2.12	159,039	2,852	17,934
2005	353,708	11,633	32,890	2.00	153,935	2,645	17,186

* Retired lives number represents an individual count of retirees and beneficiaries.

Actuarial Valuation Data — Combined Plan

	Active Members				Retired Lives		
Valuation Year	Number	Annual Payroll ($ millions)	Average Pay	Percent Increase in Average Pay	Number*	Annual Allowance ($ millions)	Average Allowance
2010	6,667	$285	$42,748	4.56%	20	$0	$2,219
2009	6,335	259	40,884	2.91	8	0	1,635
2008	6,419	255	39,726	6.60	7	0	1,260
2007	6,333	236	37,265	4.12	2	0	1,693
2006	5,700	204	35,789	4.82	1	0	1,505
2005	5,096	174	34,144	7.99			

* Retired lives number represents an individual count of retirees and beneficiaries receiving an age-and-service benefit.

Members of the Combined Plan and Member-Directed Plan may purchase a defined benefit annuity with the funds available in their defined contribution accounts. The following table displays the actuarial valuation data for these annuitized accounts:

Actuarial Valuation Data — Purchased Annuities

	Member-Directed Plan			Combined Plan		
Valuation Year	Number*	Annual Allowance ($ millions)	Average Allowance	Number*	Annual Allowance ($ millions)	Average Allowance
2010	18	$0	$2,275	12	$0	$1,920
2009	10	0	2,158	4	0	1,770
2008	4	0	3,468	5	0	1,778
2007	2	0	1,932	2	0	1,702
2006				1	0	2,007

* Number represents an individual count of retirees and beneficiaries.

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

The tables below display the changes in the retiree population that occurred each year within the Traditional and Combined Plans. The Annual Allowances in the Rolls at End of the Year and the Average Annual Allowances represent the value of pension payments for the retiree population on the rolls at December 31, 2011.

The statistics presented below represent the number of retired members' accounts under which either the member or the members' beneficiaries are receiving defined formula benefits for age-and-service retirements, disability or survivor benefits. Annual Allowances include annual cost-of-living adjustments, but exclude other annuities such as money purchase or additional annuities (refer to the Plan Statement beginning on page 166 for a description of these benefits). Prior to 2011, the statistics exclude retired members with less than five years of service credit. Restated data for years prior to 2011 is not available.

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls — Traditional Plan

Year Ended	Added to Rolls		Removed From Rolls		Rolls at End of Year		Percentage Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
2011	12,235	$321,228,243	5,401	$80,516,517	183,866	$4,215,359,130	10.2%	$22,926
2010	10,607	278,758,820	4,041	59,271,884	173,235	3,824,710,874	8.0	22,078
2009	10,839	289,793,503	5,542	78,808,830	166,669	3,541,886,599	8.6	21,251
2008	9,240	225,548,983	4,124	56,416,940	161,372	3,261,996,219	7.4	20,214
2007	9,733	230,401,061	5,576	82,605,482	156,256	3,035,847,045	7.9	19,429
2006	8,969	204,875,766	3,973	55,836,612	152,099	2,813,495,205	7.3	18,498

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls — Combined Plan—Defined Benefit

Year Ended	Added to Rolls		Removed From Rolls		Rolls at End of Year		Percentage Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
2011	15	$50,537	0	$0	36	$93,925	119.2%	$2,609
2010	11	29,695	0	0	19	42,849	228.7	2,255
2009	4	7,545	3	3,702	8	13,035	46.8	1,629
2008	5	5,492	0	0	7	8,879	162.2	1,268
2007	1	1,881	0	0	2	3,386	125.0	1,693
2006	1	1,505	0	0	1	1,505	100.0	1,505

The OPERS funding objective is to pay for retirement benefits through contributions that remain approximately level from year to year as a percent 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—the ultimate test of financial soundness.

A short-term solvency test is one means of checking a plan's progress under its funding program. In a short-term solvency test, the plan's present assets (cash and investments) are compared to: 1) active and inactive member contributions on deposit; 2) the liabilities for future benefits payable to present retired lives; 3) the liabilities for service already rendered by active/inactive members.

In a plan that has been following the discipline of level percent of payroll financing, the liabilities for member contributions on deposit (1) and the liabilities for future benefits payable to present retired lives (2) will be fully covered by existing assets (except in rare circumstances). In addition, the liabilities for service already rendered by active/inactive members (3) will be partially covered by the remaining value of actuarial assets at year end. Generally, if the plan has been using level cost financing, the funded portion of (3) will increase over time. Column (3) is rarely fully funded.

The tables below display the results of the Short-Term Solvency Test for asset values in the Traditional and Combined defined benefit plans, based on the actuarial value of assets at year end.

Accrued Pension Liabilities ($ in millions) — **Traditional Plan**

	Aggregate Accrued Liabilities for				Portions of Accrued Liabilities Covered by Reported Assets		
Valuation Year	(1) Member Contributions	(2) Retirees and Beneficiaries	(3) Active/Inactive Members (Employer-Financed Portion)	Valuation Assets *	(1)	(2)	(3)
2010	$12,134	$41,715	$25,609	$60,461	100%	100%	26%
2009	11,933	38,577	25,897	57,519	100	100	27
2008	11,546	35,485	26,315	55,230	100	100	31
2007	10,785	32,923	25,930	67,067	100	100	90
2006	10,374	30,636	25,078	61,235	100	100	81
2005***	9,810	28,373	24,264	54,433	100	100	67
2005**	9,810	27,925	23,364	54,433	100	100	71

*Does not include assets set aside to pay post-employment health care benefits.
**Results from original valuation prior to restatement after completion of experience study.
***Revised from results reported in 2006 CAFR due to updating actuarial assumptions based on experience study.

Accrued Pension Liabilities ($ in millions) — **Combined Plan**

	Aggregate Accrued Liabilities for				Portions of Accrued Liabilities Covered by Reported Assets		
Valuation Year	(1) Member Contributions	(2) Retirees and Beneficiaries	(3) Active/Inactive Members (Employer-Financed Portion)	Valuation Assets *	(1)	(2)	(3)
2010	$1	$1	$169	$138	100%	100%	80%
2009	1	0	147	110	100	100	74
2008	1	0	119	85	100	100	71
2007	0	0	95	84	100	100	89
2006	N/A	0	72	61	N/A	100	84
2005***	N/A	N/A	51	40	N/A	N/A	78
2005**	N/A	N/A	47	40	N/A	N/A	85

*Does not include assets set aside to pay post-employment health care benefits. Includes the value of defined contribution assets used to purchase a defined benefit annuity.
**Results from original valuation prior to restatement after completion of experience study.
***Revised from results reported in 2006 CAFR due to updating actuarial assumptions based on experience study.

The following tables display the actual financial experience in relation to the actuarially assumed experience for each of the defined benefit plans. Actuarial gains and losses in accrued liabilities result from differences between the assumed experience and actual experience.

Analysis of Financial Experience — Traditional Plan

	Gain (or Loss) For Year ($ in millions)			
Type of Activity	2010	2009	2008	2007
Age-and-Service Retirements If members retire at older ages than assumed, there is a gain. If younger ages, a loss.	($20.5)	($27.5)	$10.1	($30.6)
Disability Retirements If Disability claims are less than assumed, there is a gain. If more claims, a loss.	59.2	74.0	39.1	36.7
Death-In-Service Annuities If survivor claims are less than assumed, there is a gain. If more claims, a loss.	32.0	34.6	31.7	29.5
Other Separations If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	99.8	(58.9)	(27.9)	(129.0)
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	773.7	1,141.8	220.2	202.4
Investment Return If there is greater investment return than assumed, there is a gain. If less return, a loss.	153.5	(620.5)	(15,813.5)	1,979.3
Gain (or Loss) During Year From Financial Experience	**$1,097.7**	**$543.5**	**($15,540.3)**	**$2,088.3**

Analysis of Financial Experience — Combined Plan

	Gain (or Loss) For Year ($ in millions)			
Type of Activity	2010	2009	2008	2007
Age-and-Service Retirements If members retire at older ages than assumed, there is a gain. If younger ages, a loss.	($0.12)	($0.12)	($0.06)	($0.03)
Disability Retirements If Disability claims are less than assumed, there is a gain. If more claims, a loss.	2.78	2.07	1.94	1.12
Death-In-Service Annuities If survivor claims are less than assumed, there is a gain. If more claims, a loss.	0.04	0.53	0.05	0.21
Other Separations If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	(1.67)	7.56	1.98	1.08
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	2.29	(3.35)	(0.21)	0.22
Investment Return If there is greater investment return than assumed, there is a gain. If less return, a loss.	(3.44)	(3.25)	(23.83)	(0.10)
Gain (or Loss) During Year From Financial Experience	**($0.12)**	**$3.44**	**($20.13)**	**$2.50**

Actual vs. Recommended Contribution Rates

The Board of Trustees adopted all contribution rates as recommended by the actuary.

OPERS

Statistical Section

Change is the law of life. And those who look only to the past or present are certain to miss the future.

John Fitzgerald Kennedy, U.S. president

The Statistical Section provides pertinent information to assist readers when viewing the Financial Statements, Notes to the Financial Statements and Required Supplementary Information to help in understanding and assessing the System's overall financial condition. The information reported here is in compliance with GASB Statement 44, *Economic Condition Reporting: The Statistical Section*. This statement establishes standardized reporting requirements for the supplementary information provided in this section.

The schedules and graphs beginning on page 123 show financial trend information about the growth of OPERS' assets for the past 10 years. These schedules provide detailed information about the trends of key sources of additions and deductions to the System's assets and assist in providing a context framing how OPERS' financial position has changed over time. The financial trend schedules presented are:

- Net Assets by Plan,
- Statutory Fund Balances by Plan,
- Fiduciary Net Assets by Year,
- Changes in Fiduciary Net Assets,
- Additions by Source,
- Deductions by Type,
- Benefits by Type,
- Refunds by Type.

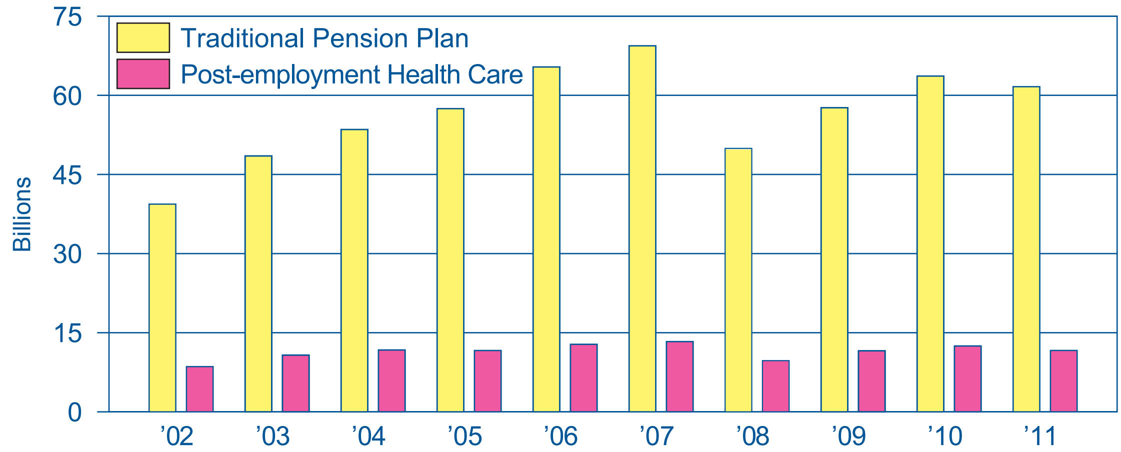
The schedules on page 146 compare the pension assets accumulated to cover the projected pension liabilities that are ultimately due at retirement for each of the defined benefit plans and the corresponding funded ratio. The schedule on page 147 displays similar information for OPERS' health care assets and projected liabilities. The Health Care Solvency schedule shows the estimated number of years for which assets are available to cover the projected liabilities. OPERS' target is to maintain a rolling 20-40 years of available solvency. Refer to Schedules of Pension and Health Care Assets vs. Liabilities.

The schedules beginning on page 144 show demographic and economic information and operating information. The demographic and economic information is designed to assist in understanding the environment in which OPERS operates. The operating information is intended to provide contextual information about OPERS' operations to assist in assessing the System's economic condition. The demographic and economic information, and the operating information presented includes:

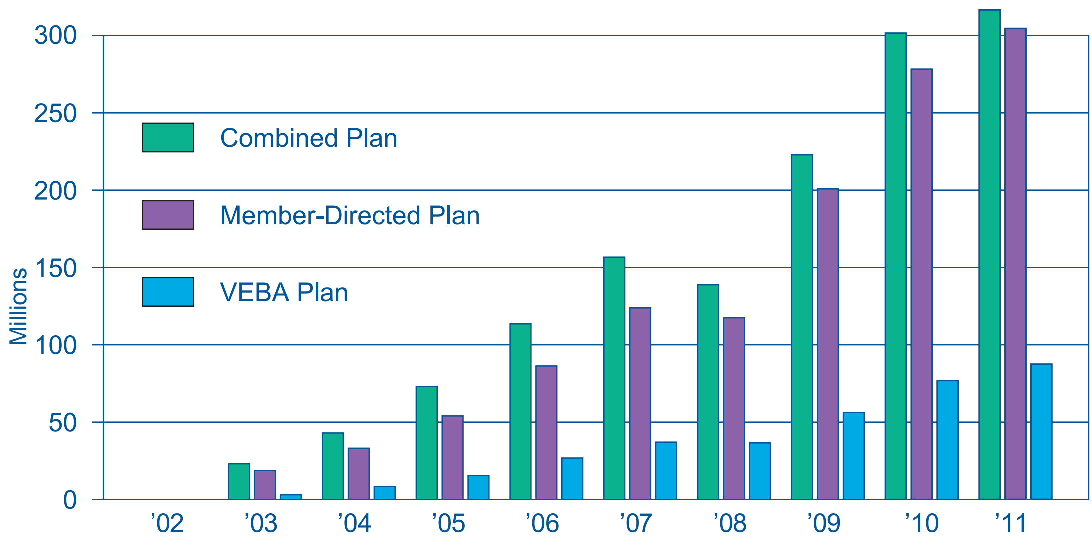
- Number of Refund Payments by Plan,
- Number of Retirees/Benefit Recipients by Category,
- Number of Covered Lives by Category,
- Schedule of Retirees by Benefit Type and Amount,
- Number of New Pension Retirees,
- Schedule of Average Benefits (Traditional Plan and Combined Plan),
- Member Counts by Plan,
- 2011 Pension Benefits by Ohio County,
- Retirees by Geographical Location,
- Contribution Rates
- Number of Employer Units, and
- Principal Participating Employers.

All non-accounting data is derived from OPERS' internal sources.

Net Assets by Plan — Traditional, Post-employment Health Care



Net Assets by Plan — Combined, Member-Directed, VEBA



Net Assets by Plan (last 10 fiscal years)

Year	Traditional Plan	Post-employment Health Care	Combined Plan*	Member-Directed Plan*	VEBA Plan*	Total Net Assets
2011	$61,692,653,725	$11,596,131,868	$333,808,163	$317,195,234	$91,087,176	$74,030,876,166
2010	63,515,005,521	12,319,743,979	301,150,779	279,098,338	76,622,073	76,491,620,690
2009	57,630,423,957	11,415,195,274	223,384,797	200,588,070	55,784,131	69,525,376,229
2008	49,312,811,154	9,596,082,077	138,950,485	117,342,021	36,333,066	59,201,518,803
2007	69,959,641,078	13,282,947,482	156,864,566	123,946,918	37,227,685	83,560,627,729
2006	65,297,352,893	12,838,059,079	113,999,034	86,524,882	25,331,889	78,361,267,777
2005	57,662,214,741	11,845,713,012	72,499,607	54,502,026	15,377,190	69,650,306,576
2004	53,554,315,210	11,609,113,358	43,463,455	33,579,873	7,978,960	65,248,450,856
2003	48,239,335,328	10,813,803,449	22,890,488	18,464,414	3,181,305	59,097,674,984
2002	39,100,014,979	8,886,282,086	N/A	N/A	N/A	47,986,297,065

* Plans commenced January 1, 2003.

Statutory Fund Balance by Plan (last 10 fiscal years)

Year	2011	2010	2009	2008
All Plans				
Employees' Savings Fund	$12,300,117,438	$12,134,839,989	$11,933,642,333	$11,546,208,967
Employers' Accumulation Fund—Pension/Health Care	15,958,870,786	22,277,828,145	20,026,006,552	13,503,733,507
Annuity and Pension Reserve Fund	43,513,048,458	39,927,499,750	35,616,195,176	32,410,382,036
Survivors' Benefit Fund	1,568,050,108	1,527,374,797	1,472,264,995	1,418,388,692
Defined Contribution Fund—Retirement/Health Care	588,013,676	522,817,214	376,419,373	216,885,601
Income Fund	99,016,985	99,070,651	95,184,666	100,226,117
Expense Fund	3,758,715	2,190,144	5,663,134	5,693,883
Total Fund Balance	**74,030,876,166**	**76,491,620,690**	**69,525,376,229**	**59,201,518,803**
Traditional Plan				
Employees' Savings Fund	12,298,673,251	12,133,856,642	11,932,873,455	11,545,651,011
Employers' Accumulation Fund—Pension	4,212,687,070	9,826,123,016	8,508,596,858	3,832,714,973
Annuity and Pension Reserve Fund	43,510,467,596	39,926,390,271	35,615,840,849	32,410,136,478
Survivors' Benefit Fund	1,568,050,108	1,527,374,797	1,472,264,995	1,418,388,692
Income Fund	99,016,985	99,070,651	95,184,666	100,226,117
Expense Fund	3,758,715	2,190,144	5,663,134	5,693,883
Total Fund Balance	**61,692,653,725**	**63,515,005,521**	**57,630,423,957**	**49,312,811,154**
Post-employment Health Care				
Employers' Accumulation Fund—Health Care	11,596,131,868	12,319,743,979	11,415,195,274	9,596,082,077
Total Fund Balance	**11,596,131,868**	**12,319,743,979**	**11,415,195,274**	**9,596,082,077**
Combined Plan*				
Employees' Savings Fund	1,362,904	975,589	768,977	557,956
Employers' Accumulation Fund—Pension	150,088,076	131,980,123	102,108,811	74,976,136
Annuity and Pension Reserve Fund	1,514,253	644,239	251,905	73,758
Defined Contribution Fund—Retirement	180,842,930	167,550,828	120,255,104	63,342,635
Total Fund Balance	**333,808,163**	**301,150,779**	**223,384,797**	**138,950,485**
Member-Directed Plan*				
Employees' Savings Fund	81,283	7,758	(99)	
Employers' Accumulation Fund—Pension	(36,228)	(18,973)	105,609	(39,679)
Annuity and Pension Reserve Fund	1,066,609	465,240	102,422	171,800
Defined Contribution Fund—Retirement	316,083,570	278,644,313	200,380,138	117,209,900
Total Fund Balance	**317,195,234**	**279,098,338**	**200,588,070**	**117,342,021**
VEBA Plan*				
Defined Contribution Fund—Health Care	91,087,176	76,622,073	55,784,131	36,333,066
Total Fund Balance	**$91,087,176**	**$76,622,073**	**$55,784,131**	**$36,333,066**

* Plans commenced January 1, 2003.

Statutory Fund Balance by Plan (continued)

2007	2006	2005	2004	2003	2002
$10,815,159,012	$10,374,480,725	$9,810,364,125	$9,339,927,737	$8,896,964,040	$8,513,859,664
40,336,757,059	38,641,822,117	33,061,020,982	30,921,433,439	27,368,711,915	18,979,364,269
30,699,027,425	27,770,522,547	25,377,301,101	23,663,435,434	21,562,826,137	19,305,720,320
1,373,512,884	1,313,109,826	1,209,472,794	1,171,933,656	1,143,463,941	1,096,358,667
234,047,349	165,336,652	102,223,154	62,970,790	35,826,751	
99,627,634	95,995,910	87,484,700	84,749,285	89,838,868	86,024,578
2,496,366		2,439,720	4,000,515	43,332	4,969,567
83,560,627,729	**78,361,267,777**	**69,650,306,576**	**65,248,450,856**	**59,097,674,984**	**47,986,297,065**
10,814,646,533	10,374,152,385	9,810,182,770	9,339,889,114	8,896,961,910	8,513,859,664
26,970,418,583	25,743,571,669	21,175,333,656	19,290,307,206	16,546,201,140	10,093,082,183
30,698,939,078	27,770,523,103	25,377,301,101	23,663,435,434	21,562,826,137	19,305,720,320
1,373,512,884	1,313,109,826	1,209,472,794	1,171,933,656	1,143,463,941	1,096,358,667
99,627,634	95,995,910	87,484,700	84,749,285	89,838,868	86,024,578
2,496,366		2,439,720	4,000,515	43,332	4,969,567
69,959,641,078	**65,297,352,893**	**57,662,214,741**	**53,554,315,210**	**48,239,335,328**	**39,100,014,979**
13,282,947,482	12,838,059,079	11,845,713,012	11,609,113,358	10,813,803,449	8,886,282,086
13,282,947,482	**12,838,059,079**	**11,845,713,012**	**11,609,113,358**	**10,813,803,449**	**$8,886,282,086**
512,479	328,340	181,355	38,623	2,130	
83,391,067	60,191,369	39,974,314	22,012,875	8,707,326	
60,804	(556)				
72,900,216	53,479,881	32,343,938	21,411,957	14,181,032	
156,864,566	**113,999,034**	**72,499,607**	**43,463,455**	**22,890,488**	
(73)					
27,543					
123,919,448	86,524,882	54,502,026	33,579,873	18,464,414	
123,946,918	**86,524,882**	**54,502,026**	**33,579,873**	**18,464,414**	
37,227,685	25,331,889	15,377,190	7,978,960	3,181,305	
$37,227,685	**$25,331,889**	**$15,377,190**	**$7,978,960**	**$3,181,305**	

Fiduciary Net Assets by Year (last 10 fiscal years)

Year	2011	2010	2009	2008
All Plans				
Assets:				
Cash and Short-Term Investments	$2,847,839,851	$3,654,805,279	$1,742,538,072	$1,429,632,493
Receivables	1,554,352,796	1,437,458,798	1,976,201,742	1,016,153,104
Investments	71,149,016,095	72,661,379,153	66,819,524,257	57,289,210,006
Collateral on Loaned Securities	10,401,223,945	9,250,107,607	9,978,449,975	7,665,906,536
Net Capital Assets	112,092,861	112,130,055	113,508,936	117,521,350
Prepaid Expenses and Other Assets	779,630	471,611	236,290	284,846
Total Assets	**86,065,305,178**	**87,116,352,503**	**80,630,459,272**	**67,518,708,335**
Liabilities and Net Assets				
Benefits Payable	119,591,363	142,993,825	140,959,867	131,922,479
Investment Commitments Payable	1,423,836,318	1,155,469,120	916,348,545	437,680,710
Obligations Under Securities Lending	10,410,130,422	9,250,107,607	9,978,449,975	7,665,906,536
Other Liabilities	80,870,909	76,161,261	69,324,656	81,679,807
Net Assets	74,030,876,166	76,491,620,690	69,525,376,229	59,201,518,803
Total Liabilities and Net Assets	**86,065,305,178**	**87,116,352,503**	**80,630,459,272**	**67,518,708,335**
Traditional Plan				
Assets:				
Cash and Short-Term Investments	2,683,693,306	3,331,124,467	1,652,107,085	1,208,848,813
Receivables	1,181,127,055	1,039,459,387	915,977,579	741,420,763
Investments	58,890,460,789	59,973,039,802	55,741,813,567	47,649,655,710
Collateral on Loaned Securities	10,363,838,801	7,708,958,738	9,653,891,069	5,357,710,312
Net Capital Assets	84,923,332	85,155,975	86,063,353	91,213,500
Prepaid Expenses and Other Assets	779,630	471,611	236,290	284,846
Total Assets	**73,204,822,913**	**72,138,209,980**	**68,050,088,943**	**55,049,133,944**
Liabilities and Net Assets				
Benefits Payable	1,061,656	31,862	6,950,608	130,259
Investment Commitments Payable	1,124,645,829	899,118,485	749,608,796	364,423,724
Obligations Under Securities Lending	10,372,713,265	7,708,958,738	9,653,891,069	5,357,710,312
Other Liabilities	13,748,438	15,095,374	9,214,513	14,058,495
Net Assets	61,692,653,725	63,515,005,521	57,630,423,957	49,312,811,154
Total Liabilities and Net Assets	**73,204,822,913**	**72,138,209,980**	**68,050,088,943**	**55,049,133,944**
Post-employment Health Care				
Assets:				
Cash and Short-Term Investments	153,972,958	310,859,956	82,384,335	214,267,049
Receivables	355,160,439	383,127,242	1,046,106,655	261,187,030
Investments	11,492,400,597	12,011,299,168	10,567,015,643	9,301,814,794
Collateral on Loaned Securities		1,517,578,594	299,502,780	2,297,927,070
Net Capital Assets	26,945,871	26,862,896	27,377,310	26,203,570
Prepaid Expenses and Other Assets				
Total Assets	**12,028,479,865**	**14,249,727,856**	**12,022,386,723**	**12,101,399,513**
Liabilities and Net Assets				
Benefits Payable	118,529,285	142,952,643	134,007,772	131,776,992
Investment Commitments Payable	294,572,622	253,257,695	163,153,464	69,811,443
Obligations Under Securities Lending		1,517,578,594	299,502,780	2,297,927,070
Other Liabilities	19,246,090	16,194,945	10,527,433	5,801,931
Net Assets	11,596,131,868	12,319,743,979	11,415,195,274	9,596,082,077
Total Liabilities and Net Assets	**$12,028,479,865**	**$14,249,727,856**	**$12,022,386,723**	**$12,101,399,513**

Fiduciary Net Assets by Year (continued)

2007	2006	2005	2004	2003	2002
$1,030,943,608	$1,395,818,610	$965,982,241	$1,084,770,226	$2,260,563,154	$993,421,558
1,029,220,765	1,214,050,676	641,652,467	587,965,294	579,291,848	703,869,991
82,001,128,270	76,452,836,443	68,225,900,093	64,338,975,910	56,351,104,067	46,582,653,482
13,159,403,768	12,744,242,746	11,087,980,611	8,144,602,235	5,211,705,742	2,330,316,293
120,859,724	120,156,097	120,588,673	120,989,855	126,842,607	118,128,817
387,169	213,849,031	198,922,306	181,572,843	136,332,241	122,811,232
97,341,943,304	**92,140,953,603**	**81,241,026,391**	**74,458,876,363**	**64,665,839,659**	**50,851,201,373**
142,701,327	145,895,911	138,450,016	116,024,321	114,581,249	95,374,085
415,429,392	836,766,843	314,302,665	910,706,088	208,302,530	425,752,368
13,159,403,768	12,744,242,746	11,087,980,611	8,144,602,235	5,211,705,742	2,330,316,293
63,781,088	52,780,326	49,986,523	39,092,863	33,575,154	13,461,562
83,560,627,729	78,361,267,777	69,650,306,576	65,248,450,856	59,097,674,984	47,986,297,065
97,341,943,304	**92,140,953,603**	**81,241,026,391**	**74,458,876,363**	**64,665,839,659**	**50,851,201,373**
858,481,646	1,070,224,554	714,335,617	889,697,209	1,842,604,728	807,850,411
774,558,734	937,337,825	505,540,741	470,860,153	457,487,635	572,387,077
68,602,804,295	63,719,149,199	56,418,544,924	52,668,744,014	45,908,586,397	37,881,013,811
11,069,869,796	10,710,884,709	9,324,745,071	6,701,310,056	4,245,455,497	1,895,013,209
93,969,101	94,728,174	95,976,311	97,343,091	74,728,520	96,062,354
387,169	213,849,031	198,922,306	181,572,843	136,332,241	99,870,094
81,400,070,741	**76,746,173,492**	**67,258,064,970**	**61,009,527,366**	**52,665,195,018**	**41,352,196,956**
355,806,425	725,040,155	258,012,233	744,671,099	170,057,706	346,221,826
11,069,869,796	10,710,884,709	9,324,745,071	6,701,310,056	4,245,455,497	1,895,013,209
14,753,442	12,895,735	13,092,925	9,231,001	10,346,487	10,946,942
69,959,641,078	65,297,352,893	57,662,214,741	53,554,315,210	48,239,335,328	39,100,014,979
81,400,070,741	**76,746,173,492**	**67,258,064,970**	**61,009,527,366**	**52,665,195,018**	**41,352,196,956**
166,407,166	322,120,585	250,418,690	194,486,592	417,214,283	185,571,147
242,221,858	266,309,590	128,024,458	111,691,612	117,623,132	131,482,914
13,050,429,116	12,479,536,506	11,636,525,615	11,561,325,739	10,384,190,620	8,701,639,671
2,072,493,713	2,015,624,266	1,749,802,181	1,429,823,432	960,517,368	435,303,084
26,606,207	24,425,394	22,906,221	21,102,187	48,187,782	22,066,463
					22,941,138
15,558,158,060	**15,108,016,341**	**13,787,677,165**	**13,318,429,562**	**11,927,733,185**	**9,499,004,417**
142,701,327	145,895,911	138,450,016	116,024,321	114,581,249	95,374,085
57,017,727	108,410,835	53,711,956	163,468,451	38,150,816	79,530,542
2,072,493,713	2,015,624,266	1,749,802,181	1,429,823,432	960,517,368	435,303,084
2,997,811	26,250			680,303	2,514,620
13,282,947,482	12,838,059,079	11,845,713,012	11,609,113,358	10,813,803,449	8,886,282,086
$15,558,158,060	**$15,108,016,341**	**$13,787,677,165**	**$13,318,429,562**	**$11,927,733,185**	**$9,499,004,417**

continued on page 128

continued from page 127

Fiduciary Net Assets by Year (last 10 fiscal years, continued)

Year	2011	2010	2009	2008
Combined Plan*				
Assets:				
Cash and Short-Term Investments	$6,961,822	$7,840,924	$3,716,643	$2,982,361
Receivables	7,707,808	6,892,606	6,259,012	5,788,861
Investments	339,986,995	303,637,263	233,771,271	157,027,020
Collateral on Loaned Securities	23,506,898	15,196,825	16,765,205	7,044,675
Net Capital Assets	65,084	34,750	1,932	118
Total Assets	**378,228,607**	**333,602,368**	**260,514,063**	**172,843,035**
Liabilities and Net Assets				
Investment Commitments Payable	2,823,632	1,950,989	1,942,496	1,527,796
Obligations Under Securities Lending	23,527,027	15,196,825	16,765,205	7,044,675
Other Liabilities	18,069,785	15,303,775	18,421,565	25,320,079
Net Assets	333,808,163	301,150,779	223,384,797	138,950,485
Total Liabilities and Net Assets	**378,228,607**	**333,602,368**	**260,514,063**	**172,843,035**
Member-Directed Plan*				
Assets:				
Cash and Short-Term Investments	981,909	1,351,601	2,322,907	2,194,785
Receivables	7,353,279	5,657,850	5,901,916	5,995,977
Investments	338,695,474	301,502,301	221,224,028	137,235,988
Collateral on Loaned Securities	111,647	40,463	30,222	9,177
Net Capital Assets	94,933	38,662	2,294	137
Total Assets	**347,237,242**	**308,590,877**	**229,481,367**	**145,436,064**
Liabilities and Net Assets				
Investment Commitments Payable	123,669	6,707	787,160	1,585,226
Obligations Under Securities Lending	111,743	40,463	30,222	9,177
Other Liabilities	29,806,596	29,445,369	28,075,915	26,499,640
Net Assets	317,195,234	279,098,338	200,588,070	117,342,021
Total Liabilities and Net Assets	**347,237,242**	**308,590,877**	**229,481,367**	**145,436,064**
VEBA Plan*				
Assets:				
Cash and Short-Term Investments	2,229,856	3,628,331	2,007,102	1,339,485
Receivables	3,004,215	2,321,713	1,956,580	1,760,473
Investments	87,472,240	71,900,619	55,699,748	43,476,494
Collateral on Loaned Securities	13,766,599	8,332,987	8,260,699	3,215,302
Net Capital Assets	63,641	37,772	64,047	104,025
Total Assets	**106,536,551**	**86,221,422**	**67,988,176**	**49,895,779**
Liabilities and Net Assets				
Benefits Payable	422	9,320	1,487	15,228
Investment Commitments Payable	1,670,566	1,135,244	856,629	332,521
Obligations Under Securities Lending	13,778,387	8,332,987	8,260,699	3,215,302
Other Liabilities		121,798	3,085,230	9,999,662
Net Assets	91,087,176	76,622,073	55,784,131	36,333,066
Total Liabilities and Net Assets	**$106,536,551**	**$86,221,422**	**$67,988,176**	**$49,895,779**

Fiduciary Net Assets by Year (continued)

2007	2006	2005	2004	2003	2002
$2,725,143	$1,375,582	$267,450	$22,755	$474,850	
5,264,533	4,853,858	3,779,363	2,471,545	1,889,953	
172,094,212	127,517,778	85,816,585	53,827,860	28,007,134	
11,788,022	10,888,345	7,667,367	6,657,051	2,605,853	
68,975	437,854	858,051	1,279,716	1,052,626	
191,940,885	**145,073,417**	**98,388,816**	**64,258,927**	**34,030,416**	
1,205,858	1,626,857	1,121,710	1,193,165	51,956	
11,788,022	10,888,345	7,667,367	6,657,051	2,605,853	
22,082,439	18,559,181	17,100,132	12,945,256	8,482,119	
156,864,566	113,999,034	72,499,607	43,463,455	22,890,488	
191,940,885	**145,073,417**	**98,388,816**	**64,258,927**	**34,030,416**	
3,064,085	1,644,348	738,324	397,840	85,983	
5,397,814	3,977,091	2,997,398	2,119,426	1,659,771	
140,594,070	103,263,918	69,936,199	46,252,793	26,607,503	
171,375	3,077,000	3,738,615	5,720,220	2,605,853	
55,124	333,494	679,200	1,012,974	1,940,168	
149,282,468	**112,295,851**	**78,089,736**	**55,503,253**	**32,899,278**	
1,216,779	1,394,809	1,380,789	1,234,257	25,208	
171,375	3,077,000	3,738,615	5,720,220	2,605,853	
23,947,396	21,299,160	18,468,306	14,968,903	11,803,803	
123,946,918	86,524,882	54,502,026	33,579,873	18,464,414	
149,282,468	**112,295,851**	**78,089,736**	**55,503,253**	**32,899,278**	
265,568	453,541	222,160	165,830	183,310	
1,777,826	1,572,312	1,310,507	822,558	631,357	
35,206,577	23,369,042	15,076,770	8,825,504	3,712,413	
5,080,862	3,768,426	2,027,377	1,091,476	521,171	
160,317	231,181	168,890	251,887	933,511	
42,491,150	**29,394,502**	**18,805,704**	**11,157,255**	**5,981,762**	
182,603	294,187	75,977	139,116	16,844	
5,080,862	3,768,426	2,027,377	1,091,476	521,171	
		1,325,160	1,947,703	2,262,442	
37,227,685	25,331,889	15,377,190	7,978,960	3,181,305	
$42,491,150	**$29,394,502**	**$18,805,704**	**$11,157,255**	**$5,981,762**	

Changes in Fiduciary Net Assets (last 10 fiscal years)

Year	2011	2010*	2009**	2008
All Plans				
Additions:				
Members' Contributions	$1,434,755,544	$1,387,327,050	$1,385,175,757	$1,386,561,202
Employers' Contributions	1,809,470,716	1,796,343,429	1,822,639,448	1,840,585,266
Contracts and Other Receipts	211,847,098	197,507,372	219,182,666	180,763,502
Federal Subsidies	192,118,407	142,658,293	69,132,772	63,310,194
Net Income (Loss) from Investing Activity	179,956,702	9,268,181,189	12,274,797,785	(22,770,412,901)
Other Income, Net	11,255,503	7,930,265	794,525	1,635,996
Interplan Activity	10,077,664	10,528,250	7,879,768	7,470,205
Total Additions	3,849,481,634	12,810,475,848	15,779,602,721	(19,290,086,536)
Deductions:				
Pension Benefits	4,329,918,267	3,961,552,022	3,661,174,109	3,388,953,861
Health Care Benefits	1,576,457,152	1,568,065,943	1,488,266,219	1,377,274,519
Refunds of Contributions	323,672,042	233,054,714	222,580,254	221,300,825
Administrative Expenses	70,101,033	71,030,458	75,844,945	74,022,980
Interplan Activity	10,077,664	10,528,250	7,879,768	7,470,205
Total Deductions	6,310,226,158	5,844,231,387	5,455,745,295	5,069,022,390
Net Increase (Decrease)	(2,460,744,524)	6,966,244,461	10,323,857,426	(24,359,108,926)
Net Assets Held in Trust, Beginning of Year	76,491,620,690	69,525,376,229	59,201,518,803	83,560,627,729
Net Assets Held in Trust, End of Year	**74,030,876,166**	**76,491,620,690**	**69,525,376,229**	**59,201,518,803**
Traditional Plan				
Additions:				
Members' Contributions	1,221,597,118	1,217,388,746	1,236,966,262	1,253,053,822
Employers' Contributions	1,233,002,841	1,097,711,440	1,019,582,360	892,693,746
Contracts and Other Receipts	121,560,871	113,080,115	160,232,136	113,351,117
Net Income (Loss) from Investing Activity	274,530,266	7,678,536,712	9,822,978,753	(19,258,540,437)
Other Income, Net	340,460	763,943	140,494	1,021,007
Interplan Activity	10,077,664	10,501,974	7,839,790	7,289,779
Total Additions	2,861,109,220	10,117,982,930	12,247,739,795	(16,991,130,966)
Deductions:				
Pension Benefits	4,329,452,581	3,961,217,461	3,661,076,709	3,388,862,796
Refunds of Contributions	302,812,289	219,808,143	212,209,227	212,802,651
Administrative Expenses	51,196,146	52,375,762	56,805,048	53,853,085
Interplan Activity			36,008	180,426
Total Deductions	4,683,461,016	4,233,401,366	3,930,126,992	3,655,698,958
Net Increase (Decrease)	(1,822,351,796)	5,884,581,564	8,317,612,803	(20,646,829,924)
Net Assets Held in Trust, Beginning of Year	63,515,005,521	57,630,423,957	49,312,811,154	69,959,641,078
Net Assets Held in Trust, End of Year	**61,692,653,725**	**63,515,005,521**	**57,630,423,957**	**49,312,811,154**
Post-employment Health Care				
Additions:				
Members' Contributions	148,370,246	111,638,313	94,370,543	82,695,255
Employers' Contributions	503,458,216	628,685,237	740,817,891	891,561,073
Contracts and Other Receipts	89,087,996	83,572,868	58,649,547	66,343,542
Federal Subsidies	192,118,407	142,658,293	69,132,772	63,310,194
Net Income (Loss) from Investing Activity	(78,923,627)	1,511,164,964	2,356,554,863	(3,400,647,342)
Other Income, Net	10,915,043	7,163,609	654,031	614,989
Total Additions	865,026,281	2,484,883,284	3,320,179,647	(2,296,122,289)
Deductions:				
Health Care Benefits	1,575,561,578	1,567,551,611	1,488,032,855	1,377,146,173
Administrative Expenses	13,076,814	12,782,968	13,033,595	13,596,943
Total Deductions	1,588,638,392	1,580,334,579	1,501,066,450	1,390,743,116
Net Increase (Decrease)	(723,612,111)	904,548,705	1,819,113,197	(3,686,865,405)
Net Assets Held in Trust, Beginning of Year	12,319,743,979	11,415,195,274	9,596,082,077	13,282,947,482
Net Assets Held in Trust, End of Year	**$11,596,131,868**	**$12,319,743,979**	**$11,415,195,274**	**$9,596,082,077**

* 2010 restated for reclassification of Early Retirement Reinsurance Program from Contracts and Other Receipts to Federal Subsidies and the reclassification of the Pending Medical Claims adjustment from Health Care Benefits to Other Income. Pending Medical Claims consists of the annual adjustment made to the Incurred But Not Reported liability included in Medical Benefits Payable. This liability fluctuates from year to year based on changes in the claims experience.

** 2009 restated for reclassification of Alternative Retirement Plan contribution accrual from Employer Contributions to Contracts and Other Receipts.

Changes in Fiduciary Net Assets (continued)

2007	2006	2005	2004	2003	2002
$1,306,544,058	$1,171,079,333	$1,055,269,202	$1,038,288,958	$963,800,398	$1,012,585,265
1,798,305,461	1,673,479,701	1,599,401,084	1,547,265,013	1,569,353,460	1,539,286,799
151,494,844	216,390,457	120,057,761	139,473,863	117,019,636	225,492,992
59,075,120	58,987,181				
6,594,053,702	10,028,554,662	5,740,076,574	7,192,406,571	11,868,086,473	(5,684,965,700)
110,559	1,501,275	980,539	(107,798)	411,093	623,421
5,730,846	5,286,335	2,457,816	3,510,475	29,392,751	
9,915,314,590	13,155,278,944	8,518,242,976	9,920,837,082	14,548,063,811	(2,906,977,223)
3,136,995,197	2,906,859,113	2,679,084,743	2,454,131,826	2,236,477,663	2,060,130,216
1,282,829,856	1,231,882,888	1,152,943,718	1,040,949,675	907,769,092	776,006,852
221,092,748	235,136,633	220,236,000	209,777,972	193,209,598	187,051,815
69,305,991	65,152,774	61,664,979	61,691,260	69,836,790	56,267,175
5,730,846	5,286,335	2,457,816	3,510,475	29,392,751	
4,715,954,638	4,444,317,743	4,116,387,256	3,770,061,208	3,436,685,894	3,079,456,058
5,199,359,952	8,710,961,201	4,401,855,720	6,150,775,874	11,111,377,917	(5,986,433,281)
78,361,267,777	69,650,306,576	65,248,450,856	59,097,674,982	47,986,297,065	53,972,730,346
83,560,627,729	**78,361,267,777**	**69,650,306,576**	**65,248,450,856**	**59,097,674,982**	**47,986,297,065**
1,183,959,051	1,065,862,778	965,977,835	958,095,802	947,466,184	1,012,585,265
1,051,808,289	1,092,998,459	1,106,755,953	1,057,429,880	971,223,297	974,999,979
105,157,859	122,076,019	112,227,300	118,205,826	114,769,168	216,741,514
5,717,111,026	8,529,935,923	4,860,636,257	5,886,688,477	9,603,775,739	(4,841,899,792)
40,061	194,492	432,175	(107,798)	411,093	623,421
4,969,740	4,520,387	1,593,458	3,510,475	8,754,777	
8,063,046,026	10,815,588,058	7,047,622,978	8,023,822,662	11,646,400,258	(2,636,949,613)
3,136,978,910	2,906,857,436	2,679,084,743	2,454,131,826	2,236,477,663	2,060,130,216
213,007,451	228,034,617	215,398,602	207,121,141	192,768,335	187,051,815
50,053,260	44,854,241	44,375,744	47,589,813	57,195,937	52,199,729
718,220	703,612	864,358		20,637,974	
3,400,757,841	3,180,449,906	2,939,723,447	2,708,842,780	2,507,079,909	2,299,381,760
4,662,288,185	7,635,138,152	4,107,899,531	5,314,979,882	9,139,320,349	(4,936,331,373)
65,297,352,893	57,662,214,741	53,554,315,210	48,239,335,328	39,100,014,979	44,036,346,352
69,959,641,078	**65,297,352,893**	**57,662,214,741**	**53,554,315,210**	**48,239,335,328**	**39,100,014,979**
79,198,959	71,718,182	63,408,347	58,975,931		
695,967,837	538,312,995	457,325,506	461,788,996	577,854,165	564,286,820
45,534,017	93,724,104	7,234,092	20,897,027	2,050,196	8,751,478
59,075,120	58,987,181				
858,614,433	1,471,059,831	868,900,661	1,297,291,883	2,258,066,075	(843,065,908)
70,498	1,306,783	548,364			
1,738,460,864	2,235,109,076	1,397,416,970	1,838,953,837	2,837,970,436	(270,027,610)
1,282,776,044	1,231,870,038	1,152,941,961	1,040,949,675	907,769,092	776,006,852
10,796,417	10,892,971	7,875,355	2,694,253	2,679,981	4,067,446
1,293,572,461	1,242,763,009	1,160,817,316	1,043,643,928	910,449,073	780,074,298
444,888,403	992,346,067	236,599,654	795,309,909	1,927,521,363	(1,050,101,908)
12,838,059,079	11,845,713,012	11,609,113,358	10,813,803,449	8,886,282,086	9,936,383,994
$13,282,947,482	**$12,838,059,079**	**$11,845,713,012**	**$11,609,113,358**	**$10,813,803,449**	**$8,886,282,086**

continued on page 132

continued from page 131

Changes in Fiduciary Net Assets (last nine fiscal years*)

Year	2011	2010	2009	2008
Combined Plan*				
Additions:				
Members' Contributions	$29,256,952	$27,272,707	$26,096,068	$25,123,220
Employers' Contributions	23,280,520	26,432,761	23,397,299	20,352,999
Contracts and Other Receipts	386,879	384,947	124,823	844,005
Net Income (Loss) from Investing Activity	(5,810,229)	35,971,101	44,034,607	(53,571,566)
Other Income, Net		1,267		
Interplan Activity				68,857
Total Additions	47,114,122	90,062,783	93,652,797	(7,182,485)
Deductions:				
Pension Benefits	305,215	128,366	35,566	11,911
Refunds of Contributions	6,462,849	3,540,043	2,905,883	3,623,723
Administrative Expenses	2,559,312	2,584,673	2,638,279	2,990,092
Interplan Activity	5,129,362	6,043,719	3,638,757	4,105,870
Total Deductions	14,456,738	12,296,801	9,218,485	10,731,596
Net Increase (Decrease)	32,657,384	77,765,982	84,434,312	(17,914,081)
Net Assets Held in Trust, Beginning of Year	301,150,779	223,384,797	138,950,485	156,864,566
Net Assets Held in Trust, End of Year	**333,808,163**	**301,150,779**	**223,384,797**	**138,950,485**
Member-Directed Plan*				
Additions:				
Members' Contributions	35,531,228	31,027,284	27,742,884	25,688,905
Employers' Contributions	33,746,291	29,527,197	26,356,764	24,411,834
Contracts and Other Receipts	802,270	462,075	173,832	223,485
Net Income (Loss) from Investing Activity	(10,151,205)	34,223,485	42,835,328	(46,084,400)
Other Income, Net		1,108		
Interplan Activity				55,277
Total Additions	59,928,584	95,241,149	97,108,808	4,295,101
Deductions:				
Pension Benefits	160,471	206,195	61,834	79,154
Refunds of Contributions	14,396,904	9,706,528	7,465,144	4,874,451
Administrative Expenses	2,354,183	2,435,285	2,514,665	2,762,484
Interplan Activity	4,920,130	4,382,873	3,821,116	3,183,909
Total Deductions	21,831,688	16,730,881	13,862,759	10,899,998
Net Increase (Decrease)	38,096,896	78,510,268	83,246,049	(6,604,897)
Net Assets Held in Trust, Beginning of Year	279,098,338	200,588,070	117,342,021	123,946,918
Net Assets Held in Trust, End of Year	**317,195,234**	**279,098,338**	**200,588,070**	**117,342,021**
VEBA Plan*				
Additions:				
Employers' Contributions	15,982,848	13,986,794	12,485,134	11,565,614
Contracts and Other Receipts	9,082	7,367	2,328	1,353
Net Income (Loss) from Investing Activity	311,497	8,284,927	8,394,234	(11,569,156)
Other Income, Net		338		
Interplan Activity		26,276	39,978	56,292
Total Additions	16,303,427	22,305,702	20,921,674	54,103
Deductions:				
Health Care Benefits	895,574	514,332	233,364	128,346
Administrative Expenses	914,578	851,770	853,358	820,376
Interplan Activity	28,172	101,658	383,887	
Total Deductions	1,838,324	1,467,760	1,470,609	948,722
Net Increase (Decrease)	14,465,103	20,837,942	19,451,065	(894,619)
Net Assets Held in Trust, Beginning of Year	76,622,073	55,784,131	36,333,066	37,227,685
Net Assets Held in Trust, End of Year	**$91,087,176**	**$76,622,073**	**$55,784,131**	**$36,333,066**

* Plans commenced January 1, 2003.

Changes in Fiduciary Net Assets (continued)

2007	2006	2005	2004	2003
$21,907,704	$17,367,629	$13,720,773	$11,104,158	$8,658,022
19,241,579	17,689,420	15,632,184	12,164,161	8,451,197
347,280	427,966	263,142	310,255	150,574
9,866,238	14,041,870	5,420,080	4,282,641	3,077,753
411,764	420,198	425,831		10,300,381
51,774,565	49,947,083	35,462,010	27,861,215	30,637,927
5,451	552			
2,707,630	1,910,107	1,390,162	601,042	49,490
3,890,828	4,510,803	4,432,803	5,032,027	4,480,051
2,305,124	2,026,194	602,893	1,655,177	3,217,900
8,909,033	8,447,656	6,425,858	7,288,246	7,747,441
42,865,532	41,499,427	29,036,152	20,572,969	22,890,486
113,999,034	72,499,607	43,463,455	22,890,486	
156,864,566	**113,999,034**	**72,499,607**	**43,463,455**	**22,890,486**
21,478,344	16,130,744	12,162,247	10,113,067	7,676,192
21,048,014	16,363,129	12,435,161	10,026,114	7,462,827
453,716	161,894	332,927	60,434	49,551
5,860,816	10,529,166	4,078,183	3,423,731	2,753,472
278,478	345,750	355,531		10,337,593
49,119,368	43,530,683	29,364,049	23,623,346	28,279,635
10,836	1,125			
5,377,667	5,191,909	3,447,236	2,055,789	391,773
3,601,327	3,882,917	4,128,233	4,898,872	5,098,717
2,707,502	2,431,876	866,427	1,553,226	4,324,731
11,697,332	11,507,827	8,441,896	8,507,887	9,815,221
37,422,036	32,022,856	20,922,153	15,115,459	18,464,414
86,524,882	54,502,026	33,579,873	18,464,414	
123,946,918	**86,524,882**	**54,502,026**	**33,579,873**	**18,464,414**
10,239,742	8,115,698	7,252,280	5,855,862	4,361,974
1,972	474	300	321	147
2,601,189	2,987,872	1,041,393	719,839	413,434
70,864		82,996		
12,913,767	11,104,044	8,376,969	6,576,022	4,775,555
53,812	12,850	1,757		
964,159	1,011,842	852,844	1,476,295	382,104
	124,653	124,138	302,072	1,212,146
1,017,971	1,149,345	978,739	1,778,367	1,594,250
11,895,796	9,954,699	7,398,230	4,797,655	3,181,305
25,331,889	15,377,190	7,978,960	3,181,305	
$37,227,685	**$25,331,889**	**$15,377,190**	**$7,978,960**	**$3,181,305**

Additions by Source (last 10 fiscal years)

Year	2011	2010**	2009	2008
All Plans				
Members' Contributions	$1,434,755,544	$1,387,327,050	$1,385,175,757	$1,386,561,202
Employers' Contributions	1,809,470,716	1,796,343,429	1,822,639,448	1,840,585,266
Purchase of Service	59,976,857	51,936,153	42,247,663	47,326,741
Early Retirement Incentive Payments	23,366,505	27,964,615	93,149,748	34,588,480
Transfers from Other Retirement Systems	31,487,779	31,862,677	26,142,599	43,533,703
Vendor Rebates & Other Receipts	84,515,422	72,854,648	47,557,407	44,672,114
Additional Annuity/Voluntary Contributions	5,334,480	5,296,310	3,915,521	4,498,262
Other Employer Payments	7,166,055	7,592,969	6,169,728	6,144,202
Federal Subsidies	192,118,407	142,658,293	69,132,772	63,310,194
Net Income (Loss) from Investing Activity	179,956,702	9,268,181,189	12,274,797,785	(22,770,412,901)
Other Income	11,255,503	7,930,265	794,525	1,635,996
Inter-Plan Activity	10,077,664	10,528,250	7,879,768	7,470,205
Total Additions	**3,849,481,634**	**12,810,475,848**	**15,779,602,721**	**(19,290,086,536)**
Traditional Plan				
Members' Contributions	1,221,597,118	1,217,388,746	1,236,966,262	1,253,053,822
Employers' Contributions	1,233,002,841	1,097,711,440	1,019,582,360	892,693,746
Purchase of Service	59,770,075	51,738,819	42,177,769	47,167,085
Early Retirement Incentive Payments	22,388,005	26,567,998	87,738,002	32,401,549
Transfers from Other Retirement Systems	28,505,778	23,234,777	20,972,055	24,779,353
Additional Annuity Contributions	4,447,182	4,699,133	3,705,856	3,615,649
Other Employer Payments	6,449,831	6,839,388	5,638,454	5,387,481
Net Income (Loss) from Investing Activity	274,530,266	7,678,536,712	9,822,978,753	(19,258,540,437)
Other Income	340,460	763,943	140,494	1,021,007
Inter-Plan Activity	10,077,664	10,501,974	7,839,790	7,289,779
Total Additions	**2,861,109,220**	**10,117,982,930**	**12,247,739,795**	**(16,991,130,966)**
Post-employment Health Care				
Members' Contributions	148,370,246	111,638,313	94,370,543	82,695,255
Employers' Contributions	503,458,216	628,685,237	740,817,891	891,561,073
Purchase of Service		48,467		
Early Retirement Incentive Payments	978,500	1,396,617	5,411,746	2,186,931
Transfers from Other Retirement Systems	2,946,044	8,627,900	5,170,544	18,754,350
Vendor Rebates & Other Receipts	84,515,422	72,854,394	47,557,407	44,672,114
Other Employer Payments	648,030	645,490	509,850	730,147
Federal Subsidies—Medicare Part D	788,419	72,100,529	69,132,772	63,310,194
Federal Subsidies—Medicare PDP	81,802,880			
Federal Subsidies—Early Retiree Reinsurance Program	109,527,108	70,557,764		
Net Income (Loss) from Investing Activity	(78,923,627)	1,511,164,964	2,356,554,863	(3,400,647,342)
Other Income	10,915,043	7,163,609	654,031	614,989
Total Additions	**865,026,281**	**2,484,883,284**	**3,320,179,647**	**(2,296,122,289)**

** 2010 Post-employment Health Care expenses restated for reclassification of Pending Medical Claims adjustment from Health Care Medical Expense to Other Income. Pending Medical Claims consists of the annual adjustment made to the Incurred But Not Reported liability included in Medical Benefits Payable. This liability fluctuates from year to year based on changes in the claims experience.

Additions by Source (continued)

2007	2006	2005	2004	2003	2002
$1,306,544,058	$1,171,079,333	$1,055,269,202	$1,038,288,958	$963,800,398	$1,012,585,265
1,798,305,461	1,673,479,701	1,599,401,084	1,547,265,013	1,569,353,460	1,539,286,799
45,091,289	50,645,844	48,472,217	51,003,292	46,781,202	63,061,422
30,078,951	38,617,128	37,426,646	40,727,906	34,829,208	124,960,294
24,071,283	23,863,918	17,996,360	18,660,906	21,314,306	18,937,217
41,826,091	87,417,935	4,024,855	18,589,344		
5,538,887	8,668,898	8,457,595	6,115,428	8,787,964	13,517,543
4,888,343	7,176,734	3,680,088	4,376,987	5,306,956	5,016,516
59,075,120	58,987,181				
6,594,053,702	10,028,554,662	5,740,076,574	7,192,406,571	11,868,086,473	(5,684,965,700)
110,559	1,501,275	980,539	(107,798)	411,093	623,421
5,730,846	5,286,335	2,457,816	3,510,475	29,392,751	
9,915,314,590	**13,155,278,944**	**8,518,242,976**	**9,920,837,082**	**14,548,063,811**	**(2,906,977,223)**
1,183,959,051	1,065,862,778	965,977,835	958,095,802	947,466,184	1,012,585,265
1,051,808,289	1,092,998,459	1,106,755,953	1,057,429,880	971,223,297	974,999,979
44,994,292	50,533,824	48,434,728	50,987,926	46,781,682	63,061,422
27,838,050	35,579,146	34,700,645	38,465,638	32,802,098	116,208,816
23,209,103	21,807,617	17,958,823	18,660,906	21,314,306	18,937,217
4,879,268	8,184,059	7,940,554	5,791,305	8,590,538	13,517,543
4,237,146	5,971,373	3,192,550	4,300,051	5,280,544	5,016,516
5,717,111,026	8,529,935,923	4,860,636,257	5,886,688,477	9,603,775,739	(4,841,899,792)
40,061	194,492	432,175	(107,798)	411,093	623,421
4,969,740	4,520,387	1,593,458	3,510,475	8,754,777	
8,063,046,026	**10,815,588,058**	**7,047,622,978**	**8,023,822,662**	**11,646,400,258**	**(2,636,949,613)**
79,198,959	71,718,182	63,408,347	58,975,931		
695,967,837	538,312,995	457,325,506	461,788,996	577,854,165	564,286,820
13,557	28,133	3,586			
2,240,901	3,037,982	2,726,001	2,262,268	2,027,110	8,751,478
862,180	2,056,301				
41,826,091	87,417,935	4,024,855	18,589,344		
591,288	1,183,753	479,650	45,415	23,086	
59,075,120	58,987,181				
858,614,433	1,471,059,831	868,900,661	1,297,291,883	2,258,066,075	(843,065,908)
70,498	1,306,783	548,364			
1,738,460,864	**2,235,109,076**	**1,397,416,970**	**1,838,953,837**	**2,837,970,436**	**($270,027,610)**

continued on page 136

continued from page 135

Additions by Source (last 10 fiscal years)

Year	2011	2010	2009	2008
Combined Plan*				
Members' Contributions	29,256,952	27,272,707	26,096,068	25,123,220
Employers' Contributions	23,280,520	26,432,761	23,397,299	20,352,999
Purchase of Service	201,906	150,035	68,726	159,371
Transfers from Other Retirement Systems	35,957			
Voluntary Contributions	134,608	177,121	48,855	684,634
Other Employer Payments	14,408	57,791	7,242	
Net Income (Loss) from Investing Activity	(5,810,229)	35,971,101	44,034,607	(53,571,566)
Other Income		1,267		
Inter-Plan Activity				68,857
Total Additions	**47,114,122**	**90,062,783**	**93,652,797**	**(7,182,485)**
Member-Directed Plan*				
Members' Contributions	35,531,228	31,027,284	27,742,884	25,688,905
Employers' Contributions	33,746,291	29,527,197	26,356,764	24,411,834
Purchase of Service	4,876	(1,168)	1,168	285
Voluntary Contributions	752,690	420,056	160,810	197,979
Other Employer Payments	44,704	43,187	11,854	25,221
Net Income (Loss) from Investing Activity	(10,151,205)	34,223,485	42,835,328	(46,084,400)
Other Income		1,108		
Inter-Plan Activity				55,277
Total Additions	**59,928,584**	**95,241,149**	**97,108,808**	**4,295,101**
VEBA Plan*				
Employers' Contributions	15,982,848	13,986,794	12,485,134	11,565,614
Vendor Rebates & Other Receipts		254		
Other Employer Payments	9,082	7,113	2,328	1,353
Net Income (Loss) from Investing Activity	311,497	8,284,927	8,394,234	(11,569,156)
Other Income		338		
Inter-Plan Activity		26,276	39,978	56,292
Total Additions	**$16,303,427**	**$22,305,702**	**$20,921,674**	**$54,103**

* Plans commenced January 1, 2003

Additions by Source (continued)

2007	2006	2005	2004	2003	2002
21,907,704	17,367,629	13,720,773	11,104,158	8,658,022	
19,241,579	17,689,420	15,632,184	12,164,161	8,451,197	
83,440	83,887	33,903	12,606	2,280	
		37,537			
239,505	329,818	186,294	291,348	147,062	
24,335	14,261	5,408	6,301	1,232	
9,866,238	14,041,870	5,420,080	4,282,641	3,077,753	
411,764	420,198	425,831		10,300,381	
51,774,565	**49,947,083**	**35,462,010**	**27,861,215**	**30,637,927**	
21,478,344	16,130,744	12,162,247	10,113,067	7,676,192	
21,048,014	16,363,129	12,435,161	10,026,114	7,462,827	
			2,760	(2,760)	
420,114	155,021	330,747	32,775	50,364	
33,602	6,873	2,180	24,899	1,947	
5,860,816	10,529,166	4,078,183	3,423,731	2,753,472	
278,478	345,750	355,531		10,337,593	
49,119,368	**43,530,683**	**29,364,049**	**23,623,346**	**28,279,635**	
10,239,742	8,115,698	7,252,280	5,855,862	4,361,974	
1,972	474	300	321	147	
2,601,189	2,987,872	1,041,393	719,839	413,434	
70,864		82,996			
$12,913,767	**$11,104,044**	**$8,376,969**	**$6,576,022**	**$4,775,555**	

Deductions by Type (last 10 fiscal years)

Year	2011	2010**	2009	2008
All Plans				
Pension—Annuities	$4,322,202,507	$3,954,057,452	$3,653,998,513	$3,381,914,006
Pension—Installment Payments	207,443	246,225	50,709	41,250
Pension—Other	7,508,317	7,248,345	7,124,887	6,998,605
Refunds	323,672,042	233,054,714	222,580,254	221,300,825
Medicare Part B	109,072,281	107,770,173	105,854,803	103,934,337
Medical	872,219,550	871,299,322	877,861,028	827,135,910
Pending Medical Claims				
Prescription Drug	530,404,030	526,054,523	494,674,419	441,059,097
Dental	38,467,223	38,978,748		
Vision	7,288,175	7,668,138		
Disease Management	4,620,914	2,557,254		
Allowance Payment to RMA	13,489,405	13,223,453	9,642,605	5,016,829
VEBA Claims	895,574	514,332	233,364	128,346
Administrative Expense	70,101,033	71,030,458	75,844,945	74,022,980
Inter-Plan Activity	10,077,664	10,528,250	7,879,768	7,470,205
Total Deductions	**6,310,226,158**	**5,844,231,387**	**5,455,745,295**	**5,069,022,390**
Traditional Plan				
Pension—Annuities	4,321,944,264	3,953,969,116	3,653,951,822	3,381,864,191
Pension—Other	7,508,317	7,248,345	7,124,887	6,998,605
Refunds	302,812,289	219,808,143	212,209,227	212,802,651
Administrative Expense	51,196,146	52,375,762	56,805,048	53,853,085
Inter-Plan Activity			36,008	180,426
Total Deductions	**4,683,461,016**	**4,233,401,366**	**3,930,126,992**	**3,655,698,958**
Post-employment Health Care#				
Medicare Part B	109,072,281	$107,770,173	$105,854,803	$103,934,337
Medical	872,219,550	871,299,322	877,861,028	827,135,910
Pending Medical Claims				
Prescription Drug	530,404,030	526,054,523	494,674,419	441,059,097
Dental	38,467,223	38,978,748		
Vision	7,288,175	7,668,138		
Disease Management	4,620,914	2,557,254		
Allowance Payment to RMA	13,489,405	13,223,453	9,642,605	5,016,829
Administrative Expense	13,076,814	12,782,968	13,033,595	13,596,943
Total Deductions	**1,588,638,392**	**1,580,334,579**	**1,501,066,450**	**1,390,743,116**
Combined Plan*				
Pension—Annuities	187,051	61,125	30,566	11,911
Pension—Installment Payments	118,164	67,241	5,000	
Refunds	6,462,849	3,540,043	2,905,883	3,623,723
Administrative Expense	2,559,312	2,584,673	2,638,279	2,990,092
Inter-Plan Activity	5,129,362	6,043,719	3,638,757	4,105,870
Total Deductions	**14,456,738**	**12,296,801**	**9,218,485**	**10,731,596**
Member-Directed Plan*				
Pension—Annuities	71,192	27,211	16,125	37,904
Pension—Installment Payments	89,279	178,984	45,709	41,250
Refunds	14,396,904	9,706,528	7,465,144	4,874,451
Administrative Expense	2,354,183	2,435,285	2,514,665	2,762,484
Inter-Plan Activity	4,920,130	4,382,873	3,821,116	3,183,909
Total Deductions	**21,831,688**	**16,730,881**	**13,862,759**	**10,899,998**
VEBA Plan*				
VEBA Claims	895,574	514,332	233,364	128,346
Administrative Expense	914,578	851,770	853,358	820,376
Inter-Plan Activity	28,172	101,658	383,887	
Total Deductions	**$1,838,324**	**$1,467,760**	**$1,470,609**	**$948,722**

* Plans commenced January 1, 2003
\# Breakdown of medical disbursements between medical, dental, vision and disease management is not available for 2009 and prior.
** 2010 Post-employment Health Care expenses restated for reclassification of Pending Medical Claims adjustment from Health Care Medical Expense to Other Income. Pending Medical Claims consists of the annual adjustment made to the Incurred But Not Reported liability included in Medical Benefits Payable. This liability fluctuates from year to year based on changes in the claims experience.

Deductions by Type (continued)

2007	2006	2005	2004	2003	2002
$3,130,094,411	$2,899,824,472	$2,671,847,680	$2,447,300,267	$2,229,805,278	$2,053,131,491
9,600	1,125				
6,891,186	7,033,516	7,237,063	6,831,559	6,672,385	6,998,725
221,092,748	235,136,633	220,236,000	209,777,972	193,209,598	187,051,815
99,175,973	92,268,184	80,094,041	67,295,184	58,704,582	53,572,102
745,052,859	705,427,089	656,301,652	560,341,911	489,843,513	399,191,008
4,121,292	6,034,535	13,361,980	18,454,833		9,030,496
431,405,495	428,140,230	403,184,288	394,857,747	359,220,997	314,213,246
3,020,425					
53,812	12,850	1,757			
69,305,991	65,152,774	61,664,979	61,691,260	69,836,790	56,267,175
5,730,846	5,286,335	2,457,816	3,510,475	29,392,751	
4,715,954,638	**4,444,317,743**	**4,116,387,256**	**3,770,061,208**	**3,436,685,894**	**3,079,456,058**
3,130,087,724	2,899,823,920	2,671,847,680	2,447,300,267	2,229,805,278	2,053,131,491
6,891,186	7,033,516	7,237,063	6,831,559	6,672,385	6,998,725
213,007,451	228,034,617	215,398,602	207,121,141	192,768,335	187,051,815
50,053,260	44,854,241	44,375,744	47,589,813	57,195,937	52,199,729
718,220	703,612	864,358		20,637,974	
3,400,757,841	**3,180,449,906**	**2,939,723,447**	**2,708,842,780**	**2,507,079,909**	**2,299,381,760**
99,175,973	92,268,184	80,094,041	67,295,184	58,704,582	53,572,102
745,052,859	705,427,089	656,301,652	560,341,911	489,843,513	399,191,008
4,121,292	6,034,535	13,361,980	18,454,833		9,030,496
431,405,495	428,140,230	403,184,288	394,857,747	359,220,997	314,213,246
3,020,425					
10,796,417	10,892,971	7,875,355	2,694,253	2,679,981	4,067,446
1,293,572,461	**1,242,763,009**	**1,160,817,316**	**1,043,643,928**	**910,449,073**	**$780,074,298**
5,451	552				
2,707,630	1,910,107	1,390,162	601,042	49,490	
3,890,828	4,510,803	4,432,803	5,032,027	4,480,051	
2,305,124	2,026,194	602,893	1,655,177	3,217,900	
8,909,033	**8,447,656**	**6,425,858**	**7,288,246**	**7,747,441**	
1,236					
9,600	1,125				
5,377,667	5,191,909	$3,447,236	$2,055,789	$391,773	
3,601,327	3,882,917	4,128,233	4,898,872	5,098,717	
2,707,502	2,431,876	866,427	1,553,226	4,324,731	
11,697,332	**11,507,827**	**8,441,896**	**8,507,887**	**9,815,221**	
53,812	12,850	1,757			
964,159	1,011,842	852,844	1,476,295	382,104	
	124,653	124,138	302,072	1,212,146	
$1,017,971	**$1,149,345**	**$978,739**	**$1,778,367**	**$1,594,250**	

Benefits by Type (last 10 fiscal years)

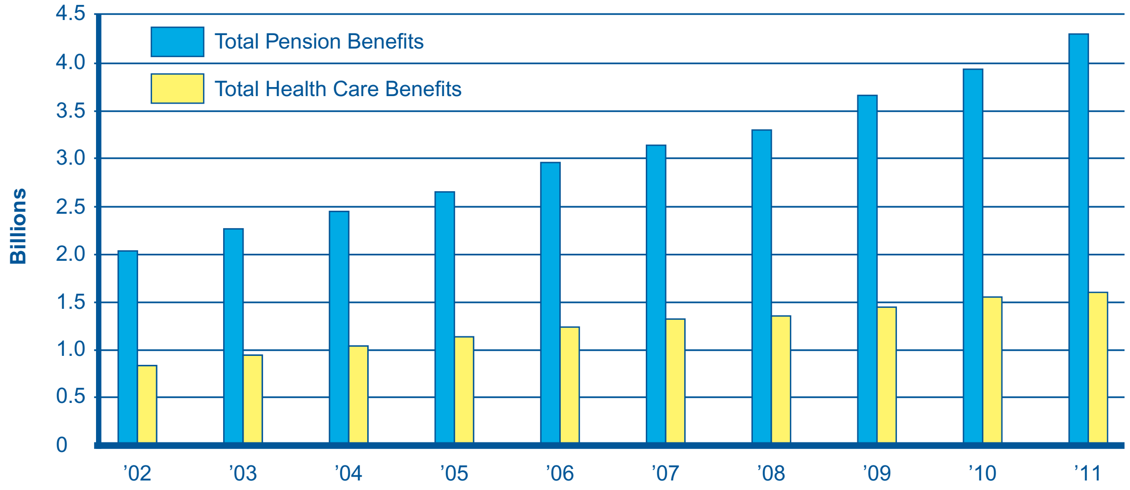
Year	2011	2010	2009	2008
All Plans				
Annuities and installment payments	$4,645,565,449	$4,284,704,173	$3,936,872,530	$3,612,525,198
Disabilities	984,655,943	982,774,343	966,748,686	915,061,487
Other Systems/Death/QEBA	31,381,217	26,785,331	20,803,990	25,216,043
Survivors	231,283,405	222,130,665	215,372,517	208,408,823
Allowance Payment to RMA	13,489,405	13,223,453	9,642,605	5,016,829
Total Pension and Health Care Benefits	**5,906,375,419**	**5,529,617,965**	**5,149,440,328**	**4,766,228,380**
Traditional Plan				
Pension Benefits:				
Age-and-Service Annuities	3,518,341,988	3,185,230,279	2,929,672,689	2,676,785,413
Disabilities	578,018,246	556,074,897	529,948,352	509,082,328
Other Systems	22,453,906	18,490,323	13,014,368	17,565,698
Survivors	165,488,973	159,725,674	154,482,707	149,770,901
Additional Annuities	4,324,569	3,432,344	2,867,888	2,537,528
Money Purchase Annuities	31,897,588	29,968,936	23,301,083	25,470,583
Death	7,508,317	7,248,345	7,124,887	6,998,605
QEBA***	1,418,994	1,046,663	664,735	651,740
Total Pension Benefits	**4,329,452,581**	**3,961,217,461**	**3,661,076,709**	**3,388,862,796**
Post-employment Health Care				
Health Care Benefits:**				
Annuities	1,089,640,044	1,065,223,721	980,700,106	907,512,263
Disabilities	406,637,697	426,699,446	436,800,334	405,979,159
Survivors	65,794,432	62,404,991	60,889,810	58,637,922
Allowance Payment to RMA**	13,489,405	13,223,453	9,642,605	5,016,829
Total Health Care Benefits	**1,575,561,578**	**1,567,551,611**	**1,488,032,855**	**1,377,146,173**
Combined Plan*				
Pension Benefits:				
Annuities	187,051	61,125	30,566	11,911
Installment Payments	118,164	67,241	5,000	
Total Pension Benefits	**305,215**	**128,366**	**35,566**	**11,911**
Member-Directed Plan*				
Pension Benefits:				
Annuities	71,192	27,211	16,125	37,904
Installment payments	89,279	178,984	45,709	41,250
Total Pension Benefits	**160,471**	**206,195**	**61,834**	**79,154**
VEBA Plan*				
Health Care Benefits:				
Annuities and installment payments	895,574	514,332	233,364	128,346
Total Health Care Benefits	**$895,574**	**$514,332**	**$233,364**	**$128,346**

* Plan Commenced January 1, 2003.
** Retiree Medical Account (RMA) commenced January 1, 2007.
*** QEBA commenced in 2000 with retroactive payments made in 2004.
**** 2010 Health Care Benefits restated for reclassification of Pending Medical Claims adjustment from Health Care Expense to Other Income. Pending Medical Claims consists of the annual adjustment made to the Incurred But Not Reported liability included in Medical Benefits Payable. This liability fluctuates from year to year based on changes in the claims experience.

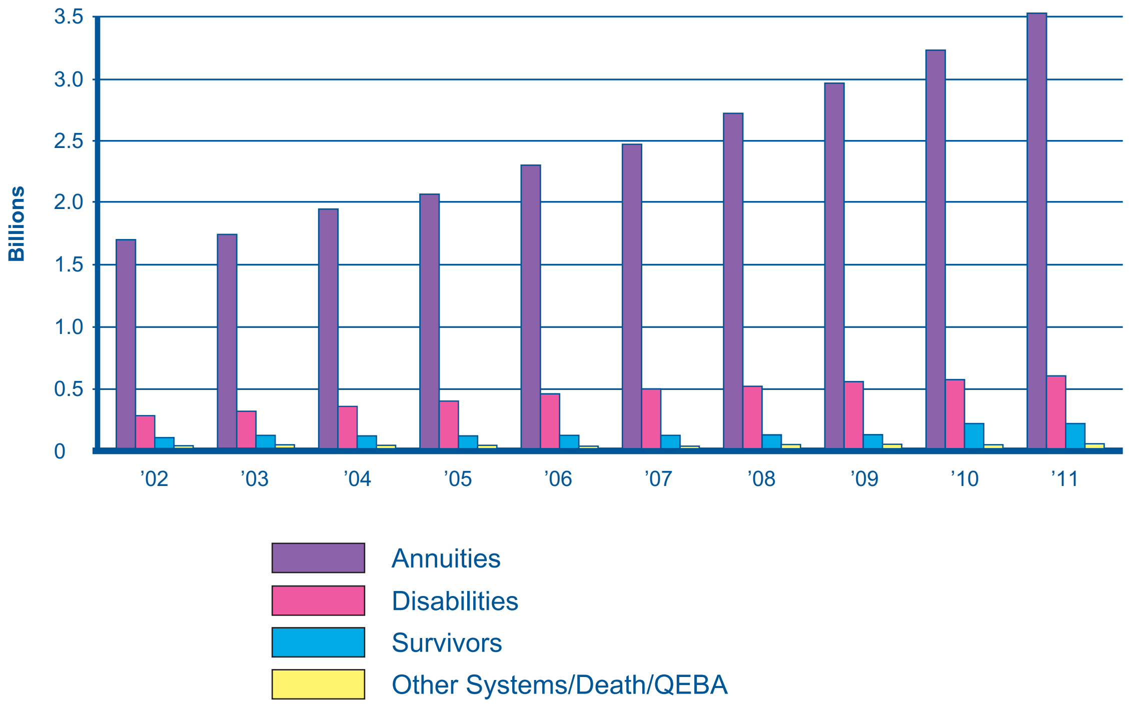
Benefits by Type (continued)

2007	2006	2005	2004	2003	2002
$3,332,227,776	$3,109,822,482	$2,876,119,101	$2,577,789,994	$2,310,506,876	$2,089,755,009
861,927,107	815,518,857	748,295,207	718,562,820	650,830,438	572,828,170
21,293,226	18,413,480	18,826,529	20,452,688	14,485,111	18,241,094
201,356,519	194,987,182	188,787,624	178,275,999	168,424,330	155,312,795
3,020,425					
4,419,825,053	**4,138,742,001**	**3,832,028,461**	**3,495,081,501**	**3,144,246,755**	**2,836,137,068**
2,466,754,245	2,274,583,165	2,089,885,773	1,907,130,321	1,732,322,483	1,594,282,930
481,728,386	454,254,591	418,066,051	384,376,167	352,768,476	319,946,811
13,929,119	11,090,453	11,331,852	13,431,599	7,812,726	11,242,369
144,011,334	138,952,075	134,275,593	127,926,096	123,185,630	118,754,718
2,044,243	1,404,610	964,490	560,526		
21,147,476	19,249,515	17,066,307	13,686,028	13,715,963	8,904,663
6,891,186	7,033,516	7,237,063	6,831,559	6,672,385	6,998,725
472,921	289,511	257,614	189,530		
3,136,978,910	**2,906,857,436**	**2,679,084,743**	**2,454,131,826**	**2,236,477,663**	**2,060,130,216**
842,211,713	814,570,665	768,200,774	656,413,119	564,468,430	486,567,416
380,198,721	361,264,266	330,229,156	334,186,653	298,061,962	252,881,359
57,345,185	56,035,107	54,512,031	50,349,903	45,238,700	36,558,077
3,020,425					
1,282,776,044	**1,231,870,038**	**1,152,941,961**	**1,040,949,675**	**907,769,092**	**$776,006,852**
5,451	552				
5,451	**552**	**0**	**0**	**0**	
1,236					
9,600	1,125				
10,836	**1,125**	**0**	**0**	**0**	
53,812	12,850	1,757			
$53,812	**$12,850**	**$1,757**	**$0**	**$0**	

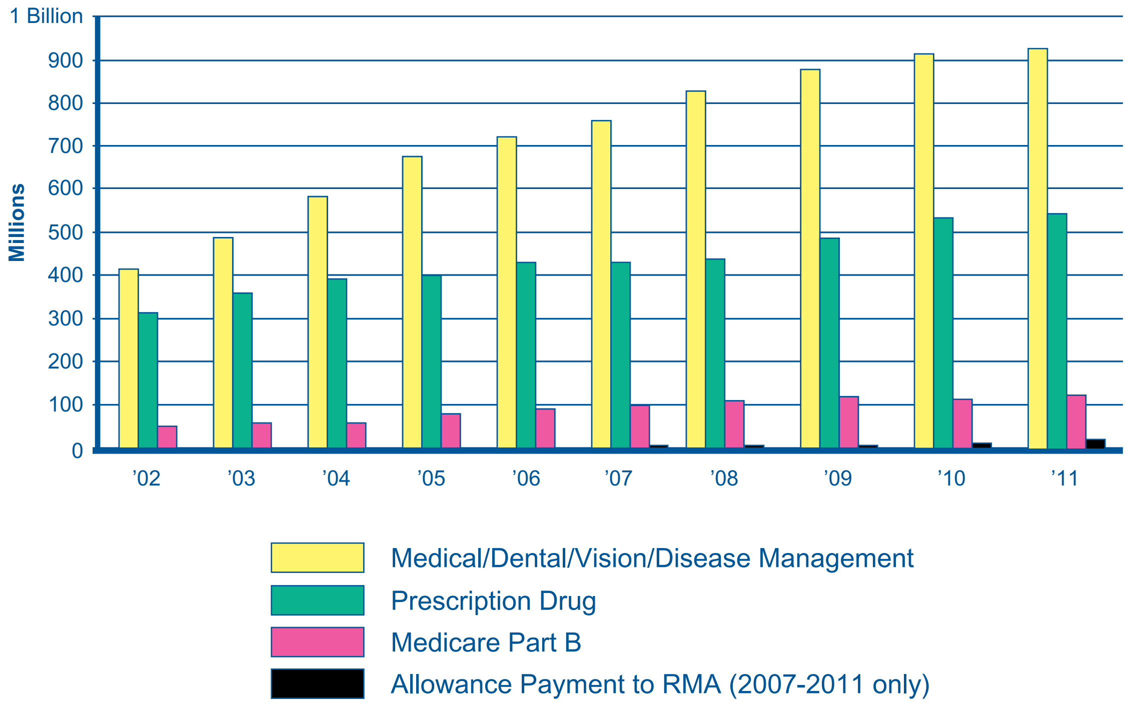
Benefits by Type



Benefits by Type — Traditional Plan



Health Care Benefits by Type



Refunds by Type (last 10 fiscal years)

Year	2011	2010	2009	2008
All Plans				
Refunds:				
Separation	$291,727,781	$205,298,464	$192,467,640	$192,910,095
Beneficiaries	21,276,967	20,870,868	21,549,473	19,118,230
Other	10,667,294	6,885,382	8,563,141	9,272,500
Total Refunds	**323,672,042**	**233,054,714**	**222,580,254**	**221,300,825**
Traditional Plan				
Refunds:				
Separation	271,336,582	192,608,328	182,274,674	184,463,536
Beneficiaries	20,808,413	20,314,433	21,371,412	19,066,615
Other	10,667,294	6,885,382	8,563,141	9,272,500
Total Refunds	**302,812,289**	**219,808,143**	**212,209,227**	**212,802,651**
Combined Plan*				
Refunds:				
Separation	6,319,318	3,515,815	2,824,743	3,596,259
Beneficiaries	143,531	24,228	81,140	27,464
Other				
Total Refunds	**6,462,849**	**3,540,043**	**2,905,883**	**3,623,723**
Member-Directed Plan*				
Refunds:				
Separation	14,071,881	9,174,321	7,368,223	4,850,300
Beneficiaries	325,023	532,207	96,921	24,151
Other				
Total Refunds	**$14,396,904**	**$9,706,528**	**$7,465,144**	**$4,874,451**

* Plans commenced January 1, 2003.

Number of Refund Payments by Plan (last 10 fiscal years)

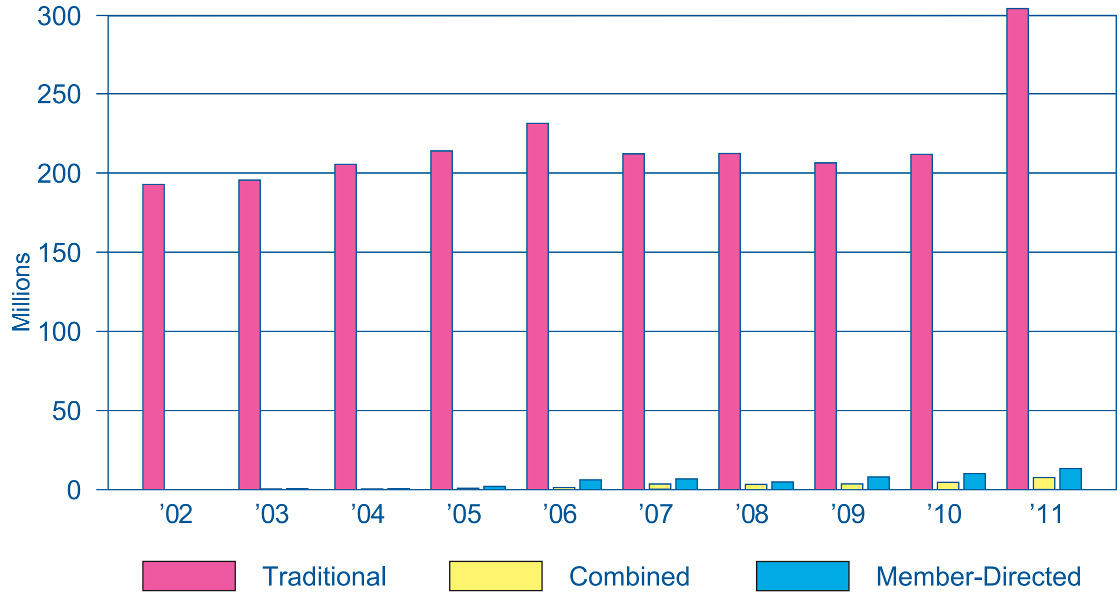
Year	Traditional Plan	Combined Plan*	Member-Directed Plan*	Total
2011	26,686	391	893	27,970
2010	21,797	345	736	22,878
2009	21,413	389	822	22,624
2008	23,173	451	799	24,423
2007	23,679	378	739	24,796
2006	26,276	383	937	27,596
2005	28,013	253	580	28,846
2004	37,728	151	436	38,315
2003	37,022	21	79	37,122
2002	32,186	N/A	N/A	32,186

* Plans commenced January 1, 2003.

Refunds by Type (continued)

2007	2006	2005	2004	2003	2002
$196,668,493	$207,231,584	$193,717,806	$179,851,347	$151,283,802	$159,348,529
18,590,739	18,466,920	18,638,613	19,885,182	28,263,206	15,180,435
5,833,515	9,438,129	7,879,581	10,041,443	13,662,590	12,522,851
221,092,747	**235,136,633**	**220,236,000**	**209,777,972**	**193,209,598**	**187,051,815**
188,635,768	200,138,152	189,019,842	177,227,660	150,846,499	159,348,529
18,538,167	18,458,336	18,510,705	19,872,224	28,263,206	15,180,435
5,833,515	9,438,129	7,868,055	10,021,257	13,658,630	12,522,851
213,007,450	**228,034,617**	**215,398,602**	**207,121,141**	**192,768,335**	**$187,051,815**
2,665,357	1,910,107	1,346,396	595,651	47,738	
42,273		39,498	2,642		
		4,268	2,749	1,752	
2,707,630	**1,910,107**	**1,390,162**	**601,042**	**49,490**	
5,367,368	5,183,325	3,351,568	2,028,036	389,565	
10,299	8,584	88,410	10,316		
		7,258	17,437	2,208	
$5,377,667	**$5,191,909**	**$3,447,236**	**$2,055,789**	**$391,773**	

Refunds by Plan



Pension Assets vs. Pension Liabilities* (last 10 fiscal years, $ in millions) — All Plans

Year	2010***	2010**	2009	2008	2007	2006	2005***	2005**	2004	2003	2002	2001<
Pension Assets	$63,649	$60,600	$57,629	$55,315	$67,151	$61,296	$54,473	$54,473	$50,452	$46,746	$43,706	$48,748
Accrued Liabilities	80,485	79,630	76,555	73,466	69,734	66,161	62,498	61,146	57,604	54,774	50,872	47,492
Unfunded Liabilities	(16,836)	(19,030)	(18,926)	(18,151)	(2,583)	(4,865)	(8,025)	(6,673)	(7,152)	(8,028)	(7,166)	1,256
Funded Ratio	79.08%	76.10%	75.28%	75.29%	96.30%	92.65%	87.16%	89.09%	87.58%	85.34%	85.91%	102.64%

* The Combined and Member-Directed Plans commenced January 1, 2003.
** Information prior to completion of experience study.
*** Information after completion of the experience study.
< Pension assets exceeded accrued liabilities.

Pension Assets vs. Pension Liabilities (last 10 fiscal years, $ in millions) — Traditional Plan

Year	2010***	2010**	2009	2008	2007	2006	2005***	2005**	2004	2003	2002	2001<
Pension Assets	$63,515	$60,461	$57,519	$55,230	$67,067	$61,235	$54,433	$54,433	$50,430	$46,737	$43,706	$48,748
Accrued Liabilities	80,307	79,459	76,407	73,346	69,639	66,089	62,447	61,099	57,573	54,756	50,872	47,492
Unfunded Liabilities	(16,792)	(18,998)	(18,888)	(18,116)	(2,572)	(4,854)	(8,014)	(6,666)	(7,143)	(8,019)	(7,166)	1,256
Funded Ratio	79.09%	76.09%	75.28%	75.30%	96.31%	92.66%	87.17%	89.09%	87.59%	85.36%	85.91%	102.64%

** Information prior to completion of experience study.
*** Information after completion of the experience study.
< Pension assets exceeded accrued liabilities.

Pension Assets vs. Pension Liabilities* (last eight fiscal years, $ in millions) — Combined Plan

Year	2010***	2010**	2009	2008	2007	2006	2005***	2005**	2004	2003
Pension Assets	$134	$138	$110	$85	$84	$61	$40	$40	$22	$9
Accrued Liabilities	177	171	148	120	95	72	51	47	31	18
Unfunded Liabilities	(43)	(33)	(38)	(35)	(11)	(11)	(11)	(7)	(9)	(9)
Funded Ratio	75.71%	80.70%	74.32%	70.83%	88.42%	84.72%	78.43%	85.11%	70.97%	50.00%

* The Combined Plan commenced January 1, 2003.
** Information prior to completion of experience study.
*** Information after completion of the experience study.

Pension Assets vs. Pension Liabilities* ($ in millions) — Member-Directed Annuities

Year	2010***	2010**	2009	2008
Pension Assets	$0.454	$0.439	$0.206	$0.148
Accrued Liabilities	0.496	0.490	0.253	0.166
Unfunded Liabilities	(0.042)	(0.051)	(0.047)	(0.018)
Funded Ratio	91.54%	89.63%	81.39%	88.95%

* The Member-Directed Plan commenced January 1, 2003. Actuarial data for retirement annuities not available prior to 2008.
** Information prior to completion of experience study.
*** Information after completion of the experience study.

Health Care Assets vs. Liabilities (last seven fiscal years, $ in millions) Post-employment Health Care

Year	2010**	2010*	2009	2008	2007	2006	2005**	2005*	2004#
Health Care Assets	$12,320	$11,267	$10,936	$10,748	$12,801	$12,025	$11,070	$11,070	$10,816
Accrued Liabilities	30,531	26,929	31,558	29,623	29,825	30,748	31,796	31,307	29,479
Unfunded Liabilities	(18,211)	(15,662)	(20,622)	(18,875)	(17,024)	(18,723)	(20,726)	(20,237)	(18,663)
Funded Ratio	40.35%	41.84%	34.65%	36.28%	42.92%	39.11%	34.82%	35.36%	36.69%

* Information prior to completion of experience study.
** Information after completion of experience study.
# Data not available prior to 2004.

Health Care Solvency Period

Year	Estimated Years of Solvency
2010	11
2009	11
2008	11
2007	31
2006	27
2005	18
2004	17
2003	18
2002	14
2001	21

Self-Funding Rate*

Year	Rate
2010	6.7%
2009	8.0
2008	7.7
2007	7.4
2006	8.1
2005**	9.0

* The self-funding rate is the percentage of contribution required to fund health care indefinitely without regard to repayment of the liability within 30 years.
** Data not available prior to 2005.

Annual Required Contribution Rate

Year	Rate
2011	14.55%
2010	13.34
2009	13.26
2008	14.57
2007	16.35
2006*	16.64

* Data not available prior to 2006.

Actual Contribution Rate

	Employer Contribution Rate Funding Health Care		
Year	Traditional Plan	Combined Plan*	Note
2011	4.0%	6.05%	(1)
2010	5.08	4.31	(1) (2)
2009	5.88	5.02	(1) (3)
2008	7.00	5.90	(1)
2007	5.50	5.50	(4)
2006	4.50	4.50	
2005	4.00	4.00	
2004	4.00	4.00	
2003	5.00	5.00	
2002	5.00	N/A	

* Plan Commenced January 1, 2003.

(1) During 2008 through 2010, the employer contribution rate allocated to health care by the Combined Plan was less than the Traditional Plan. Payment of the impact of the rate difference commenced in 2011.

(2) The portion of the employer contribution rate allocated to fund health care for the Traditional Plan was 5.5% for the period January 1, 2010 through February 28, 2010 and decreased to 5.0% for the period March 1, 2010 through December 31, 2010. The overall effective rate for the year was 5.08%. The rates for the Combined Plan for the same period were 4.73% and 4.23%, respectively, for an overall effective rate for the year of 4.31%.

(3) The portion of the employer contribution rate allocated to fund health care for the Traditional Plan was 7% for the period January 1, 2009 through March 31, 2009 and decreased to 5.5% for the period April 1, 2009 through December 31, 2009. The overall effective rate for the year was 5.88%. The rates for the Combined Plan for the same period were 5.90% and 4.73%, respectively, for an overall effective rate for the year of 5.02%.

(4) The portion of the employer contribution rate allocated to fund health care for both the Traditional and Combined plans was 5% for the period January 1, 2007 through June 30, 2007 and increased to 6% for the period July 1, 2007 through December 31, 2007. The overall effective rate for the year was 5.5%.

Number of Retirees/Benefit Recipients by Category

The values included in the following tables represent the number of individuals receiving benefit payments. The 2011 counts represent retired member accounts only, regardless of the number of recipients designated by the retiree's plan of payment. These statistics are representative of OPERS' contributing membership. Prior to 2011, the values represent the number of individuals receiving a benefit payment from OPERS where one retiree's account may be issued to multiple recipients or beneficiaries. Restated data for years prior to 2011 is not available.

Traditional Plan

Year End	Annuities	Disabilities	Survivors	Total
2011	149,598	22,476	12,802	184,876
2010	143,035	23,041	13,437	179,513
2009	135,918	22,651	13,358	171,927
2008	130,734	22,515	13,250	166,499
2007	126,002	22,108	13,232	161,342
2006	122,021	21,563	13,161	156,745
2005	118,099	20,732	12,927	151,758
2004	114,698	19,758	12,510	146,966
2003	112,247	18,859	12,537	143,643
2002	109,565	17,809	12,291	139,665

Annuities are comprised of a defined formula benefit paid to contributing members retiring with an age-and-service benefit, as well as benefit annuities paid through the Additional Annuity and Money Purchase plans (refer to the Plan Statement beginning on page 166.) Members who retired from other Ohio retirement systems may return to OPERS covered employment under the OPERS Money Purchase plan. These members receive an annuity in accordance with that program, based on the contributions paid during the re-employment period.

The table below displays the composition of the 2011 Traditional Plan Annuities by type. Other Annuities represents Money Purchase and Additional Annuity plan benefits. These benefits may accrue to members whose primary retirement is with OPERS or through another Ohio retirement system (ORS Retirees).

Traditional Plan Annuities

Year	Age-and-Service Annuities	Age-and-Service Receiving Other Annuities	Subtotal Age-and-Service Annuities	Other Annuities (ORS Retirees)	Total
2011	146,687	1,901	148,588	1,010	149,598

Number of Retirees/Benefit Recipients by Category (continued)

The values included in the table below represent the number of retirees receiving benefit payments. Members in the Combined Plan receive an age-and-service defined formula benefit annuity from their employer contribution account, and may not elect a retirement distribution from their defined contribution account until they qualify for a defined benefit retirement. They may, however, defer distribution of their defined contribution account to a future date. Members in both the Combined and Member-Directed plans have the option of using all or a portion of their defined contribution account to purchase an annuity or may elect installment payments from the defined contribution account (refer to the Plan Statement beginning on page 166).

Combined Plan*

Year End	Age-and-Service Annuities	Annuitized DC Accounts	DC Installment Payments	Liquidated or Deferred DC Accounts	Number of Retirees
2011	36	22	13	1	36
2010	21	13	7	1	21
2009	9	6	3		9
2008	7	5	N/A	2	7
2007	2	2	N/A		2
2006	1	N/A	N/A		1

* Plan commenced January 1, 2003.

Member-Directed Plan*

Year End	Annuitized DC Accounts	DC Installment Payments	Total
2011	38	15	53
2010	18	13	31
2009	9	10	19
2008	5	5	10
2007	2	2	4
2006	1	1	2

* Plan commenced January 1, 2003. As of December 31, 2011, no member had elected a combination annuity and installment payment benefit distribution.

Number of Covered Lives by Category

The values included in the tables below represent the number of lives covered by the OPERS health care plans. The 2010 and 2011 Post-employment Health Care plan counts reflect the number of retirees and primary beneficiaries, and the number of additional dependents and other beneficiaries receiving coverage. A primary beneficiary is a survivor of a deceased retiree continuing to receive coverage on the member's account. The values in this column are representative of OPERS' contributing membership, while Dependents and Other Beneficiaries are other family members receiving benefits through a member's account. Corresponding data for years prior to 2010 is not available.

Post-employment Health Care

Year End	Number of Retirees and Primary Beneficiaries	Number of Dependents and Other Beneficiaries	Total Covered Lives
2011	161,315	62,507	223,822
2010	157,269	60,624	217,893
2009	N/A	N/A	213,220
2008	N/A	N/A	208,857
2007	N/A	N/A	204,514
2006	N/A	N/A	200,494
2005	N/A	N/A	194,773
2004	N/A	N/A	189,227
2003	N/A	N/A	179,182
2002	N/A	N/A	170,945

The VEBA plan is a retiree medical account in the member's name that can be used to pay qualified medical expenses for the Member-Directed retiree and eligible family members. (Refer to the Plan Statement beginning on page 166.)

VEBA Plan*

Year End	Total Covered Lives
2011	2,073
2010	1,577
2009	1,260
2008	365
2007	176
2006	293
2005	185
2004	75
2003	9

* Plan commenced January 1, 2003.

Schedule of Retirees by Benefit Type and Amount

The values included in the following tables represent the number of retired members receiving benefits. Other Annuities represents Money Purchase and Additional Annuity plan benefits. These benefits may accrue to members whose primary retirement is with OPERS or another Ohio retirement system (ORS Retirees).

Schedule of Retirees by Benefit Type and Amount (as of December 2011) — **Traditional Plan**

Amount of Monthly Benefit	Age-and-Service Annuities	Age-and-Service Receiving Other Annuities	Subtotal Age-and-Service Annuities	Disabilities	Survivors	Other Annuities (ORS Retirees)	Total Number of Retirees
$1-299	13,338	1,178	14,516	89	749	428	15,782
300-499	9,524	291	9,815	204	2,187	186	12,392
500-999	23,651	265	23,916	1,814	4,993	251	30,974
1,000-1,499	20,487	86	20,573	4,033	2,356	86	27,048
1,500-1,999	17,398	37	17,435	5,067	1,188	37	23,727
2,000 & Over	62,289	44	62,333	11,269	1,329	22	74,953
Totals	**146,687**	**1,901**	**148,588**	**22,476**	**12,802**	**1,010**	**184,876**

Members in the Member-Directed and Combined plans have the option to annuitize all or a portion of their defined contribution account at OPERS for a defined benefit, or to draw on their defined contribution account under an installment payment plan.

Combined Plan members are also eligible for a defined (formula) benefit from their employer contributions. The Employer Age-and-Service Annuities column represents members receiving a formula benefit. Members may defer distribution of their defined contribution account, receive distributions by annuitizing their defined contribution account, or receive installment payments. Only installment payments with a remaining balance are counted.

Combined Plan (as of December 2011)

Amount of Monthly Benefit	Employer Age-and-Service Annuities	Member Annuitized DC Accounts	Member DC Installment Payments	Liquidated or Deferred DC Accounts
$1-299	29	19		
300-499	5	2		
500-999	2	1		
1,000-1,499	0			
1,500-1,999	0			
2,000 & Over	0			
Various			13	1
Totals	**36**	**22**	**13**	**1**

The Member-Directed Plan table displays the distribution of members electing either a defined benefit annuity or an installment payment option. The Annuitized DC Accounts column represents the number of members that have liquidated their entire defined contribution account to purchase a defined benefit annuity. As of December 31, 2011, no member had elected a combination annuity and installment payment benefit distribution option.

Member-Directed Plan (as of December 2011)

Amount of Monthly Benefit	Annuitized DC Accounts	DC Installment Payments	Total Retirees
$1-299	27		27
300-499	9		9
500-999	2		2
1,000-1,499	0		0
1,500-1,999	0		0
2,000 & Over	0		0
Various		15	15
Totals	**38**	**15**	**53**

Number of New Pension Retirees

The values included in the following tables represent the number of new benefit recipients each year. The 2011 counts represent retired members only, regardless of the number of recipients designated by the retiree's plan of payment. These statistics are representative of OPERS' contributing membership. Prior to 2011, the values represent the number of new individuals receiving a benefit payment from OPERS where one retiree account may be issued to multiple recipients or beneficiaries. Restated data for years prior to 2011 is not available.

Traditional Plan

Year	Annuities	Disabilities	Survivors	Total
2011	10,885	1,051	400	12,336
2010	10,503	1,327	737	12,567
2009	9,026	1,132	723	10,881
2008	8,689	1,351	695	10,735
2007	7,701	1,429	731	9,861
2006	7,457	1,644	707	9,808
2005	7,257	1,734	729	9,720
2004	7,222	1,664	565	9,451
2003	6,559	1,833	770	9,162
2002	7,600	1,799	700	10,099

Annuities are comprised of a defined formula benefit paid to contributing members retiring with an age-and-service benefit, as well as benefit annuities paid through the Additional Annuity and Money Purchase plans (refer to the Plan Statement beginning on page 166.) Members who retired from other Ohio retirement systems may return to OPERS-covered employment under the OPERS Money Purchase plan. These members receive an annuity in accordance with that program based on the contributions paid during the re-employment period.

The table below displays the composition of the 2011 Traditional Plan Annuities by type. Other Annuities represents Money Purchase and Additional Annuity plan benefits. These benefits may accrue to members whose primary retirement is with OPERS or through another Ohio retirement system (ORS Retirees).

Traditional Plan Annuities

Year	Age-and-Service Annuities	Age-and-Service Receiving Other Annuities	Subtotal Age-and-Service Annuities	Other Annuities (ORS Retirees)	Total
2011	10,730	54	10,784	101	10,885

Number of New Pension Retirees

Members in the Member-Directed and Combined plans have the option to annuitize all or a portion of their defined contribution account at OPERS for a defined benefit, or to draw on their defined contribution account under an installment payment plan.

Combined Plan members are also eligible for a defined (formula) benefit from their employer contributions. The Employer Age-and-Service Annuities column represents members receiving a formula benefit. Members may defer distribution of their defined contribution account, receive distributions by annuitizing their defined contribution account, or receive installment payments. Only installment payments with a remaining balance are counted.

Combined Plan*

Year	Employer Age-and-Service Annuities	Member Annuitized DC Accounts	Member DC Installment Payments	Liquidated or Deferred DC Accounts
2011	15	9	7	
2010	12	7	4	1
2009	2	1	1	
2008	5	3	2	
2007	1	1		
2006	1			

* Plan commenced January 1, 2003.

The Member-Directed Plan table displays the distribution of members electing either a defined benefit annuity or an installment payment option. The Member Annuitized DC Accounts column represents the number of members who have liquidated their entire defined contribution account to purchase a defined benefit annuity. As of December 31, 2011, no member had elected a combination annuity and installment payment benefit distribution option.

Member-Directed Plan*

Year	Annuities	Installment Payments	Total
2011	20	6	26
2010	8	4	12
2009	6	5	11
2008	3	4	7
2007	2	1	3
2006	0	1	1

* Plan commenced January 1, 2003.

Schedule of Average Benefits

This schedule displays the number of new retirees each year, grouped by years of credited service. Prior year numbers are not adjusted as members roll off the rolls. Retirement benefits are calculated based on the Final Average Salary (FAS) of the member, representing the member's three highest years of earnings. The Average Final Average Salary represents a composite for each group.

The 2011 statistics include members with less than five years of service (refer to the Plan Statement beginning on page 166 for benefit eligibility requirements). Comparable data for years prior to 2011 is not available. The Total New Retirees column represents the average monthly benefit and average FAS for the retiree counts listed in each year.

Schedule of Average Benefits* (last 10 fiscal years) — Traditional Plan

Retirement Effective Dates		Years Credited Service 0-4	5-9	10-14	15-19	20-24	25-30	30+	Total New Retirees
2011	Average Monthly Benefit	$309	$606	$897	$1,320	$1,857	$2,361	$3,270	$2,186
	Average Final Average Salary	$10,126	$30,676	$37,732	$43,790	$49,365	$55,207	$60,228	$50,406
	Number of Active Recipients	156	962	1,569	1,410	1,518	1,786	4,834	12,235
2010	Average Monthly Benefit		$684	$893	$1,216	$1,623	$2,218	$3,315	$2,190
	Average Final Average Salary		$30,128	$36,592	$41,616	$45,312	$51,264	$58,633	$48,897
	Number of Active Recipients		806	1,460	1,203	1,249	1,493	4,396	10,607
2009	Average Monthly Benefit		$670	$901	$1,217	$1,608	$2,195	$3,263	$2,228
	Average Final Average Salary		$30,925	$37,211	$42,333	$45,453	$51,770	$57,750	$49,335
	Number of Active Recipients		801	1,435	1,111	1,205	1,389	4,898	10,839
2008	Average Monthly Benefit		$658	$803	$1,102	$1,491	$2,140	$3,006	$1,980
	Average Final Average Salary		$28,690	$34,193	$39,625	$43,193	$49,965	$55,247	$46,068
	Number of Active Recipients		784	1,360	1,012	1,066	1,268	3,750	9,240
2007***	Average Monthly Benefit		$767	$816	$1,099	$1,519	$2,063	$2,977	$1,927
	Average Final Average Salary		$31,477	$34,991	$40,020	$44,015	$48,653	$54,941	$45,837
	Number of Active Recipients**		852	1,558	1,165	1,131	1,240	3,787	9,733
2006***	Average Monthly Benefit		$732	$688	$1,015	$1,406	$1,994	$2,871	$1,845
	Average Final Average Salary		$28,771	$30,409	$37,248	$40,359	$46,316	$52,998	$43,312
	Number of Active Recipients**		606	1,349	986	993	1,383	3,198	8,515
2005	Average Monthly Benefit		$766	$723	$1,013	$1,407	$1,987	$2,891	$1,888
	Average Final Average Salary		$28,702	$32,126	$36,360	$39,854	$46,151	$52,805	$43,555
	Number of Active Recipients**		645	1,317	987	954	1,319	3,442	8,664
2004	Average Monthly Benefit		$784	$618	$985	$1,377	$1,889	$2,788	$1,795
	Average Final Average Salary		$29,654	$27,902	$34,872	$38,429	$43,826	$50,600	$41,333
	Number of Active Recipients**		520	1,215	1,016	932	1,282	3,072	8,037
2003	Average Monthly Benefit		$736	$658	$1,040	$1,386	$1,944	$2,885	$1,834
	Average Final Average Salary		$25,541	$29,196	$35,115	$37,183	$42,518	$49,747	$40,371
	Number of Active Recipients**		642	1,254	1,037	944	1,230	3,131	8,238
2002	Average Monthly Benefit		$703	$611	$965	$1,290	$1,855	$2,667	$1,742
	Average Final Average Salary		$25,392	$27,426	$33,170	$34,733	$41,607	$46,883	$38,712
	Number of Active Recipients**		579	1,295	1,069	1,079	1,393	3,489	8,904

* All years begin January 1 and end December 31.
** Number of Active Recipients restated to include retirements initiated in prior years that are finalized in reported year.
*** Values restated to remove Combined Plan formula benefit information.

Schedule of Average Benefits (continued)

Schedule of Average Benefits* (last six fiscal years) — Combined Plan**

Retirement Effective Dates		Years Credited Service 0-4	5-9	10-14	Total New Retirees
2011	Average Monthly Benefit	$0	$237	$454	$281
	Average Final Average Salary	$0	$49,177	$75,127	$54,367
	Number of Active Recipients	0	12	3	15
2010	Average Monthly Benefit		$229	$217	$225
	Average Final Average Salary		$61,819	$33,958	$51,688
	Number of Active Recipients		7	4	11
2009	Average Monthly Benefit		$212	$232	$222
	Average Final Average Salary		$54,215	$42,062	$48,139
	Number of Active Recipients		1	1	2
2008	Average Monthly Benefit		$95	$85	$91
	Average Final Average Salary		$25,665	$21,305	$23,921
	Number of Active Recipients		3	2	5
2007	Average Monthly Benefit		$152		$152
	Average Final Average Salary		$37,369		$37,369
	Number of Active Recipients		1		1
2006	Average Monthly Benefit		$118		$118
	Average Final Average Salary		$50,116		$50,116
	Number of Active Recipients		1		1

* All years begin January 1 and end December 31.
** Plan commenced on January 1, 2003, first defined benefit retirement 2006.

Member Counts by Plan

The tables below represent the number of members in each retirement plan based on their status in the plan. Eligible members have the ability to change plans during their career, and leave their contribution accounts behind with the plan under which the contribution was made. Accordingly, a member may be active in one plan and inactive in another. See the table below for a composite total count of active, inactive, and retired members regardless of plan.

The 2011 Benefit Recipients counts represent retired members only, regardless of the number of recipients designated by the retiree's plan of payment. These statistics are representative of OPERS' contributing membership. Prior to 2011, the values represent the number of individuals receiving a benefit payment from OPERS where one retiree account may be issued to multiple recipients or beneficiaries.

Member Count—Pension Plans — Total All Pension Plans*

Year End	Active	Inactive	Benefit Recipients	Total
2011	349,189	452,718	184,965	986,872
2010	356,734	438,434	179,565	974,733
2009	365,229	416,548	171,955	953,732
2008	374,002	395,445	166,516	935,963
2007	382,177	364,823	161,348	908,348
2006	381,464	346,697	156,748	884,909
2005	381,413	327,864	151,758	861,035
2004	375,076	313,248	146,966	835,290
2003	368,996	302,546	143,643	815,185
2002	402,041	255,528	139,665	797,234

* Prior to 2003, includes Traditional Pension Plan only. Effective 2003, includes the Traditional Pension Plan, the Combined Plan, and the Member-Directed Plan.

Member Count—Pension Plans* — Traditional Plan

Year End	Active	Inactive	Benefit Recipients	Total
2011	333,340	448,417	184,876	966,633
2010	341,779	434,804	179,513	956,096
2009	351,166	413,461	171,927	936,554
2008	360,107	392,687	166,499	919,293
2007	368,780	362,742	161,342	892,864
2006	369,728	345,070	156,745	871,543
2005	371,148	326,528	151,758	849,434
2004	366,470	312,480	146,966	825,916
2003	361,704	302,221	143,643	807,568
2002	402,041	255,528	139,665	797,234

* Effective 2003, members actively contributing under more than one employer code are counted only once.

Member Counts by Plan (continued)

Member Count—Pension Plans			Combined Plan*	
Year End	Active	Inactive	Benefit Recipients	Total
2011	6,674	1,314	36	8,024
2010	6,554	1,052	21	7,627
2009	6,403	942	9	7,354
2008	6,376	846	7	7,229
2007	6,244	659	2	6,905
2006	5,609	519	1	6,129
2005	5,026	414	0	5,440
2004	4,223	232	0	4,455
2003	3,590	92	0	3,682

* Plan commenced January 1, 2003.

Member Count—Pension Plans			Member-Directed Plan*	
Year End	Active	Inactive	Benefit Recipients	Total
2011	9,175	2,987	53	12,215
2010	8,401	2,578	31	11,010
2009	7,660	2,145	19	9,824
2008	7,519	1,912	10	9,441
2007	7,153	1,422	4	8,579
2006	6,127	1,108	2	7,237
2005	5,239	922	0	6,161
2004	4,383	536	0	4,919
2003	3,702	233	0	3,935

* Plan commenced January 1, 2003.

The table below represents a System-level member count regardless of the plan of participation selected by the member. Only OPERS members are included in this table and each member is counted only once. Actively contributing retired OPERS members who returned to OPERS-covered employment under the Money Purchase Plan are reported as retirees. Comparable data for years prior to 2011 is not available.

Member Count—Pension Plans			All Plans*	
Year End	Active	Inactive	Benefit Recipients	Total
2011	349,188	451,353	184,963	985,504

* This is System-level member count. Each member (active/inactive/retired) is counted only once overall. Actively contributing OPERS re-employed retirees are counted as retirees. This System-level member detail is not available for 2002 through 2010.

Member Counts by Plan continued on page 158.

Member Counts (continued from page 157)

The values included in the tables below represent the number of individuals covered by the OPERS health care plans. The 2010 and 2011 Post-employment Health Care plan counts reflect the number of retirees and primary beneficiaries. A primary beneficiary is a survivor of a deceased retiree continuing to receive coverage on the member's account, which is representative of OPERS' contributing membership. Dependents and Other Beneficiaries are shown separately for 2010 and 2011. Corresponding data for years prior to 2010 is not available.

The VEBA Plan is a retiree medical account for members in the Member-Directed Plan. Contributions are paid into the plan during in the member's career for use at termination or retirement The account is in the member's name and can only be used by the member to pay qualified medical expenses for the retiree and eligible family members. (Refer to the Plan Statement beginning on page 166.)

Member Count—Health Care Plans — Total All Health Care Plans*

Year End	Active	Inactive	Retiree & Primary Beneficiaries	Dependents & Other Beneficiaries	Total
2011	9,170	2,918	163,388	62,507	237,983
2010	8,392	2,574	158,846	60,624	230,436
2009	7,660	2,126	214,480		224,266
2008	7,520	1,886	209,222		218,628
2007	6,942	1,440	204,690		213,072
2006	5,742	1,122	200,787		207,651
2005	5,004	858	194,958		200,820
2004	4,282	506	189,302		194,090
2003	3,586	27	179,191		182,804
2002	N/A	N/A	170,945		170,945

* Prior to 2003, includes the Post-employment Health Care Plan only. Effective 2003, includes the Post-employment Health Care Plan and the VEBA Plan.

Member Count—Health Care Plans — Post-employment Health Care*

Year End	Active	Inactive	Retiree & Primary Beneficiaries	Dependents & Other Beneficiaries	Total
2011	N/A	N/A	161,315	62,507	223,822
2010	N/A	N/A	157,269	60,624	217,893
2009	N/A	N/A	213,220		213,220
2008	N/A	N/A	208,857		208,857
2007	N/A	N/A	204,514		204,514
2006	N/A	N/A	200,494		200,494
2005	N/A	N/A	194,773		194,773
2004	N/A	N/A	189,227		189,227
2003	N/A	N/A	179,182		179,182
2002	N/A	N/A	170,945		170,945

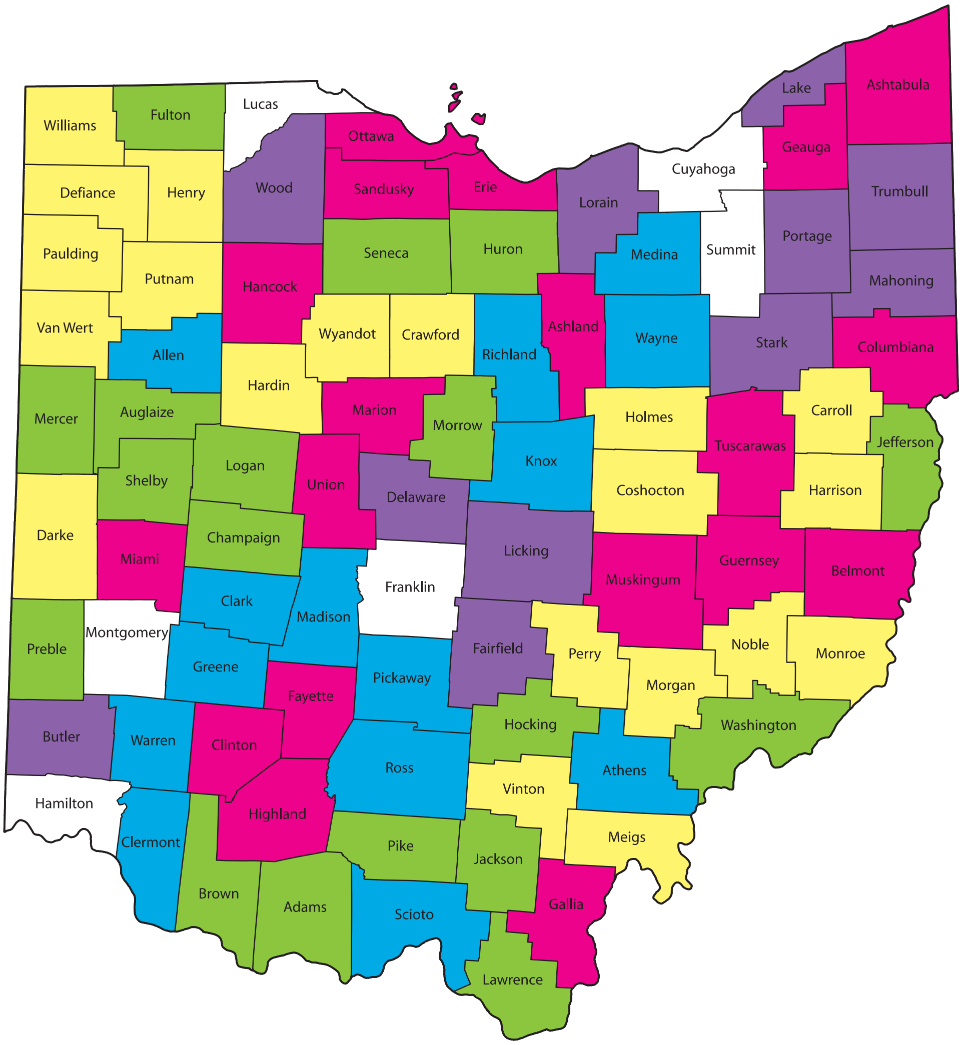
* Prior to 2010, Retirees & Primary Beneficiaries is defined as the total number of covered lives.

Member Count—Health Care Plans — VEBA Plan*

Year End	Active	Inactive	Retiree Recipients	Total
2011	9,170	2,918	2,073	14,161
2010	8,392	2,574	1,577	12,543
2009	7,660	2,126	1,260	11,046
2008	7,520	1,886	365	9,771
2007	6,942	1,440	176	8,558
2006	5,742	1,122	293	7,157
2005	5,004	858	185	6,047
2004	4,282	506	75	4,863
2003	3,586	27	9	3,622

* Plan commenced January 1, 2003.

2011 Pension Benefits by Ohio County



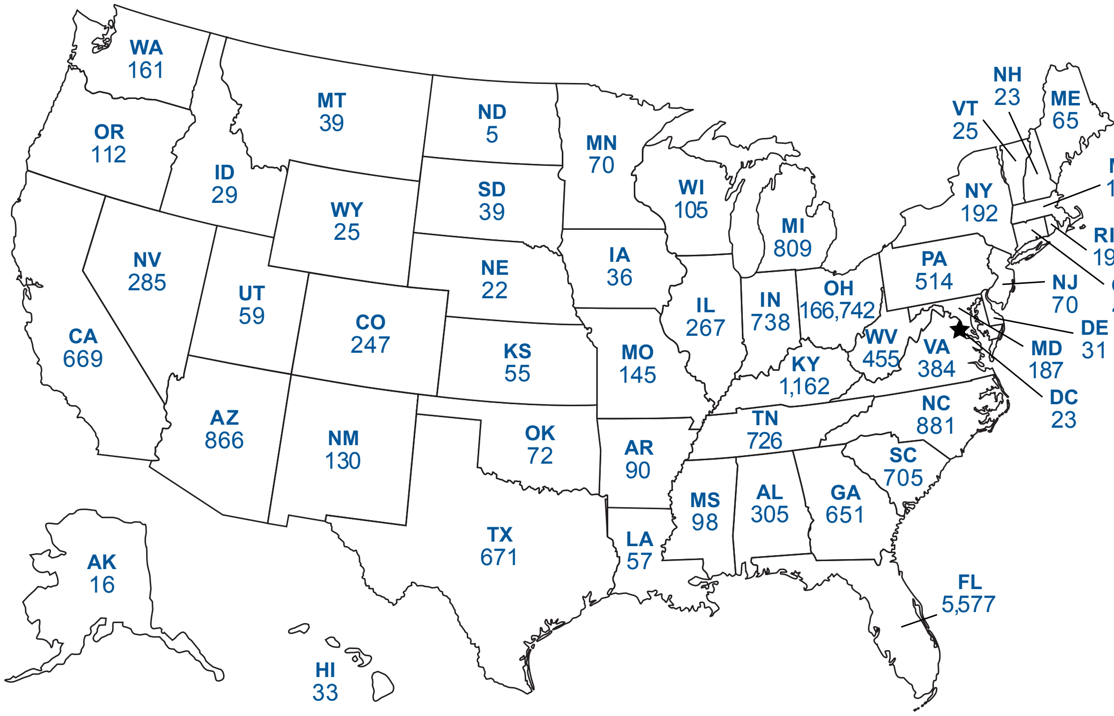
Color Key

- $0-$10 million
- $10-$15 million
- $15-$25 million
- $25-$50 million
- $50-$100 million
- $100 million +

Of the 184,963 retirees in OPERS, 166,742, or 90.1%, remain Ohio residents as of December 31, 2011. Pension benefit payments approaching $3.7 billion this year are distributed throughout Ohio to retirees and their beneficiaries, representing OPERS' impact on the state's economy.

Retirees by Geographical Location (As of 12/31/2011)

Retirees by State



Retirees Outside United States

Armed Forces—Europe	5
Australia	2
Austria	2
Brazil	1
Bulgaria	2
Canada	23
Costa Rica	1
Croatia	1
Czech Republic	1
Egypt	2
England	5
France	4
Germany	2
Greece	2
Hungary	1
Ireland	1
Israel	5
Italy	6
Jordan	1
Latvia	1
Lebanon	2
Lithuania	1
New Zealand	1
Northern Mariana Islands	1
Norway	1
Pakistan	1
Philippines	4
Poland	1
Puerto Rico	17
Romania	2
Scotland	2
Singapore	1
Slovakia	1
Spain	3
Thailand	2
United Kingdom	1
Virgin Islands	3
West Indies	1

Contribution Rates at December 31 — Traditional Plan

	Year	Member Rates	Employer Rates: Normal Cost	Employer Rates: Unfunded Liability	Employer Rates: Health	Total Employer Rates	Total Aggregate Employer and Member Rates
State	2011	10.00%	5.34%	4.66%	4.00%	14.00%	24.00%
	2010***	10.00	5.35	3.65	5.00	14.00	24.00
	2009**	10.00	4.89	3.61	5.50	14.00	24.00
	2008	10.00	4.89	2.11	7.00	14.00	24.00
	2007*	9.50	4.21	3.56	6.00	13.77	23.27
	2006	9.00	5.67	3.37	4.50	13.54	22.54
	2005	8.50	5.70	3.61	4.00	13.31	21.81
	2004	8.50	5.95	3.36	4.00	13.31	21.81
	2003	8.50	6.17	2.14	5.00	13.31	21.81
	2002	8.50	6.99	1.32	5.00	13.31	21.81
Local	2011	10.00%	5.04%	4.96%	4.00%	14.00%	24.00%
	2010***	10.00	5.06	3.94	5.00	14.00	24.00
	2009**	10.00	4.46	4.04	5.50	14.00	24.00
	2008	10.00	4.46	2.54	7.00	14.00	24.00
	2007*	9.50	4.10	3.75	6.00	13.85	23.35
	2006	9.00	5.57	3.63	4.50	13.70	22.70
	2005	8.50	5.66	3.89	4.00	13.55	22.05
	2004	8.50	5.92	3.63	4.00	13.55	22.05
	2003	8.50	6.14	2.41	5.00	13.55	22.05
	2002	8.50	6.98	1.57	5.00	13.55	22.05
Law Enforcement	2011	11.60%	8.43%	5.67%	4.00%	18.10%	29.70%
	2010***	11.10	8.95	3.92	5.00	17.87	28.97
	2009**	10.10	9.65	2.48	5.50	17.63	27.73
	2008	10.10	9.65	0.75	7.00	17.40	27.50
	2007*	10.10	7.62	3.55	6.00	17.17	27.27
	2006	10.10	8.63	3.80	4.50	16.93	27.03
	2005	10.10	8.65	4.05	4.00	16.70	26.80
	2004	10.10	8.77	3.93	4.00	16.70	26.80
	2003	10.10	8.88	2.82	5.00	16.70	26.80
	2002	10.10	10.87	0.83	5.00	16.70	26.80
Public Safety	2011	11.00%	8.32%	5.78%	4.00%	18.10%	29.10%
	2010***	10.50	8.55	4.32	5.00	17.87	28.37
	2009**	10.10	8.63	3.50	5.50	17.63	27.73
	2008	10.10	8.63	1.77	7.00	17.40	27.50
	2007*	9.75	7.16	4.01	6.00	17.17	26.92
	2006	9.00	9.04	3.39	4.50	16.93	25.93
	2005	9.00	8.65	4.05	4.00	16.70	25.70
	2004	9.00	8.77	3.93	4.00	16.70	25.70
	2003	9.00	8.88	2.82	5.00	16.70	25.70
	2002	9.00	10.99	0.71	5.00	16.70	25.70

* The health care contribution rate increased from 5.0% to 6.0% effective July 1, 2007.
** The health care contribution rate decreased from 7.0% to 5.5% effective April 1, 2009.
*** The health care contribution rate decreased from 5.5% to 5.0% effective March 1, 2010.

continued on page 162

continued from page 161

Contribution Rates at December 31 — Combined Plan[#]

	Year	Member Rates	Employer Rates: Normal Cost	Employer Rates: Unfunded Liability*	Employer Rates: Mitigation Rate	Employer Rates: Health	Total Employer Rates	Total Aggregate Employer and Member Rates
State	2011	10.00%	7.18%	0.00%	0.77%	6.05%	14.00%	24.00%
	2010****	10.00	7.18	1.82	0.77	4.23	14.00	24.00
	2009***	10.00	7.21	1.29	0.77	4.73	14.00	24.00
	2008	10.00	7.21	0.12	0.77	5.90	14.00	24.00
	2007**	9.50	7.23	N/A	0.54	6.00	13.77	23.27
	2006	9.00	8.50	N/A	0.54	4.50	13.54	22.54
	2005	8.50	9.31	N/A	0.00	4.00	13.31	21.81
	2004	8.50	9.31	N/A	0.00	4.00	13.31	21.81
	2003	8.50	8.31	N/A	0.00	5.00	13.31	21.81
Local	2011	10.00%	6.88%	0.30%	0.77%	6.05%	14.00%	24.00%
	2010****	10.00	6.87	2.13	0.77	4.23	14.00	24.00
	2009***	10.00	6.88	1.62	0.77	4.73	14.00	24.00
	2008	10.00	6.88	0.45	0.77	5.90	14.00	24.00
	2007**	9.50	7.15	N/A	0.70	6.00	13.85	23.35
	2006	9.00	8.50	N/A	0.70	4.50	13.70	22.70
	2005	8.50	9.55	N/A	0.00	4.00	13.55	22.05
	2004	8.50	9.55	N/A	0.00	4.00	13.55	22.05
	2003	8.50	8.55	N/A	0.00	5.00	13.55	22.05

* Unfunded Liability includes the impact of defined contribution account purchases of defined benefit annuities.
** The health care contribution rate increased from 5.0% to 6.0% effective July 1, 2007.
*** The health care contribution rate decreased from 5.9% to 4.73% effective April 1, 2009.
**** The health care contribution rate decreased from 4.73% to 4.23% effective March 1, 2010.
[#] Plan commenced January 1, 2003.

Contribution Rates at December 31 — Member-Directed Plan[#]

	Year	Member Rates	Employer Rates: Normal Cost	Employer Rates: Unfunded Liability	Employer Rates: Mitigation Rate	Employer Rates: VEBA	Total Employer Rates	Total Aggregate Employer and Member Rates
State	2011	10.00%	8.73%	N/A	0.77%	4.50%	14.00%	24.00%
	2010	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2009	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2008	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2007	9.50	8.73	N/A	0.54	4.50	13.77	23.27
	2006	9.00	8.50	N/A	0.54	4.50	13.54	22.54
	2005	8.50	8.50	N/A	0.00	4.81	13.31	21.81
	2004	8.50	8.50	N/A	0.00	4.81	13.31	21.81
	2003	8.50	8.50	N/A	0.00	4.81	13.31	21.81
Local	2011	10.00%	8.73%	N/A	0.77%	4.50%	14.00%	24.00%
	2010	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2009	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2008	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2007	9.50	8.65	N/A	0.70	4.50	13.85	23.35
	2006	9.00	8.50	N/A	0.70	4.50	13.70	22.70
	2005	8.50	8.50	N/A	0.00	5.05	13.55	22.05
	2004	8.50	8.50	N/A	0.00	5.05	13.55	22.05
	2003	8.50	8.50	N/A	0.00	5.05	13.55	22.05

[#] Plan commenced January 1, 2003.

Number of Employer Units — All Plans*

Calendar Year	State	County**	Law Enforcement	Municipalities	Villages	Miscellaneous	Libraries	Townships	Totals
2011	271	211	241	246	675	490	253	1,308	3,695
2010	269	215	241	247	675	491	253	1,308	3,699
2009	270	238	237	248	671	489	253	1,308	3,714
2008	269	244	248	251	670	474	254	1,314	3,724
2007	273	241	245	251	671	465	254	1,314	3,714
2006	276	238	244	253	671	459	254	1,312	3,707
2005	277	239	247	255	671	454	257	1,312	3,712
2004	268	240	241	255	672	456	256	1,314	3,702
2003	268	239	247	255	673	450	257	1,313	3,702
2002	263	237	251	256	671	450	256	1,312	3,696

* The number of employer units exceeds the number of reporting employers as some employers report multiple divisions or agencies. The number of employers reporting at December 31, 2011 was 3,248.

** Effective January 1, 2010, House Bill 420 transferred authority for managing count law libraries to County Law Library Resource Boards within county governments. This consolidation with county governments resulted in a reduction in the number of individual employer units.

Principal Participating Employers

Participating Government	2011			2005*		
	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System
The Ohio State University	20,854	1	5.97%	23,696	1	6.21%
Cuyahoga County	8,099	2	2.32	10,062	2	2.64
Franklin County	6,442	3	1.85	6,551	4	1.72
City of Columbus	6,314	4	1.81	5,864	8	1.54
City of Cleveland	5,507	5	1.58	6,569	3	1.73
Metrohealth Medical Center	5,483	6	1.57	5,988	6	1.57
Ohio Department of Transportation	5,481	7	1.57	6,297	5	1.65
University of Cincinnati	5,455	8	1.56	5,083	9	1.33
Hamilton County	4,407	9	1.26	5,951	7	1.56
Montgomery County	4,389	10	1.26	4,896	10	1.28
All Other (see table below)	276,757	N/A	79.26	300,456	N/A	78.77
Total	**349,188**	**N/A**	**100.00%**	**381,413**	**N/A**	**100.00%**

* Information not available prior to 2005.

Principal Participating Employers — All Other Categories

Participating Government	2011		2005	
	Number	Employees	Number	Employees
State	268	81,720	274	84,251
County	206	75,961	235	72,861
Municipalities	244	48,462	253	55,711
Miscellaneous	490	21,064	453	33,975
Libraries	253	13,621	257	15,405
Townships	1,308	14,565	1,312	15,108
Villages	675	14,189	671	15,222
Law Enforcement/Public Safety	241	7,175	247	7,923
Total	**3,685**	**276,757**	**3,702**	**300,456**

OPERS

Plan Statement

It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.

Author unknown, attributed to Charles Darwin

Plan Statement

The Ohio Public Employees Retirement System (OPERS) was created by the Ohio General Assembly to provide retirement, disability, and survivor benefit programs for the public employees of Ohio. This summary outlines the Ohio law that regulates OPERS; however, it cannot and does not change any of the provisions of the Ohio Revised Code (ORC).

All public employees, except those covered by another state retirement system in Ohio or by the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded.

The law provides for optional membership for elected public officials. Students, not already members, working for the public school, college, or university that they are attending may be exempt from contributing to OPERS by filing a request for exemption within the first month of employment.

OPERS provides special retirement coverage for certain law enforcement officers whose primary duties are to preserve the peace, to protect life and property, and to enforce the laws of Ohio. These individuals, who must have a Peace Officer's Training School Certificate, are covered if they were hired on or after the dates of the enabling legislation. If they were employed before the legislation was enacted, coverage was optional. If they did not elect law enforcement coverage, they remained under the regular OPERS schedule of benefits.

Plan Types

For more than 75 years, OPERS has provided members with retirement benefits under a defined benefit plan, known as the Traditional Plan .

In 2000, legislation required OPERS to establish one or more defined contribution plans to be offered to members in addition to the existing Traditional Pension Plan. OPERS began offering three retirement plans to its members on January 1, 2003. The plans include the Traditional Pension Plan, the Member-Directed Plan, and the Combined Plan. A brief overview of each plan is provided below .

- **The Traditional Plan**

  The Traditional Plan is a defined benefit plan under which a member's retirement benefit is based on a formula. The formula is determined by the years of contributing service and the average of the three highest years of earnable salary (or final average salary). The OPERS investment professionals manage the investment of employee and employer contributions to ensure that funds are available to pay the formula benefit.

- **The Member-Directed Plan**

  The Member-Directed Plan is a defined contribution plan under which employee and employer contributions are deposited into a member's individual OPERS account and the member directs the investment by selecting from professionally managed OPERS investment options. Investment options include six core funds comprised of a series of fixed income and equity funds, 10 target date funds, and a self-directed brokerage account. The member's retirement distribution is based on employee and vested employer contributions, and the gains and losses on those contributions.

- **The Combined Plan**

  The Combined Plan is a retirement plan with both a defined benefit and a defined contribution component. Under the defined benefit portion of the Combined Plan, the member's retirement benefit is determined by a reduced formula (similar to the Traditional Plan). OPERS investment professionals manage the investment of the employer contributions to ensure that funds are available to pay the reduced-formula benefit. Under the defined contribution portion of the Combined Plan, employee contributions are deposited into the member's individual account and the member directs the investment by selecting from professionally managed OPERS investment options. Investment options include six core funds comprised of a series of fixed income and equity funds, ten target date funds, and a self-directed brokerage account. The defined contribution portion of the member's retirement distribution is based on employee contributions, and the gains and losses on those contributions.

Contributions

Employers are required to make contributions to the System on the basis of a percentage of reportable payroll and at a rate based upon the recommendations of OPERS' actuary. Penalties and interest are added for late payments. The contribution rate for state and local employers in 2011 was 14.0%. Employers in the law enforcement and public safety divisions contributed 18.1%.

The 2011 employee contribution rate for state and local members was 10.0% of earnable salary. Members in the public safely division contributed 11.0% of earnable salary, while members in the law enforcement division contributed 11.6%. Individual accounts for each member of OPERS are maintained and funds contributed by members of the Traditional Plan are fully refundable at service termination or death. The refund value of contributions made by members of the Combined Plan and the Member-Directed Plan are subject to changes (gains or losses) that occur as a result of the member's selected investment options.

Each year, by the end of April, members of the Traditional Plan and the Combined Plan are sent a statement of their individual account and an estimate of their projected future retirement benefit, as of the previous December 31. Members in the Member-Directed Plan and the Combined Plan receive quarterly statements showing the value of contributions in their defined contribution account and the investment gains and losses on those contributions. A report disclosing the financial status of the System and describing major developments during the year at OPERS is sent along with the statement of account.

Additional Voluntary Contributions

- **Traditional Plan**

A member or a re-employed retiree who is contributing to a money purchase annuity may deposit additional money or rollover funds into the Additional Annuity Program. Voluntary after-tax additional annuity deposits are limited by federal tax law to 100 percent of a member's annual income from all public employers contributing to OPERS, or to the current annual IRS limitation, whichever is less. Additional Annuity deposits are invested in the OPERS Stable Value Fund where they are subject to daily gains and losses. Earnings are tax-deferred until the time of distribution.

Upon termination of employment or retirement, the member may either elect to receive a refund of the account value or an annuity. The annuity program offers three of the same payment options as those offered for the age-and-service retirement options under the Traditional Plan.

- **Member-Directed Plan and Combined Plan**

A member participating in the Member-Directed or Combined Plan may deposit additional money or rollover funds into their individual defined contribution account. Voluntary after-tax deposits are limited by federal tax law to 100 percent of a member's annual income from all public employers contributing to OPERS, or to the current annual IRS limitation, whichever is less. The additional contributions are invested in the same investment options the member selected for their individual defined contribution account, and are subject to investment gains and losses.

Upon termination of employment or retirement, the member may either elect to receive a lump sum refund of the account value or any of the distribution options available to defined contribution accounts.

Benefits under the Traditional Plan or the Combined Plan

Age-and-Service Retirement

Retirement eligibility varies by division, however, all members are eligible to retire at age 60 with at least five years of total service credit, and may retire at any age with 30 years of total service credit with no reduction in benefits. Benefit payments vary in amount depending on length of public service, final average salary (FAS), age, and plan of payment selection. FAS is determined by taking the average of the three highest years of earnable salary. The age-and-service formula benefit cannot exceed 100% of the FAS (law enforcement is 90%) or the limits under Internal Revenue Code Section 415.

The benefit formula for state and local members in the Traditional Plan applies a factor of 2.2% to the member's FAS and the first 30 years of service. A factor of 2.5% is applied to years of service in excess of 30. These members may retire with a reduced benefit as early as age 55 with 25 years of service.

Public safety members may retire at the age of 52 with 25 years of service, while law enforcement members may retire at the age of 48 with 25 years of service. Both public safety and law enforcement members may also retire at age 62 with 15 years of service without a reduction in benefits. The benefit factor for these members in the Traditional Plan is 2.5% applied to the member's FAS and the first 25 years of service. A factor of 2.1% is applied to years of service in excess of 25. Both public safety and law enforcement members may retire at age 52 with 15 years of service with a reduced benefit at a factor of 1.5%.

The benefit formula for state and local members in the Combined Plan applies a factor of 1.0% to the member's FAS and the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. These members may retire with a reduced benefit as early as age 55 with 25 years of service. Public safety and law enforcement members are not permitted to participate in the Combined Plan.

Service credit allowed under Chapter 145 of the ORC includes:

1) Service for the state of Ohio or an Ohio political subdivision for which contributions have been paid;
2) Certain military service which interrupted contributing public service;
3) Any out-of-public service period of three years or less during which the member was receiving an award under Workers' Compensation;
4) Previously unreported service in Ohio;
5) Service purchased by the member for:
    a) Other military service that is not being used for other retirement programs, except Social Security;

- b) Prisoner-of-war service;
- c) An authorized leave of absence that did not exceed one year;
- d) Comparable public service that is not being used for other retirement programs, except Social Security, performed outside Ohio or with the federal government or for which contributions were made to an Ohio municipal retirement system;
- e) Restoration of previously refunded service;
- f) Restoration of previously refunded service from the Ohio Police and Fire Pension Fund, Ohio State Highway Patrol, or City of Cincinnati Retirement System, not being used for any other retirement benefit;
- g) Service which was previously covered by a valid exemption under OPERS;
- h) The amount of 35% additional credit on completed terms of full-time contributing elected official service, or board, commission, or other public body service by members who are appointed by the governor with the advice and consent of the Senate;

6) Service purchased by an employer under a retirement incentive plan.

A choice of several benefit payment plans is available. The choices include benefits payable throughout the member's lifetime (Single Life Benefit) or in a lesser amount during the individual's life but continuing after the member's death to a joint survivor. The joint survivor selections include: Life with 50% to Surviving Spouse, Life with Selected Percent to Survivor, Life with 100% to Survivor, or Life with Multiple Survivors.

A benefit payable under Life with 50% to Surviving Spouse, Life with Selected Percent to Survivor, Life with 100% to Survivor, or Life with Multiple Survivors is the actuarial equivalent of the Single Life Benefit, but the payment to the member is reduced because it is based on the combined life expectancies of the member and the beneficiaries. A sixth payment plan, Life with Fixed Period is also the actuarial equivalent of the Single Life Benefit, but the payment is calculated to provide for the fixed period of payment.

Life with Multiple Survivors is an option available to members whose retirement is effective on or after November 1, 2006. The payment plan is a multiple joint survivorship annuity providing benefits to the member throughout their lifetime, with payments continuing to the member's surviving beneficiaries after the member's death. The member may designate from two to four beneficiaries, with each receiving at least 10% of the benefit (exceptions are court ordered spousal benefits). Total allocations to all beneficiaries may not exceed 100% of the benefit.

Effective January 1, 2004, OPERS established a Partial Lump-Sum Option Payment (PLOP) for certain retirees and benefit recipients. The PLOP is an option at retirement and allows a recipient to receive a lump-sum benefit payment along with a reduced monthly retirement allowance. The PLOP cannot be less than six times or more than 36 times the monthly amount that would be payable to the member under the plan of payment selected, and cannot result in a monthly allowance that is less than 50% of that monthly amount. The total amount paid as a lump sum and a monthly benefit is the actuarial equivalent of the amount that would have been paid had the lump sum not been selected.

Disability Benefits

OPERS members are eligible for one of two disability programs: the original plan or the revised plan. Employees who had contributions on deposit with OPERS on July 29, 1992 had a one-time opportunity to select coverage under one of these programs. Employees hired after July 29, 1992 are covered only under the revised plan. There are a number of features common to both plans.

A member who has at least five years of contributing service credit and who becomes permanently disabled due to a mentally or physically disabling condition for the performance of duty may apply to

OPERS for monthly disability benefits. Members in the law enforcement division may apply for disability at any time if the disabling condition was the result of an on-duty illness or injury.

Application must be made within two years from the date the member's contributing service ended, unless the OPERS Board of Trustees (Board) determines that the member was physically or mentally incapacitated for duty and unable to make an application. The member must not be receiving an age-and-service retirement benefit or have received a refund of their accumulated contributions. If the Board approves the disability application and the member is otherwise eligible, the benefit is effective the first day of the month following the member's service termination. A disability benefit recipient may be required to undergo a medical examination at least once a year. A disability benefit terminates under either plan if the member is no longer disabled, returns to public service, chooses to begin receiving an age-and-service benefit, dies, or requests termination of benefit.

Members covered under the original plan must apply for disability benefits prior to turning age 60. Under the original plan, the amount of the disability allowance is based on the member's final average salary (FAS) and total service credit, plus the length of time between the effective date of disability and age 60. The disability benefit cannot exceed 75%, nor be less than 30% of the member's FAS. The disability benefit continues for the member's lifetime as long as the qualifying disability persists. The benefit is funded by the employee's accumulated contributions and reserves accumulated from employer contributions. The benefit is fully taxable until age 60, and then a specified dollar amount each month, representing the return of previously taxed contributions is tax-free. For a law enforcement member disabled due to an on-duty injury or illness, 30% of the benefit payment is excludable from taxable income.

Under the revised plan, the benefit is based on the member's FAS and years of service with OPERS with no early retirement reductions, and cannot be less than 45% or exceed 60% of FAS. The benefit is funded by reserves accumulated from employer contributions, and is fully taxable as long as it is received. For a law enforcement member disabled due to an on-duty injury or illness, 45% of the benefit payment is excludable from taxable income.

Benefits under the revised plan are payable until age 65 or for a definite period, whichever comes first. When the disability benefit ends, the member may apply for a service retirement benefit or a refund of their employee contribution account. The service retirement benefit amount is the greater of: a) 2.2% of FAS multiplied by the years of service (contributing and disability) not to exceed 45% of FAS; or b) the regular or law enforcement benefit calculation using only the member's years of contributing service.

Members participating in the Combined Plan who elect to receive disability benefits must transfer to the Traditional Plan. The disability benefit is calculated using the same formulas and criteria described above, and the member is required to transfer their defined contribution account to the Traditional Plan to fund the benefit.

Survivor Benefits

A member's beneficiary is determined by statutory automatic succession unless a specific designation is made in writing on a form provided by OPERS. Listed below is the order of automatic succession under Ohio law:

1) Spouse,
2) Children,
3) Dependent parents,
4) If none of the above, parents share equally in a refund of the account, and
5) If none of the foregoing, a refund of the account is paid to the estate.

Qualified beneficiaries will be eligible to receive monthly survivor benefits if, at the time of the member's death, at least one of the following qualifications was met:

1) The member had 18 months of Ohio service credit with three of those months within the two and one-half years immediately before death, or
2) The member was receiving a disability benefit from OPERS, or
3) The member was eligible for retirement but did not retire and continued to work.

If none of these qualifications were met at the member's death, a refund of the member's OPERS account value as defined by the Ohio Revised Code may be made. The member's beneficiary may choose a refund of the member's account only if there are no children eligible for monthly benefits. If the member dies while receiving a disability benefit under the original plan and eligible survivors select a cash refund of the account, the amount is reduced by the amount of disability benefits that had already been paid. There is no reduction in amount if the member dies while receiving a benefit under the revised disability plan or while still working.

Qualified surviving spouses (with no children eligible for monthly benefits) may receive a benefit representing the greater of $250 a month or an annual benefit equal to 25% of the decedent's FAS. If the decedent had 20 or more years of service, the percent of FAS increases with each year of service over 20 up to a maximum of 60%. Benefits begin when a qualified surviving spouse reaches age 62, or at any age if the decedent had 10 or more years of Ohio service credit, qualifying children, or the spouse is adjudged physically or mentally incompetent. Benefits to a qualified survivor terminate when the survivor ceases to meet eligibility requirements.

If a deceased member was eligible for a service retirement benefit at time of death, a surviving spouse or other sole dependent beneficiary may elect to receive a monthly benefit calculated as though the member had retired and elected the Life with 100% to Survivor payment plan. This joint survivor option provides a monthly allowance that continues through the beneficiary's lifetime. The beneficiary also has the option of electing a PLOP.

A child of a deceased member may qualify for monthly benefits if the child has never been married and is under age 18, or 22 if a qualified student attending an accredited school. A child who is adjudged physically or mentally incompetent at the time of the member's death is eligible for benefits regardless of age. Benefits terminate upon the child's first marriage, adoption by someone other than a step-parent, abandonment, death, or during active military service.

A dependent parent is one who received at least one-half support from the member during the 12 months preceding the member's death. A dependent parent may receive survivor benefits if age 65 or older, or at any age if adjudged physically or mentally incompetent at the time of the member's death. Survivor benefit payments terminate upon the parent's death or remarriage.

Members participating in the Combined Plan who elect to receive survivor benefits must transfer to the Traditional Plan. The survivor benefit is calculated using the same formulas and criteria described above, and the member is required to transfer their defined contribution account to the Traditional Plan to fund the benefit.

Additional Benefits

- ***Health Care***—With two exceptions, OPERS-provided health care coverage is neither a guaranteed nor statutorily required benefit. Medicare Part B reimbursements (see below) and Medicare Part A equivalent coverage for eligible retirees and their eligible dependents are provided by statute. Currently, members applying for age-and-service retirement who have ten or more years of Ohio service credit have access to OPERS provided health care coverage on a subsidized basis. These ten years may not include out-of-state or military service purchased after January 29, 1981, service granted under an early retirement incentive plan, or credit purchased after May 4, 1992 for exempt service. Access to health care coverage is also available for disability recipients and primary survivor recipients. Dependents of eligible recipients as defined by the health care plan may be covered through additional premiums. Qualified benefit recipients may also have access to alternative health care plans offered by OPERS.

Members with less than 10 years of qualifying service credit at age-and-service retirement may obtain access to independent health care coverage offered by OPERS' health care administrators. This coverage is neither offered by OPERS nor is it the responsibility of the System. OPERS does not subsidize this insurance, nor does it pay premiums or claims, or withhold any premiums for this coverage. Coverage is provided through a direct contract between the recipient and the health care administrator.

Effective January 1, 2007, OPERS implemented the Health Care Preservation Plan (HCPP) to improve the long-term solvency of the health care fund. The plan features three coverage levels, and provides monthly allowances for health care coverage for retirees and their eligible dependents based on the retiree's years of service. The allowance is determined at date of retirement, and is adjusted for inflation annually thereafter based on Board-approved caps. Members who were eligible to retire on January 1, 2007 with at least ten years of service (Group 1) receive an allowance equal to 100% of the cost of health care coverage under the enhanced plan. Members hired prior to January 1, 2003 but eligible to retire after January 1, 2007 (Group 2), receive allowances ranging from 50% to 100% of the cost of health care coverage under the enhanced plan. Members hired after January 1, 2003 (Group 3) receive allowances ranging from 25% to 100%. The allowances for Groups 2 and 3 increase with each year of service, up to the maximum of 100% with 30 years of service. Coverage for the retiree's eligible dependents is similarly phased.

The monthly allowances must be used for the purchase of medical and pharmacy coverage. The plan features a choice of three levels of coverage (enhanced, intermediate and basic) with varying costs, co-pays, deductibles, and out-of-pocket maximums. If the cost of the coverage level selected exceeds the retiree's monthly allowance, the difference is charged to the retiree. Monthly allowances that exceed the cost of the coverage selected by the member are deposited to a Retiree Medical Account (RMA). The retiree may use the funds in the RMA to pay for health care expenses not covered by the plan. Recipients with household income below 150% of the poverty level may apply for a 30% reduction in the cost of medical and pharmacy premiums.

Recipients also have access to dental, vision, and long-term care coverage. These are fully insured products with the retiree paying the total cost of coverage, including premiums, plan deductibles, and out-of-pocket expenses.

- ***Medicare Part B***—Recipients and their covered dependents who are enrolled in the OPERS health care plan must enroll in Medicare Part B (medical) when they become eligible, even if they are covered by health care through their current employer. If the retiree and/or their dependents are eligible for Medicare Part B and do not enroll in the plan or terminate their Medicare Part B coverage, the OPERS plan will estimate the amount Medicare Part B would have paid and deduct this amount from the OPERS covered payment.
- ***Medicare Part B Reimbursement***—OPERS provides for reimbursement of eligible retiree Medicare Part B premiums at an amount approved by the OPERS Board of Trustees. The Board has the authority to set the Medicare B premium reimbursement amount annually, at a value not less than $96.40 per month. Eligible retirees may receive reimbursement of the actual premiums paid up to a

maximum of the Board-approved rate for as long as the retiree is enrolled in the program. (OPERS does not provide this reimbursement benefit to retiree spouses.) Proof of enrollment in Medicare Part B and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

- ***Cost-of-Living Adjustment***—When a benefit recipient has received benefits for 12 months, an annual 3% cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded.
- ***Death Benefit***—Upon the death of an age-and-service or disability benefit recipient, a lump-sum death benefit is paid to the qualified beneficiary. The benefit ranges from $500 to $2,500 based on the recipient's years of service credit.
- ***Qualified Excess Benefit Arrangement (QEBA)***—Total benefit payments to an individual are subject to the limitations identified in Section 415(b) of the Internal Revenue Code. In 2003, OPERS implemented a Qualified Excess Benefit Arrangement that allows OPERS recipients to receive the amount of their calculated benefit that exceeds the IRS limits.

Refunds

A refund may be issued after three months have elapsed since the member terminated OPERS-covered service. For members of the Traditional Plan, the refund value is equal to their accumulated contributions plus interest. Members of the Combined Plan may refund their defined contribution account balances equal to the accumulated contributions net of investment gains or losses, and the accumulated contributions plus interest in their defined benefit account arising from the purchase of eligible non-OPERS covered service. Members of the Traditional Plan and the Combined Plan may also qualify for an additional payment calculated on their eligible contributions. If the member has at least five but less than ten years of service credit in the plan, the additional amount is 33% of the member's eligible contributions. Members with at least 10 years of service credit in the plan may receive an additional amount equal to 67% of eligible contributions.

Under the Traditional Plan, full recovery of all employee contributions to OPERS is guaranteed. If the Traditional Plan member is also a member of the State Teachers Retirement System of Ohio Defined Benefit Plan or the School Employees Retirement System of Ohio, an application for refund must be filed with all system(s) in order to receive a refund from OPERS. It the employee is eligible for a monthly retirement benefit and is legally married at the time the refund is filed, spousal consent is required.

Refunded service credit may be restored if the member returns to OPERS covered employment for at least 18 months. The amount refunded, including plus interest and additional payment (if applicable), must be repaid for service credit to be restored. The member must also pay interest (compounded annually) at a rate determined by the Board for the period from the date of refund to the date the refunded amount is repaid.

Benefits under the Member-Directed Plan

Retirement

Members participating in the Member-Directed Plan are eligible to retire after they reach age 55. At the time these members file their applications for retirement, they may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), payments for a fixed period, payments of a specific monthly amount, or a combination of these options. Members also may defer payment of their individual OPERS account.

Disability and Survivor Benefits

Participants in the Member-Directed Plan are not eligible for disability or survivor benefits. In the event of disability or death, the vested portion of the participant's accounts is available for refund to the member or qualified beneficiaries.

Additional Benefits

- ***Health Care Coverage***—Members participating in the Member-Directed Plan do not have access to the same health care coverage that is available to members of the Traditional and Combined pension plans. Instead, a portion of the employer contribution is credited to a Voluntary Employees' Beneficiary Association (VEBA) account in the member's name. Members become fully vested in this account after five years of participation in the Member-Directed Plan. Vesting occurs at a rate of 20% for each year of participation until the member is fully vested after five years. Upon refund or retirement, vested contributions in the VEBA may be used for the payment of qualified health, dental, and vision care expenses.

Refunds

Members participating in the Member-Directed Plan may receive accumulated employee contributions net of investment gains or losses earned on those contributions. Depending on length of participation in the Member-Directed Plan, a member may also receive a portion of the employer contributions, plus any investment earnings, based on the following schedule:

Years of Participation	Percent Vested
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

Coverage and Benefits for Re-employed Retirees

After a member retires, re-employment in an OPERS-covered job, including service in an elected position, is permitted but may affect continuing receipt of an age-and-service retirement benefit. Contributions must begin from the first day of re-employment, however members who are re-employed anytime within the first two months after their effective retirement benefit date will forfeit their retirement allowance during this two-month period. This prohibition applies even if salary is waived for the two-month forfeiture period. Forfeiture of the retirement allowance will interrupt the retiree's health care coverage. Contributions remitted during the two-month forfeiture period will also not be included in the calculation of a Money Purchase Plan annuity benefit.

An OPERS retiree or a retiree from another Ohio retirement system who returns to OPERS-covered employment as an elected official is treated as a re-employed retiree. However, if a member covered for non-elected official service is also an elected official contributing to Social Security for the elected position, the elected service has no effect on the OPERS retirement. Subsequent elected service will not be considered re-employment for OPERS purposes.

A retiree cannot continue to receive benefits and work as an independent contractor under a contract for any period of time for the employer from which they retired. This prohibition is applicable regardless of the number of hours or days actually worked. A retiree may be compensated under a contract for services as an independent contractor for another public employer. If this occurs within the first two months of retirement, he or she will forfeit their pension benefits for the entire period of service as an independent contractor.

Upon termination of re-employment, retirees under age 65 may receive a refund of their employee contributions made during the period of re-employment, plus interest. Retirees age 65 and older may receive an annuity benefit that is based on the amount of their employee contributions during the period of re-employment plus interest, and an amount from the employer’s contributions determined by the Board. The employer contribution amount is currently 67% of the employee contributions and interest. Payment options are the same as those described under the Age-and-Service Retirement Section above.

Mission

To provide secure retirement benefits for our members.

Vision

To be your trusted retirement partner delivering responsive high-quality service every time, all the time.

OPERS

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