



State Teachers Retirement System of Ohio

2011

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011



State Teachers Retirement System of Ohio

2011

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The State Teachers Retirement System of Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink, identical to the one above.

Executive Director

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Professional Consultants: Independent Public Accountants, Clifton Gunderson LLP, Toledo, Ohio; Investment Consultants, Callan Associates Inc., Chicago, Ill., and Cliffwater LLC, Marina del Rey, Calif.; and Actuarial Consultants, PricewaterhouseCoopers (PwC), Chicago, Ill. See Page 53 for a list of external domestic equity, international and fixed-income managers.

2010–2011 State Teachers Retirement Board

Guiding the members of the Retirement Board is their collective belief that Ohio's public educators deserve comprehensive benefits and quality service from their retirement system during their careers and in retirement. The Retirement Board provides the direction, fiduciary oversight and policies that enable STRS Ohio to fulfill its mission of partnering with STRS Ohio members in providing financial performance and member service that assures financial security for current and future retirees.

The Retirement Board is composed of 11 members as follows: five elected contributing members; two elected retired members; an investment expert appointed by the governor; an investment expert appointed jointly by the speaker of the Ohio House of Representatives and the Ohio Senate president; an investment expert designated by the treasurer of state; and the superintendent of public instruction or his designated investment expert. These individuals devote hundreds of volunteer hours in service to STRS Ohio.

In January 2010, Dr. Daniel J. Martin was appointed to the board by the treasurer of state. In May, Mark Hill and Dale Price were elected to the State Teachers Retirement Board. These two individuals took their seats on the board on Sept. 1, 2010, and serve a four-year term through Aug. 31, 2014. Hill and Price filled contributing member seats vacated by Conni Ramser and Mark Meuser. In February, John Childs joined the board, representing the Superintendent of Public Instruction. In May, Taiyia (Tai) Hayden was reelected to the board to serve a four-year term through Aug. 31, 2015.

In June, Mark Hill was elected as vice chair and James McGreevy assumed the responsibility of board chair, effective Sept. 1, 2011.

Also in June, Senior Staff member Laura Ecklar retired after directing the communications and public relations efforts of STRS Ohio for 13 years. Nick Treneff was selected to replace Ecklar.

Tim Myers, Chair

Contributing member since 2008.
Elida Local Schools, Allen County

James McGreevy, Vice Chair

Retired teacher member since 2009.

Craig C. Brooks

Appointed jointly by the Speaker of the House of Representatives and the Senate President in 2008.

Regina F. Burch

Appointed by the Governor of Ohio in 2008.

John Childs

Representing Stan Heffner, Superintendent of Public Instruction. Ex officio member of the board since appointed to office in 2011.

Carol Correthers

Contributing member since 2009.
Lorain City Schools, Lorain County

Taiyia L. Hayden

Contributing member since 2006.
Columbus City Schools, Franklin County

Mark Hill

Contributing member since 2010.
Worthington City Schools, Franklin County

Daniel J. Martin

Appointed by the Treasurer of State in 2010.

Bob Stein

Retired teacher member since 2009.

Dale Price

Contributing member since 2010.
Toledo Public Schools, Lucas County



Michael J. Nehf

Executive Director
State Teachers Retirement System of Ohio

STRS Ohio Mission and Vision

The mission of STRS Ohio is: To partner with STRS Ohio members in providing financial performance and member service that assures financial security for current and future retirees.

The vision of STRS Ohio is: To be a premier retirement system as evidenced by:

Comprehensive member benefits: Providing retirement planning, benefits and health care coverage to enhance the quality of life for members, and

Quality service: Striving to exceed the service expectations of members, employers and associates, *through*

Fiduciary responsibility: Safeguarding members' financial retirement security using ethical and professional business practices, and

Financial performance: Improving funding through prudent investments and resource management, *by*

Empowerment of associates: Enabling associates to act through the delegation of authority and the acceptance of accountability, and

Organizational renewal: Enhancing STRS Ohio's future by continually acquiring, sharing and implementing new knowledge.

STRS Ohio Guiding Principles

To achieve our mission and vision, we will:

1. Make decisions that produce the greatest possible net benefit for members.
2. Be proactive rather than reactive by anticipating and dealing with change and growth.
3. Attract, develop and retain a highly competent and motivated workforce.
4. Build an organizational culture that inspires a high level of professionalism and performance — distinguishing STRS Ohio as a workplace now and in the future.
5. Provide an open environment for associates to generate new methods or practices to achieve our vision.
6. Provide associates with authority commensurate with their responsibilities for efficiency in decision-making and leadership development.
7. Continually improve through research, development and evaluation.

STRS Ohio Senior Staff Members

Michael J. Nehf, Executive Director

Sandra L. Knoesel, Deputy Executive Director — Member Benefits

Stephen A. Mitchell, Deputy Executive Director — Investments

Robert A. Slater, Deputy Executive Director — Finance and Chief Financial Officer

Terri Meese Bierdeman, Director, Governmental Relations

Eileen F. Boles, Retirement Board Liaison

Andrew J. Marfurt, Director, Human Resource Services

William J. Neville, General Counsel

David Tackett, Chief Audit Executive, Internal Audit

Gregory A. Taylor, Director, Information Technology Services

Nicholas J. Treneff, Director, Communication Services



Dec. 5, 2011

Members of the State Teachers Retirement Board:

We are pleased to present the *Comprehensive Annual Financial Report* of the State Teachers Retirement System of Ohio for the fiscal year ended June 30, 2011. This report is intended to provide financial, investment, actuarial and statistical information in a single publication. STRS Ohio management is responsible for the accuracy of the data, as well as the completeness and fairness of the presentation.

STRS Ohio was created by legislative act on May 8, 1919, as an alternative to separate, often unstable local school district retirement plans. STRS Ohio is a cost-sharing, multiple-employer plan providing service retirement, disability and survivor benefits to teachers and faculty members of public boards of education, state-supported colleges and universities, and the state of Ohio and its political subdivisions. Optional health care coverage is available to eligible benefit recipients and their eligible family members.

More analysis and information of the financial activities of STRS Ohio can be found in the Management's Discussion and Analysis section that begins on Page 9 of this report.

Major Initiatives

The State Teachers Retirement Board is awaiting passage of multifaceted legislative changes to strengthen the financial condition of the retirement system. Without these changes, STRS Ohio will eventually be unable to pay benefits. These reforms enable the Retirement Board and staff to meet their fiduciary responsibility to help ensure the long-term solvency of STRS Ohio. This plan, as well as recommended changes from the other Ohio state pension systems, is on hold until completion of an independent actuarial review requested by the Ohio Retirement Study Council.

The Retirement Board continues to annually review the actuarial valuations of the pension fund and the health care fund to monitor financial progress over time. The board also continues to work with its many constituents as discussions continue with the other Ohio systems, the Ohio Retirement Study Council and members of the Ohio Legislature in pursuit of legislation to implement these changes. Following are the proposed changes:

Change in Eligibility for Retirement Beginning Aug. 1, 2015

— *Increases age and service requirements for retirement.*

Age and service requirements for retirement would increase to a minimum age 60 with 35 years of service. (Members may currently retire at any age with 30 years.) This change would be phased in based on the following timeline:

- Age 56 with 31 years beginning Aug. 1, 2015, and retiring by July 1, 2017
- Age 57 with 32 years beginning Aug. 1, 2017, and retiring by July 1, 2019
- Age 58 with 33 years beginning Aug. 1, 2019, and retiring by July 1, 2021
- Age 59 with 34 years beginning Aug. 1, 2021, and retiring by July 1, 2023
- Age 60 with 35 years retiring Aug. 1, 2023, and later

Members may still also retire at age 65 with a minimum of five years of service.

Currently, STRS Ohio members may retire early with a reduced benefit at age 55 with 25 years of service. The service requirement for a now *actuarially reduced* benefit would be increased to 30 years of service. This change would also be phased in based on the following timeline:

- Age 55 with 26 years beginning Aug. 1, 2015, and retiring by July 1, 2017
- Age 55 with 27 years beginning Aug. 1, 2017, and retiring by July 1, 2019
- Age 55 with 28 years beginning Aug. 1, 2019, and retiring by July 1, 2021
- Age 55 with 29 years beginning Aug. 1, 2021, and retiring by July 1, 2023
- Age 55 with 30 years retiring Aug. 1, 2023, and later

Members may also still retire at a minimum age 60 with five years of service, but the benefit would be *actuarially reduced* beginning Aug. 1, 2015.

Change in Benefit Formula Beginning Aug. 1, 2015

— *New formula would be 2.2% for all years of service.*

Teachers retiring with 35 years of service at age 60 or older would receive 77% of their final average salary as a pension.

The current 35-year enhanced benefit formula would be eliminated. Those who have 30 years of service; who are age 55 with 25 years of service; or who are age 60 with five years of service as of July 1, 2015, would receive the greater of:

- (a) The benefit as of July 1, 2015, under the current formula; or
- (b) The benefit upon retirement under the new formula.

In short, members who are eligible for service retirement would receive no less of a base pension benefit than they could have received on July 1, 2015.

Increase in Final Average Salary (FAS) Years Beginning Aug. 1, 2015

— FAS calculation would be based on the five highest years of earnings.

Pension benefits are determined by a member's age, years of service and FAS; the current FAS period is three years.

Reduction in Cost-of-Living Adjustment (COLA) Beginning July 1, 2012

— Beginning July 1, 2012, current retirees would receive an annual 2% COLA; members retiring Aug. 1, 2012, and later would also receive a 2% COLA, but it will not begin until 60 months after the date of retirement.

Currently, the COLA is 3%; both current and proposed COLAs are a fixed-dollar amount each year, not compounded.

Increase in Member Contributions Beginning July 1, 2012

— Increase member contributions by 3%, phased in 1% per year beginning July 1, 2012, through July 1, 2014.

Currently, STRS Ohio members pay 10% of their salary to STRS Ohio in lieu of paying into Social Security. In the pension legislation, the Retirement Board will seek language that gives the board discretion to seek up to a total of 14% in member contributions. To achieve the 30-year funding period, the board's plan calls for only a 3% contribution increase phased in over three years. Authority for up to a 4% increase would give the board flexibility to address future funding experience.

The Retirement Board and staff also continued to focus on ways to help STRS Ohio members stretch their health care dollars, as well as extend the life of the health care fund that supports the STRS Ohio Health Care Program. A positive return on fund assets, as well as the addition of a Medicare Advantage program and other plan changes, helped to slightly lengthen the solvency period for the health care fund as of Jan. 1, 2011. However, without significant changes in premiums, program eligibility or plan design, the program cannot survive in the long term. The board has begun work on a strategic plan for health care and changes to the plan will be implemented Jan. 1, 2012.

Investments

Total investments (including short-term investments) increased to \$68.0 billion as of June 30, 2011. The Investment Review starting on Page 35 discusses the investment environment during fiscal 2011. The allocation of investment assets is designed to provide high long-term yields at optimal risk consistent with the expected long-term rate of return. A summary of the asset allocation can be found on Page 50.

For the fiscal year ended June 30, 2011, investments returned 22.59%. STRS Ohio's annualized rate of return was 2.93% over the last three years and 4.48% for the last five years. Similar benchmark returns over the same one-, three- and five-year periods were 22.36%, 3.32% and 4.42%, respectively.

2011 Additions to Plan Net Assets

Member and employer contributions, as well as income from investments, provide funds for pension benefits and health care coverage. Employer contributions include amounts paid by employers of participants in alternative retirement plans (ARPs). ARP participants are not members of STRS Ohio; however, their employers are required to contribute 3.5% of salaries to STRS Ohio to help pay for unfunded liabilities. Effective Jan. 1, 2006, STRS Ohio began receiving Medicare Part D reimbursements for participant prescription costs. Fiscal 2011 included \$40.9 million in Medicare Part D reimbursements. STRS Ohio participated in the Early Retiree Reinsurance Program (ERRP) beginning in fiscal year 2011. This government program reimburses employers for pre-Medicare health care costs until 2014, or until the federal funding is extinguished. For fiscal 2011, STRS Ohio received \$29.7 million of ERRP reimbursements. These federal subsidies help offset the overall cost of managing the post-employment health care program. Total additions to plan net assets were \$15.6 billion in fiscal 2011.

2011 Deductions From Plan Net Assets

The principal purpose for STRS Ohio is to provide retirement, survivor and disability benefits to qualified members and their beneficiaries. Benefit payments, including refunds to terminated members, totaled \$6.0 billion. Refunds increased by 30.7% from fiscal year 2010, as more members terminated employment and more reemployed retirees took lump-sum payments instead of a second benefit payment.

Additions to Plan Net Assets

(in thousands)

| | 2011 |
|---|----------------------|
| Net Investment Income | \$ 12,622,935 |
| Contributions: | |
| Member | 1,129,893 |
| Employer | 1,511,003 |
| Health Care Premiums | 222,130 |
| Government Reimbursements | 70,556 |
| Other | 29,646 |
| Total Contributions | 2,963,228 |
| Total Additions to Plan Net Assets | \$ 15,586,163 |

Deductions From Plan Net Assets

(in thousands)

| | 2011 |
|---|---------------------|
| Benefits | \$ 5,848,863 |
| Withdrawals | 166,020 |
| Administrative Expenses | 61,202 |
| Total Deductions From Net Assets | \$ 6,076,085 |

Funding

Contribution rates are intended to provide a level basis of funding using the entry age normal cost method, and an actuarial valuation is performed annually by PricewaterhouseCoopers, Chicago, Ill. The July 1, 2011, valuation shows that the amortization period for the unfunded accrued liability remained at infinity from the prior year, and the ratio of assets to total accrued liabilities decreased to 58.8% from 59.1%. Contribution rates are insufficient to sustain current benefits.

Generally accepted accounting principles require pension plans to report annual required contributions at the amount necessary to have a maximum amortization period of 30 years. Consequently, the amortization period shown on Page 31 is 30 years for financial reporting purposes.

A detailed discussion of funding is provided in the Actuarial Section of this report beginning on Page 54.

Internal Controls

STRS Ohio management is responsible for and has implemented internal controls designed to provide reasonable assurances for the safeguarding of assets and the reliability of financial records. Internal controls provide reasonable, not absolute, assurance that the objectives of the organization will be met. We believe that the internal controls currently in place adequately meet the purpose for which they were intended.

Certificate of Achievement and Other Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to STRS Ohio for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. STRS Ohio has received a Certificate of Achievement for the last 21 years. We believe our current report continues to meet the Certificate of Achievement program requirements and will be submitted to the GFOA.

In addition, the Public Pension Coordinating Council (PPCC) presented STRS Ohio with the 2011 Public Pension Standards Award for Administration in recognition of meeting professional standards set forth in the Public Pension Standards. PPCC is a coalition made up of the National Association of State Retirement Administrators (NASRA), the National Council on Teacher Retirement (NCTR) and the National Conference on Public Employee Retirement Systems (NCPERS).

STRS Ohio also received the "Making Your Tax Dollars Work" award from the Auditor of State's Office for the third consecutive year. STRS Ohio received the award for the quality of its financial reporting and the absence of audit issues. Less than 5% of the 5,500 entities that the Auditor of State's Office audits each year receive this award.

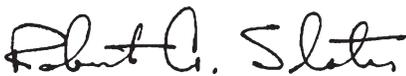
Acknowledgments

The preparation of this report is possible only through the combined efforts of the STRS Ohio staff. It is intended to provide complete and reliable information as a basis for making management decisions, complying with legal provisions and determining responsible stewardship of the assets contributed by members and their employers.

Respectfully submitted,



Michael J. Nehf
Executive Director



Robert A. Slater, CPA
Deputy Executive Director
Chief Financial Officer



Independent Auditor's Report

The Retirement Board
State Teachers Retirement System of Ohio
and
The Honorable Dave Yost
Auditor of State

We have audited the accompanying statements of plan net assets of State Teachers Retirement System of Ohio (STRS Ohio) as of June 30, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of STRS Ohio's 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of STRS Ohio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 presents fairly, in all material respects, the plan net assets of STRS Ohio as of June 30, 2011 and 2010, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2011, on our consideration of STRS Ohio's internal control over financial reporting and on our test of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on 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 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 audit.

Management's discussion and analysis on pages 9 through 15 and the schedules of funding progress and employer contributions and related notes on pages 31 and 32 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 whole. The supplementary information included on pages 33 and 34 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introduction section on pages 1 through 7, the Investments section on pages 35 through 53, the Actuarial section on pages 54 through 62, and the Statistical section on pages 63 through 70 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Clifton Gunderson LLP

Toledo, Ohio
December 5, 2011



Offices in 17 states and Washington, DC

Management's Discussion and Analysis

Management is pleased to provide this overview and analysis of the financial activities of the State Teachers Retirement System of Ohio (STRS Ohio) for the years ended June 30, 2011 and 2010. This information is intended to supplement the financial statements, which begin on Page 17 of this report. We encourage readers to consider additional information and data in this 2011 Comprehensive Annual Financial Report.

As of June 30, 2011, STRS Ohio held \$66.8 billion in trust on behalf of nearly 475,200 active, inactive and retired educators. This represented a \$9.5 billion increase from the previous fiscal year-end. In fiscal 2010, STRS Ohio experienced a \$4.2 billion increase from the previous fiscal year-end. Although 2011 was the highest year-end return since 1983, it does not alleviate the system's need for the comprehensive pension reform presented to the Ohio Legislature. Pension legislation (S.B. 3 and H.B. 69) introduced in 2011 has been put on hold while the Ohio Retirement Study Council (ORSC) seeks input from an outside consultant on the proposals for pension plan design changes that were presented by Ohio's five statewide public retirement systems.

Before the 2008 investment market downturn, STRS Ohio had a funding period for its pension fund of 41.2 years, exceeding state statute's 30-year maximum funding period. In just one year, from July 2008 to July 2009, STRS Ohio's unfunded liability more than doubled and the funding period became "infinite." Economic and demographic factors, such as members living longer, were causing a reduction in available funds to satisfy benefit obligations over time. The unprecedented decline in the global markets and the accompanying recession, along with the projected gradual economic recovery, significantly accelerated the need for STRS Ohio to make changes. The funding period remains at infinity at July 1, 2011, and the unfunded liability is now \$40.7 billion.

STRS Ohio first proposed plan design changes in 2009 to strengthen the financial condition of the retirement system following the recession. That plan was revised in January 2011 and several hearings were held in both the Ohio House and Senate during the winter and into the spring. The plan adopted by the board calls for increases in member contributions; longer final average salary period; change in eligibility for retirement; change in the benefit formula; and reduction in the annual cost-of-living adjustment. The plan complies with the Ohio statutory requirement to bring the pension fund to a 30-year funding period.

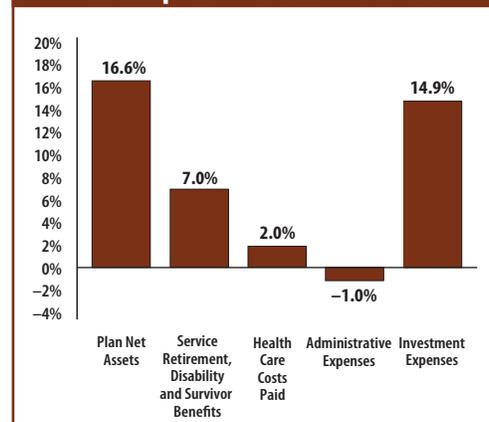
STRS Ohio has the cash flow needed to pay current pension benefits when due. In fact, the value of preserving the security of the Defined Benefit Plan to our members has never been more apparent. However, looking long term, there is a shortfall in the funding of STRS Ohio benefits. If no changes are made, STRS Ohio will eventually be unable to pay benefits.

Financial Highlights

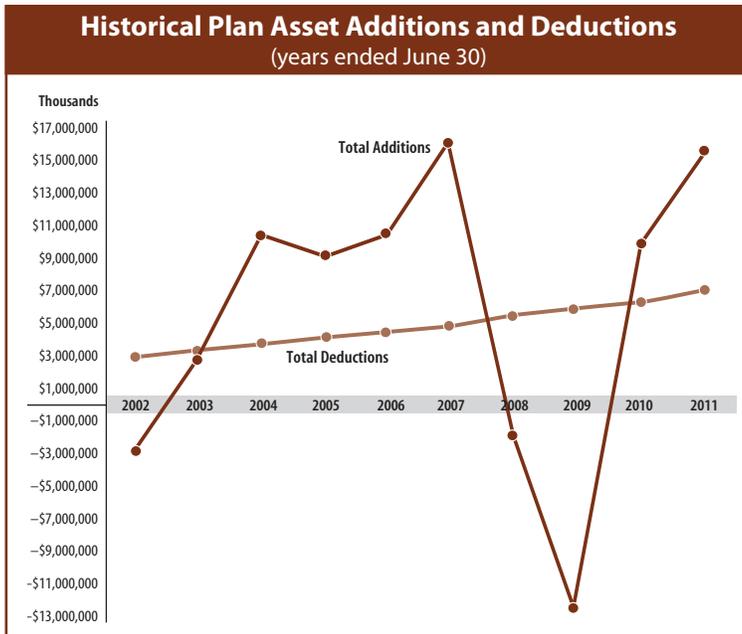
The chart below illustrates the percentage changes in plan assets and expenses for fiscal 2011. Highlights of the fiscal year include:

- The investment rate of return was 22.59% in fiscal 2011. The investment rate of return for fiscal 2010 was 13.54% following a -21.66% return in 2009. Five- and 10-year total fund annualized returns are 4.48% and 5.81%, respectively.
- Plan net assets increased 16.6% from the prior fiscal year, ending at \$66.8 billion as of June 30, 2011. Plan net assets increased 8.0% from fiscal 2009 to fiscal 2010, ending at \$57.3 billion as of June 30, 2010.
- The post-employment health care balance was \$3.2 billion as of June 30, 2011, an increase of 14.2% from the prior fiscal year. Net investment income for the fund was \$609 million in 2011. The post-employment health care balance increased 4.4% from fiscal 2009 to fiscal 2010, ending at \$2.8 billion as of June 30, 2010.
- Defined contribution accounts finished the year with \$519 million in net assets, an increase of 35.3% from 2010. The defined contribution accounts ended at June 30, 2010, with \$384 million in assets, an increase of 29.2% from fiscal 2009.
- Total benefit payments were \$5.8 billion during fiscal 2011, an increase of 6.5% from fiscal 2010. STRS Ohio paid members \$5.2 billion in service retirement, disability and survivor benefits plus \$604 million for health care coverage during fiscal 2011. Total benefit payments were \$5.5 billion during fiscal 2010, an increase of 6.2% from fiscal 2009.

Percentage Changes in Plan Assets and Expenses for Fiscal 2011



- Total additions to plan net assets were \$15.6 billion during fiscal 2011. Net investment income during fiscal 2011 totaled \$12.6 billion. Total additions to plan net assets were \$9.9 billion during fiscal 2010.



- Member and employer contributions totaled \$2.6 billion during fiscal 2011. Total covered payroll, which is the combined salaries for all plan participants, increased 0.36%. During fiscal 2010, member and employer contributions totaled \$2.6 billion.
- Administrative expenses decreased 1.0% to \$61.2 million for fiscal 2011. Investment expenses, which include salaries and benefits for investment personnel, increased 14.9% to \$35.9 million in fiscal 2011. In fiscal 2010, administrative expenses decreased 0.8% and investment expenses decreased 10.6%.

Annual Financial Review

The combined portfolio delivered a 22.59% rate of return in fiscal 2011. Domestic stocks led all investment categories by generating a 33.18% return. International equity had a 24.16% return and real estate was 22.66%. Alternative investments had a 20.43% return and the fixed-income return was 5.18%. Annualized investment return for the past 10 fiscal years was 5.81%.

The unfunded pension liability for STRS Ohio as of July 1, 2011, is \$40.7 billion, up from \$38.8 billion as of July 1, 2010. As a result, accrued liabilities and future benefits will not be sustainable without plan design changes or additional revenues. The amortization period at July 1, 2011 and 2010, respectively, was infinite. The funded ratio at July 1, 2011, was 58.8%, a decrease from 59.1% at July 1, 2010. STRS Ohio recorded a net actuarial gain of \$181 million for fiscal 2011. The funded ratio of the post-employment health care fund is 36.0% and 26.1% as of Jan. 1, 2011 and 2010, respectively.

Historical additions to and deductions from plan assets indicate a pattern of steadily increasing deductions compared to fluctuating additions due to investment volatility, as shown in the chart at the top of the page. Changes in contributions and benefits and administration for fiscal years ended June 30, 2011 and 2010, are shown in the charts to the left. Pension benefit payments and health care costs exceed member and employer contributions. STRS Ohio is dependent upon investment income to compensate for the difference between benefit payments and contributions over time.

Contributions
Years Ended June 30, 2011 and 2010 (dollar amounts in thousands)

| | 2011 | 2010 | Percentage Change |
|--|---------------------|---------------------|-------------------|
| Employer Contributions | \$ 1,511,003 | \$ 1,505,101 | .39% |
| Member Contributions | 1,129,893 | 1,112,542 | 1.56% |
| Health Care Premiums and Government Reimbursements | 292,686 | 260,472 | 12.37% |
| Other | 29,646 | 23,277 | 27.36% |
| Total Revenue | \$ 2,963,228 | \$ 2,901,392 | 2.13% |

Benefits and Administration
Years Ended June 30, 2011 and 2010 (dollar amounts in thousands)

| | 2011 | 2010 | Percentage Change |
|--|---------------------|---------------------|-------------------|
| Benefits (includes optional health care) | \$ 5,848,863 | \$ 5,492,834 | 6.48% |
| Refunds | 166,020 | 126,981 | 30.74% |
| Administration | 61,202 | 61,808 | -0.98% |
| Total Expenses | \$ 6,076,085 | \$ 5,681,623 | 6.94% |

Management's Discussion and Analysis

Investment market improvements increased the net assets for post-employment health care to \$3.2 billion at June 30, 2011, from \$2.8 billion at June 30, 2010. Modifications were made to the health care program for calendar year 2010, including introduction of a Medicare Advantage plan administered by Aetna. Premiums received from health care recipients in fiscal 2011 decreased slightly to \$222.1 million from \$222.3 million in fiscal 2010. Medicare Part D reimbursements of \$40.9 million were received to help offset prescription drugs costs. Receipts from participation in the Early Retiree Reinsurance Program (ERRP) totaled \$29.7 million in 2011. ERRP is a government program started in fiscal 2011 to reimburse employers for a portion of pre-Medicare health care costs. Health care coverage payments grew 2.0% from fiscal 2010. In fiscal 2010, health care premiums decreased to \$222.3 million from \$225.6 million. Health care coverage payments grew 6.1% from fiscal 2009.

Payment of performance incentives that had been deferred from previous years caused investment administrative expenses to increase \$4.7 million in fiscal 2011 from fiscal 2010.

Overview of the Financial Statements of STRS Ohio

The two basic financial statements are the *Statements of Plan Net Assets* and the *Statements of Changes in Plan Net Assets*. Amounts are shown for the most recent and previous fiscal years for comparison and analysis of changes in individual line items. The statements are prepared in conformity with generally accepted accounting principles.

The *Statements of Plan Net Assets* are a measure of STRS Ohio's assets and liabilities at the close of the fiscal year. Total assets less current liabilities equal net assets held in trust for future benefits.

The *Statements of Changes in Plan Net Assets* show additions and deductions for the fiscal year. The net increase (or decrease) is the change in net assets available for benefits since the end of the previous fiscal year.

For financial reporting purposes, STRS Ohio assets are divided into three primary funds: the Defined Benefit (DB) Plan, the Defined Contribution (DC) Plan and Post-employment Health Care.

- The Defined Benefit Plan is the largest fund and includes member contributions, employer contributions and investment earnings for DB participants. The DB Plan pays service retirement benefits using a fixed formula based on age, years of service and salary. In addition to service retirement, DB participants are eligible for disability and survivor benefits.
- The Defined Contribution Plan began on July 1, 2001. It is an optional plan available to new members. DC participants allocate both member and employer contributions in investment choices provided by STRS Ohio. Benefits are based on the member's account value.

As an alternative to the Defined Benefit or Defined Contribution Plan, new members may elect the Combined Plan. Combined Plan participants allocate their member contributions among the same investment choices as DC members, and employer contributions are used to provide a reduced formula service retirement benefit along with disability and survivor protection. Assets to provide benefits to Combined Plan members are divided between the Defined Benefit Plan and the Defined Contribution Plan.

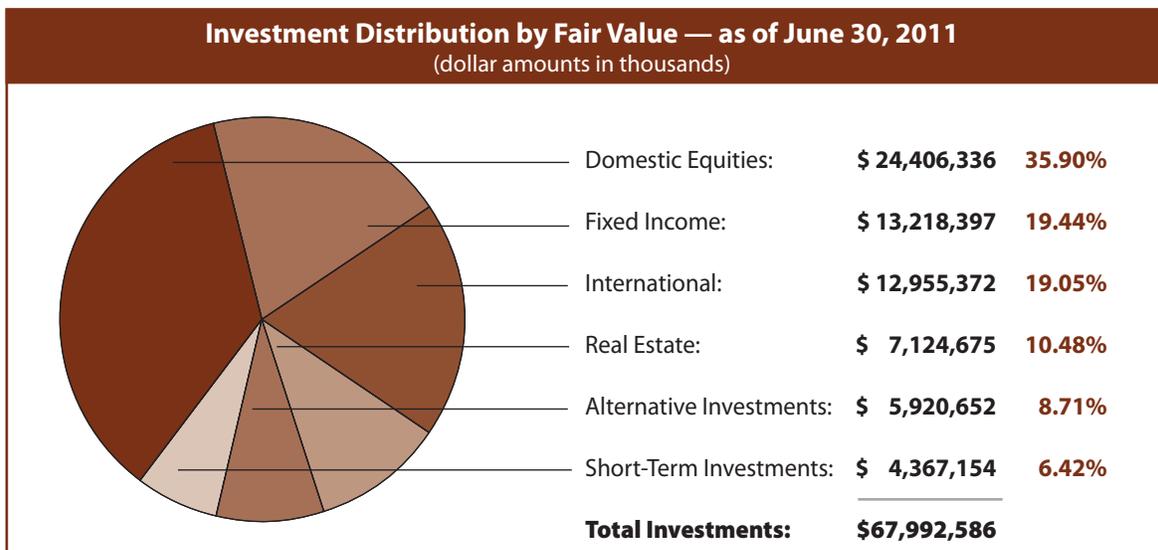
- Net assets for post-employment health care consist of funds set aside to subsidize optional health care coverage for members enrolled in the Defined Benefit and Combined Plans.

The *Notes to Financial Statements* are a fundamental part of the financial statements and provide important information to augment the figures in the financial statements. The notes describe accounting policies along with plan membership and benefits. Supplementary disclosures of selected financial data are included in the notes.

In addition to the basic financial statements and footnotes, a *Schedule of Pension Plan Funding Progress*, a *Schedule of Employer Contributions Related to Pension Plan* and *Notes to Pension Plan Trend Data* are included as "required supplementary information." These schedules emphasize the long-term nature of pension plans and the status of STRS Ohio in accumulating sufficient assets to pay benefits when due.

The *Schedule of Pension Plan Funding Progress* shows actuarial trend information for the past six years. It includes the ratio of valuation assets to actuarial accrued liability (funded ratio). The funded ratio increases over time as the funding status

| Investment Performance (total returns, annualized on a fiscal-year basis, July 1–June 30) | | | |
|--|------------------|---|---------------|
| 1-Year Returns (2011)¹ | | | |
| Asset Category | STRS Ohio Return | Index Name | Index Return |
| Domestic Equities | 33.18% | Russell 3000 | 32.37% |
| International | 24.16% | International Equity Blended Benchmark ² | 23.38% |
| Fixed Income | 5.18% | Barclays Capital U.S. Universal Index | 4.78% |
| Real Estate | 22.66% | Real Estate Blended Benchmark ³ | 19.46% |
| Alternative Investments | 20.43% | Alternative Investment Blended Benchmark ⁴ | – |
| Total Fund | 22.59% | Total Fund Blended Benchmark⁵ | 22.36% |
| 5-Year Returns (2007–2011) | | | |
| Asset Category | STRS Ohio Return | Index Name | Index Return |
| Domestic Equities | 3.15% | Russell 3000 | 3.35% |
| International | 3.78% | International Equity Blended Benchmark ² | 3.18% |
| Fixed Income | 7.44% | Barclays Capital U.S. Universal Index | 6.61% |
| Real Estate | 6.03% | Real Estate Blended Benchmark ³ | 3.96% |
| Alternative Investments | 8.64% | Alternative Investment Blended Benchmark ⁴ | 5.94% |
| Total Fund | 4.48% | Total Fund Blended Benchmark⁵ | 4.42% |
| STRS Ohio Long-Term Policy Objective (20 Years) | | | |
| Total Fund: 8.10% | | | |
| Investment performance is calculated using a time-weighted rate of return. | | | |
| ¹ The one-year returns for the fiscal years ended June 30, 2011, 2010, 2009, 2008 and 2007, have been examined by Vincent Performance Services LLC. A copy of the examination report is available upon request. | | | |
| ² The International Equity Blended Benchmark is calculated using 80% of the MSCI World ex USA Index (50% hedged) and 20% of the MSCI EMF Index. | | | |
| ³ The Real Estate Blended Benchmark is calculated quarterly using 85% NCREIF Property Index (NPI) and 15% Wilshire REIT Index for all periods beginning on or after Oct. 1, 2007, and 80% NPI, 10% NCREIF Timberland Index and 10% Dow Jones Wilshire REIT Index for periods prior to Oct. 1, 2007. | | | |
| ⁴ The Alternative Investment Blended Benchmark is calculated monthly using 62.5% of the Russell 3000 Index plus 3% and 37.5% of the Russell 3000 Index minus 1% effective July 1, 2010; 71.4% of the Russell 3000 Index plus 3% and 28.6% of the Russell 3000 Index minus 1% effective July 1, 2009; and the Russell 3000 Index plus 3% for periods prior to July 1, 2009. Given the long-term nature of the asset class, no benchmark return for alternative investments is displayed for the one-year period. | | | |
| ⁵ The Total Fund Blended Benchmark is calculated and rebalanced monthly using a blend of the asset class benchmarks based on the Total Fund's policy weights in effect during the respective period. For alternative investments, however, the actual alternative investments return is used in the calculation of the Total Fund Blended Benchmark. Information concerning asset class benchmarks and policy weights is available upon request. | | | |



Management's Discussion and Analysis

of a pension plan improves and vice versa. The *Schedule of Pension Plan Funding Progress* also shows the unfunded actuarial accrued liability as a percentage of member payroll. This percentage decreases as a pension plan grows financially stronger.

The *Schedule of Employer Contributions Related to Pension Plan* shows the amount of required employer contributions determined in accordance with parameters established by Governmental Accounting Standards Board (GASB) Statement No. 25 and the percentage actually contributed. Employers have met their obligation by contributing at the legally required contribution rates for each of the six years shown in the schedule.

The *Notes to Pension Plan Trend Data* provide the actuarial method and assumptions used to determine the data in the *Schedule of Pension Plan Funding Progress* and the *Schedule of Employer Contributions Related to Pension Plan*.

A separate *Schedule of Health Care Funding Progress, Schedule of Employer Contributions Related to Health Care and Notes to Health Care Trend Data* are included as required by GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The health care information shows the status of STRS Ohio in accumulating sufficient assets to pay health care coverage costs.

Schedules of Administrative Expenses, Schedules of Investment Expenses and Schedules of Fees to External Asset Managers by Asset Class are included to detail the administrative and investment costs to operate STRS Ohio.

Investment Allocation and Fiscal Year Performance

For fiscal 2011, the rate of return for total investments was 22.59%. The relative benchmark for STRS Ohio returned 22.36%. The target allocations at June 30, 2011, were 1% liquidity reserves, 19% fixed income, 39% domestic stock, 23% international, 10% real estate and 8% in alternative investments. Amounts actually invested in these categories at the end of June 2011 represent an investment over/underweight if different from the target allocation. Over/underweighting occurs as fair values change and as investment managers determine allocation

entry and exit timing strategies. See Page 12 for detailed investment performance.

External asset management fees are shown separately in the *Statements of Changes in Plan Net Assets* as a reduction of investment income. Coupled with direct internal investment costs, the cost to manage investments was \$176 million in 2011 and \$161 million in 2010.

Financial Statement Analysis

The tables on Page 14 show condensed information from the *Statements of Plan Net Assets* and the *Statements of Changes in Plan Net Assets*.

The plan net assets increased 16.6% from fiscal 2010. The plan net assets increased 8.0% from fiscal 2009. The fluctuation of plan net assets for both fiscal 2011 and 2010 was primarily due to changes in the fair value of investments.

The value of capital assets decreased from 2010 because depreciation expense in fiscal 2011 exceeded the cost of new capital items.

Total investment income increased by \$5.6 billion from fiscal 2010. Total investment income for fiscal 2010 increased by more than \$22 billion from fiscal 2009.

Employer contributions increased 0.4% based on statewide covered payroll. Employer contributions increased 2.0% in fiscal 2010. Member contributions increased 1.6% in fiscal 2011 and 2.5% in fiscal 2010. Member and employer rates remained at 10% and 14%, respectively, of earned compensation for fiscal 2010 and 2011.

Health care premiums helped offset some of the increases in health care costs. Of the \$604.5 million paid to health care providers in fiscal 2011, health care enrollees paid \$222.1 million through premium deductions. Health care enrollees were also responsible for additional health care costs paid through deductibles, coinsurance, copayments and other out-of-pocket expenditures. Employer contributions of \$103.7 million and government reimbursements of \$70.6 million helped pay health care costs. The remaining health care costs of \$208.1 million were paid from accumulated net assets held for post-employment health care. For

Management's Discussion and Analysis

| Plan Net Assets (dollar amounts in thousands) | | | | | |
|---|----------------------|----------------------|----------------------|--|--|
| | 2011 | 2010 | 2009 | Amount Increase (Decrease) From 2010 to 2011 | Percentage Change From 2010 to 2011 |
| Cash and investments | \$ 67,997,923 | \$ 58,773,588 | \$ 54,739,893 | \$ 9,224,335 | 15.69% |
| Receivables | 766,081 | 746,461 | 1,301,366 | 19,620 | 2.63% |
| Securities lending collateral | 718,885 | 616,686 | 1,542,050 | 102,199 | 16.57% |
| Capital assets | 116,475 | 121,830 | 125,597 | (5,355) | -4.40% |
| Total assets | 69,599,364 | 60,258,565 | 57,708,906 | 9,340,799 | 15.50% |
| Liabilities | 2,767,510 | 2,936,789 | 4,635,883 | (169,279) | -5.76% |
| Plan net assets | \$ 66,831,854 | \$ 57,321,776 | \$ 53,073,023 | \$ 9,510,078 | 16.59% |

| Additions to Plan Net Assets (dollar amounts in thousands) | | | | | |
|--|----------------------|---------------------|------------------------|--|--|
| | 2011 | 2010 | 2009 | Amount Increase (Decrease) From 2010 to 2011 | Percentage Change From 2010 to 2011 |
| Contributions: | | | | | |
| Member contributions | \$ 1,129,893 | \$ 1,112,542 | \$ 1,085,738 | \$ 17,351 | 1.56% |
| Employer contributions | 1,511,003 | 1,505,101 | 1,475,835 | 5,902 | 0.39% |
| Health care premiums | 222,130 | 222,316 | 225,627 | (186) | -0.08% |
| Other | 100,202 | 61,433 | 58,636 | 38,769 | 63.11% |
| Total contributions | 2,963,228 | 2,901,392 | 2,845,836 | 61,836 | 2.13% |
| Net investment income (loss) | 12,622,935 | 7,028,984 | (15,209,520) | 5,593,951 | 79.58% |
| Total additions to plan net assets | \$ 15,586,163 | \$ 9,930,376 | \$ (12,363,684) | \$ 5,655,787 | 56.95% |

| Deductions From Plan Net Assets (dollar amounts in thousands) | | | | | |
|---|---------------------|---------------------|---------------------|--|--|
| | 2011 | 2010 | 2009 | Amount Increase (Decrease) From 2010 to 2011 | Percentage Change From 2010 to 2011 |
| Deductions: | | | | | |
| Benefit payments | \$ 5,229,494 | \$ 4,888,908 | \$ 4,603,388 | \$ 340,586 | 6.97% |
| Health care coverage | 604,456 | 592,416 | 558,344 | 12,040 | 2.03% |
| Refunds to members | 166,020 | 126,981 | 129,290 | 39,039 | 30.74% |
| Administrative expenses | 61,202 | 61,808 | 62,284 | (606) | -0.98% |
| Other | 14,913 | 11,510 | 10,363 | 3,403 | 29.57% |
| Total deductions | \$ 6,076,085 | \$ 5,681,623 | \$ 5,363,669 | \$ 394,462 | 6.94% |

| Change in Net Assets From Plan Additions and Deductions (dollar amounts in thousands) | | | | |
|---|---------------------|---------------------|------------------------|--------------------------------------|
| | 2011 | 2010 | 2009 | Amount Increase From 2010 to 2011 |
| Change in plan net assets | \$ 9,510,078 | \$ 4,248,753 | \$ (17,727,353) | \$ 5,261,325 |

Management's Discussion and Analysis

fiscal 2010, benefit recipients and employers contributed \$222.3 million and \$103.4 million, respectively.

STRS Ohio was created to provide retirement, disability and survivor benefits to members and eligible beneficiaries. Expenditures include monthly payments to eligible recipients, refunds of contributions to members who terminate employment, and administrative costs of operating STRS Ohio.

Total deductions from plan net assets were \$6.1 billion in fiscal 2011, a 6.9% increase over fiscal 2010. Total deductions from plan net assets were \$5.7 billion in fiscal 2010, a 5.9% increase over fiscal 2009. The largest component was monthly benefit payments for service retirement, disability and survivor benefits. Total pension benefit payments increased 7.0% in fiscal 2011 and 6.2% in fiscal 2010 as a result of new retirees and cost-of-living adjustments.

Health care costs increased 2.0% in fiscal 2011 and 6.1% in fiscal 2010.

Funding Analysis

The unfunded accrued liability for STRS Ohio pension benefits was \$40.7 billion as of July 1, 2011, up from \$38.8 billion at July 1, 2010. Market changes in investment assets are smoothed over a four-year period for valuation purposes, except that the actuarial value of assets shall not be less than 91% nor more than 109% of market value. Valuation assets ended fiscal 2011 at \$58.1 billion, up from \$55.9 billion the prior year. The present value of promised benefits to current and future benefit recipients (the actuarial accrued liability) at fiscal 2011 and 2010 was \$98.8 billion and \$94.7 billion, respectively. The funded ratio, which is valuation assets divided by actuarial accrued liability, was 58.8% at July 1, 2011, down from 59.1% at July 1, 2010. In fiscal 2011, the funding period remained infinite.

Requests for Information

Questions about any information provided in this report should be addressed to:

State Teachers Retirement System of Ohio
ATTN: Chief Financial Officer
275 E. Broad St.
Columbus, OH 43215-3771



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Statements of Plan Net Assets (in thousands)

| | June 30, 2011 | | | | June 30, 2010 | | | |
|---|-------------------|----------------------|-----------------------------|-------------------|-------------------|----------------------|-----------------------------|-------------------|
| | Defined Benefit | Defined Contribution | Post-employment Health Care | Totals | Defined Benefit | Defined Contribution | Post-employment Health Care | Totals |
| Assets: | | | | | | | | |
| Cash and short-term investments | \$ 4,089,095 | \$ 75,024 | \$ 208,372 | \$ 4,372,491 | \$ 2,908,761 | \$ 66,339 | \$ 151,821 | \$ 3,126,921 |
| Receivables: | | | | | | | | |
| Accrued interest and dividends | 157,749 | | 8,039 | 165,788 | 125,771 | | 6,564 | 132,335 |
| Employer contributions | 238,279 | 23 | 12,142 | 250,444 | 239,424 | 28 | 12,497 | 251,949 |
| Retirement incentive | 1,588 | | | 1,588 | 2,887 | | | 2,887 |
| Member contributions | 147,126 | 53 | | 147,179 | 148,181 | 57 | | 148,238 |
| Due from defined contribution plans | 428 | | | 428 | 7,055 | | | 7,055 |
| Securities sold | 188,954 | | 9,629 | 198,583 | 192,134 | | 10,028 | 202,162 |
| Miscellaneous receivables | 2,071 | | | 2,071 | 1,835 | | | 1,835 |
| Total receivables | 736,195 | 76 | 29,810 | 766,081 | 717,287 | 85 | 29,089 | 746,461 |
| Investments, at fair value: | | | | | | | | |
| Fixed income | 12,483,491 | 98,773 | 636,133 | 13,218,397 | 13,278,379 | 87,078 | 693,055 | 14,058,512 |
| Domestic common and preferred stock | 22,993,453 | 241,184 | 1,171,699 | 24,406,336 | 18,404,936 | 164,562 | 960,630 | 19,530,128 |
| International | 12,270,559 | 59,530 | 625,283 | 12,955,372 | 10,690,562 | 41,897 | 557,986 | 11,290,445 |
| Real estate | 6,736,361 | 45,043 | 343,271 | 7,124,675 | 6,275,635 | 30,906 | 327,553 | 6,634,094 |
| Alternative investments | 5,633,577 | | 287,075 | 5,920,652 | 3,928,446 | | 205,042 | 4,133,488 |
| Total investments | 60,117,441 | 444,530 | 3,063,461 | 63,625,432 | 52,577,958 | 324,443 | 2,744,266 | 55,646,667 |
| Invested securities lending collateral | 684,028 | | 34,857 | 718,885 | 586,096 | | 30,590 | 616,686 |
| Capital assets, at cost, net of accumulated depreciation of \$119,657 and \$112,898, respectively | 116,475 | | | 116,475 | 121,830 | | | 121,830 |
| Total assets | 65,743,234 | 519,630 | 3,336,500 | 69,599,364 | 56,911,932 | 390,867 | 2,955,766 | 60,258,565 |
| Liabilities: | | | | | | | | |
| Securities purchased and other investment liabilities | 285,434 | | 14,545 | 299,979 | 323,693 | | 16,895 | 340,588 |
| Debt on real estate investments | 1,629,789 | | 83,051 | 1,712,840 | 1,837,877 | | 95,927 | 1,933,804 |
| Accrued expenses and other liabilities | 27,269 | | 1,390 | 28,659 | 23,973 | | 1,251 | 25,224 |
| Due to defined benefit plans | | 428 | | 428 | | 7,055 | | 7,055 |
| Medical benefits payable | | | 6,715 | 6,715 | | | 13,558 | 13,558 |
| Obligations under securities lending program | 684,032 | | 34,857 | 718,889 | 585,976 | | 30,584 | 616,560 |
| Total liabilities | 2,626,524 | 428 | 140,558 | 2,767,510 | 2,771,519 | 7,055 | 158,215 | 2,936,789 |
| Net assets held in trust for defined benefit, defined contribution and post-employment health care coverage: | | | | | | | | |
| | \$ 63,116,710 | \$ 519,202 | \$ 3,195,942 | \$ 66,831,854 | \$ 54,140,413 | \$ 383,812 | \$ 2,797,551 | \$ 57,321,776 |

See accompanying Notes to Financial Statements.

Statements of Changes in Plan Net Assets (in thousands)

| | Year Ended June 30, 2011 | | | | Year Ended June 30, 2010 | | | |
|---|--------------------------|----------------------|-----------------------------|-------------------|--------------------------|----------------------|-----------------------------|------------------|
| | Defined Benefit | Defined Contribution | Post-employment Health Care | Totals | Defined Benefit | Defined Contribution | Post-employment Health Care | Totals |
| Additions | | | | | | | | |
| Contributions: | | | | | | | | |
| Member | \$ 1,081,958 | \$ 47,935 | | \$ 1,129,893 | \$ 1,066,483 | \$ 46,059 | | \$ 1,112,542 |
| Employer | 1,379,104 | 28,205 | \$ 103,694 | 1,511,003 | 1,374,327 | 27,359 | \$ 103,415 | 1,505,101 |
| Transfers between retirement plans | 16,264 | (16,264) | | | 16,580 | (16,580) | | |
| Retirement incentive | 9,427 | | | 9,427 | 5,017 | | | 5,017 |
| Government reimbursements | | | 70,556 | 70,556 | | | 38,156 | 38,156 |
| Benefit recipient health care premiums | | | 222,130 | 222,130 | | | 222,316 | 222,316 |
| Other retirement systems | 20,219 | | | 20,219 | 18,260 | | | 18,260 |
| Total contributions | 2,506,972 | 59,876 | 396,380 | 2,963,228 | 2,480,667 | 56,838 | 363,887 | 2,901,392 |
| Investment income: | | | | | | | | |
| Net appreciation in fair value of investments | 10,730,157 | 88,372 | 547,914 | 11,366,443 | 5,422,879 | 39,327 | 284,400 | 5,746,606 |
| Interest | 471,889 | 33 | 24,096 | 496,018 | 487,578 | 38 | 25,571 | 513,187 |
| Dividends | 691,411 | | 35,306 | 726,717 | 643,526 | | 33,749 | 677,275 |
| Real estate income | 191,147 | | 9,760 | 200,907 | 228,678 | | 11,993 | 240,671 |
| Securities lending income | 8,276 | | 423 | 8,699 | 11,662 | | 612 | 12,274 |
| Investment income | 12,092,880 | 88,405 | 617,499 | 12,798,784 | 6,794,323 | 39,365 | 356,325 | 7,190,013 |
| Less investment expenses | (33,899) | (274) | (1,731) | (35,904) | (29,480) | (208) | (1,546) | (31,234) |
| Less external asset management fees | (133,146) | | (6,799) | (139,945) | (123,327) | | (6,468) | (129,795) |
| Net investment income | 11,925,835 | 88,131 | 608,969 | 12,622,935 | 6,641,516 | 39,157 | 348,311 | 7,028,984 |
| Total additions | 14,432,807 | 148,007 | 1,005,349 | 15,586,163 | 9,122,183 | 95,995 | 712,198 | 9,930,376 |
| Deductions | | | | | | | | |
| Benefits: | | | | | | | | |
| Service retirement | 4,908,718 | | | 4,908,718 | 4,579,805 | | | 4,579,805 |
| Disability benefits | 207,245 | | | 207,245 | 205,989 | | | 205,989 |
| Survivor benefits | 113,531 | | | 113,531 | 103,114 | | | 103,114 |
| Health care | | | 604,456 | 604,456 | | | 592,416 | 592,416 |
| Other | 14,913 | | | 14,913 | 11,510 | | | 11,510 |
| Total benefit payments | 5,244,407 | | 604,456 | 5,848,863 | 4,900,418 | | 592,416 | 5,492,834 |
| Refunds to members who have withdrawn | 153,243 | 12,777 | | 166,020 | 117,751 | 9,230 | | 126,981 |
| Administrative expenses | 58,860 | (160) | 2,502 | 61,202 | 59,320 | (35) | 2,523 | 61,808 |
| Total deductions | 5,456,510 | 12,617 | 606,958 | 6,076,085 | 5,077,489 | 9,195 | 594,939 | 5,681,623 |
| Net increase | 8,976,297 | 135,390 | 398,391 | 9,510,078 | 4,044,694 | 86,800 | 117,259 | 4,248,753 |
| Net assets held in trust for defined benefit, defined contribution and post-employment health care coverage: | | | | | | | | |
| Beginning of year | 54,140,413 | 383,812 | 2,797,551 | 57,321,776 | 50,095,719 | 297,012 | 2,680,292 | 53,073,023 |
| End of year | \$ 63,116,710 | \$ 519,202 | \$ 3,195,942 | \$ 66,831,854 | \$ 54,140,413 | \$ 383,812 | \$ 2,797,551 | \$ 57,321,776 |

See accompanying Notes to Financial Statements.

Notes to Financial Statements

Years ended June 30, 2011 and 2010

1. Summary of Significant Accounting Policies

The financial statements of the State Teachers Retirement System of Ohio (STRS Ohio) presented herein have been prepared on the accrual basis of accounting following the accounting policies set forth below.

Organization — STRS Ohio is a cost-sharing, multiple-employer plan that operates under Chapter 3307 of the Ohio Revised Code (Revised Code) and is administered by a board comprised of 11 members as follows: five elected contributing members; two elected retired teacher members; an investment expert appointed by the governor; an investment expert appointed jointly by the speaker of the House and the Senate president; an investment expert designated by the treasurer of state; and the superintendent of public instruction or his or her designated investment expert.

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, an amendment of GASB Statement No. 14, *The Financial Reporting Entity*. This statement requires that financial statements of the reporting entity include all of 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 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. STRS Ohio does not have financial accountability over any entities.

Investment Accounting — Purchases and sales of investments are recorded as of their trade date. Dividend income is recognized on the ex-dividend date. Interest and rental income are recognized as the income is earned.

STRS Ohio has no individual investment that exceeds 5% of net assets available for benefits.

Contributions and Benefits — Employer and member contributions are recognized when due based on statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Capital Assets — Capital assets are recorded at historical cost. Depreciation is provided on a straight-line basis over estimated useful lives of five to 10 years for equipment and 40 years for building and building improvements. Capital assets include purchases of \$500 or more with a useful life of at least five years. Intangible assets, such as internally developed software, are capitalized in accordance with GASB Statement No. 51 and consistent with the capital asset policy.

Method Used to Value Investments — Investments are reported at fair value. Short-term investments, with maturities less than one year, are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the then current exchange rates. Fixed-income investments are valued based on their coupon rate relative to the coupon rate for similar securities. The fair value of real estate investments is based on independent appraisals and internal valuations. The fair value of alternative investments is determined by the alternative investment partnership based on the valuation methodology outlined in the partnership agreement.

Federal Income Tax Status — Under Section 401(a) of the Internal Revenue Code, STRS Ohio is exempt from federal income taxes.

Use of Estimates — In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, the board makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

2. Description of the STRS Ohio Plan

Plan Membership — STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio (the state) or any school, college, university, institution or other agency controlled,

managed and supported, in whole or part, by the state or any political subdivision thereof.

See charts to the right for member and retiree data and participating employers.

Active members are defined as participants who earned 0.25 years of service credit or more in the valuation year and those employed on or after Jan. 1, with less than 0.25 years of service credit.

Plan Options — New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan or a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member. Employer contributions in the Combined Plan are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis.

DB Plan Benefits — Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age.

The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying final average salary by 2.2% for the first 30 years of credited service. Each year over 30 years is incrementally increased by .1%, starting at 2.5% for the 31st year of contributing service up to a maximum allowance of 100% of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5%, and each year over 31 years

Member and Retiree Data at July 1, 2011 and 2010

| | 2011 | 2010 |
|--|----------------|----------------|
| Current active members | 177,897 | 180,975 |
| Inactive members eligible for refunds only | 134,301 | 130,588 |
| Terminated members entitled to receive a benefit in the future | 16,990 | 17,377 |
| Retirees and beneficiaries currently receiving a benefit | 138,088 | 133,103 |
| Defined Contribution Plan members | 7,963 | 7,923 |
| Reemployed retirees | 23,156 | 23,651 |
| Total Plan Membership | 498,395 | 493,617 |

Participating Employers at June 30, 2011 and 2010

| | 2011 | 2010 |
|---|--------------|--------------|
| City school districts | 194 | 194 |
| Local school districts | 370 | 370 |
| County educational service centers | 56 | 57 |
| Exempted village school districts | 49 | 49 |
| Joint vocational schools | 49 | 49 |
| Colleges and universities | 36 | 36 |
| County boards of developmental disabilities | 69 | 69 |
| Community schools | 291 | 273 |
| State of Ohio | 1 | 1 |
| Other | 9 | 9 |
| Total | 1,124 | 1,107 |

is incrementally increased by .1% starting at 2.6% for the 32nd year. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts.

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to compute the maximum annual retirement allowance.

Since the plan is tax-qualified, benefits are subject to limits established by Section 415 of the Internal Revenue Code. Benefits are increased annually by 3% of the original base amount.

Notes to Financial Statements

Years ended June 30, 2011 and 2010

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

DC Plan Benefits — Benefits are established under Chapter 3307.80 to 3307.89 of the Revised Code.

For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. The member receives a quarterly statement of his or her account activity and balance. The remaining 3.5% of the 14.0% employer rate is allocated to the defined benefit unfunded liability.

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into member accounts are vested after the first anniversary of the first day of paid service.

Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan — In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment.

A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity.

Both DC and Combined Plan members transfer to the Defined Benefit Plan during their fifth year of

membership unless they permanently select the DC or Combined Plan. During fiscal 2011, \$16,264,000 was transferred from the DC and Combined Plan accounts to the Defined Benefit Plan. During fiscal 2010, \$16,580,000 was transferred from the DC and Combined Plan accounts to the Defined Benefit Plan.

Death, Survivor and Disability Benefits —

A Defined Benefit Plan or Combined Plan member with five or more years of credited service who becomes disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) is entitled to a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Health Care Coverage After Retirement —

Ohio law authorizes the State Teachers Retirement Board to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans and their eligible family members.

Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by the plan. All benefit recipients, for the year ended June 30, 2011, pay a portion of the health care costs in the form of a monthly premium. Benefit recipients contributed \$222.1 million or 37% of the total health care costs (excluding deductibles, coinsurance and copayments). For the year ended June 30, 2010, benefit recipients also contributed 37% of the total health care costs.

Under Ohio law, funds to pay health care costs may be deducted from employer contributions, currently 14% of compensation. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. For the

years ended June 30, 2011 and 2010, employer contributions allocated to health care totaled \$103.7 million and \$103.4 million, respectively.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage. For the years ended June 30, 2011 and 2010, STRS Ohio received \$40.9 million and \$38.2 million in Medicare Part D reimbursements, respectively.

STRS Ohio began participating in the Early Retiree Reinsurance Program (ERRP) in 2011. ERRP is managed by Health and Human Services and provides financial assistance to employers that maintain health care coverage for early retirees not yet eligible for Medicare. In the first year that assistance was available, STRS Ohio received \$29.7 million in this program.

Pension and post-employment health care assets are commingled for investment purposes. Consequently, amounts reported for individual asset classes are allocated between pension and post-employment health care based upon ending net assets.

Pension Plan and Health Care Plan Funding

Progress — The actuarial assumptions and methods used in the pension plan and health care valuations were selected in compliance with the parameters established under GASB Statements No. 25 and No. 43. As noted previously, health care plan net assets are commingled with pension plan net assets for investment purposes.

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 health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of employer contributions shown below presents information about the amounts contributed to the plan by employers in comparison to the annual required contribution (ARC), an amount that is actuarially determined in accordance with parameters of GASB Statements No. 25 and No. 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 over a period not to exceed 30 years. The most recent pension valuation reflects an amortization period of infinity, but is reduced to 30 years for disclosure compliance.

Key Methods and Assumptions Used in Actuarial Valuation

| Actuarial Information | Pension | Health Care |
|-------------------------------|---|--|
| Valuation date | July 1, 2011 | Jan. 1, 2011 |
| Actuarial cost method | Entry age | Entry age |
| Amortization method | Level percentage, open | Level percentage, open |
| Amortization period | 30 years | 30 years |
| Asset valuation method | Four-year, smoothed market with 91%/109% corridor | Fair market value |
| Actuarial assumptions: | | |
| Investment rate of return | 8.0% | 5.4% |
| Projected salary increases | 12.00% at age 20, to 3.25% at age 65 | varies by age from 3.0%–12.0% |
| Payroll increase | 3.50% for next 7 years; 4.00% thereafter | 3.50% for next 8 years; 4.00% thereafter |
| Inflation assumption | 3.0% | 3.0% |
| Cost-of-living adjustment | 3.0% simple | N/A |
| Trend rate | N/A | 7.8%–11.0% initial; 5% ultimate |

Required Pension and Health Care Employer Contributions

(dollar amounts in thousands)

| Year Ended June 30 | Pension | | Health Care | |
|-----------------------|------------------------------------|------------------------|------------------------------------|------------------------|
| | Annual Required Contribution | Percent Contributed | Annual Required Contribution | Percent Contributed |
| 2009 | \$1,502,240 | 89% | \$775,262 | 13% |
| 2010 | \$2,623,624 | 52% | \$635,447 | 16% |
| 2011 | \$2,715,523 | 51% | \$448,890 | 23% |

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan participants), and include the types of benefits provided at the time of the valuation. 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.

Notes to Financial Statements

Years ended June 30, 2011 and 2010

The funded status and funding progress of the pension plan and health care plan require an actuarial valuation. The funded status and funding progress of the pension plan as of June 30, 2011, and the preceding two years is as follows:

Schedule of Pension Plan Funding Progress (dollar amounts in thousands)

| Actuarial Valuation Year | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as % of Covered Payroll |
|--------------------------|---------------------------|-----------------------------|---|--------------|-----------------|------------------------------|
| 2009 | \$54,902,859 | \$91,440,955 | \$36,538,096 | 60.0% | \$10,800,817 | 338% |
| 2010 | \$55,946,259 | \$94,720,669 | \$38,774,410 | 59.1% | \$11,057,260 | 351% |
| 2011 | \$58,110,495 | \$98,766,204 | \$40,655,709 | 58.8% | \$11,097,598 | 366% |

The funded status and funding progress of the health care plan as of Jan. 1, 2011, and the preceding two years is as follows:

Schedule of Health Care Plan Funding Progress (dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as % of Covered Payroll |
|--------------------------|---------------------------|-----------------------------|---|--------------|-----------------|------------------------------|
| Jan. 1, 2009 | \$2,693,699 | \$13,413,723 | \$10,720,024 | 20.1% | \$10,053,041 | 106.6% |
| Jan. 1, 2010 | \$2,967,540 | \$11,355,003 | \$8,387,463 | 26.1% | \$10,347,383 | 81.1% |
| Jan. 1, 2011 | \$3,108,541 | \$8,631,313 | \$5,522,722 | 36.0% | \$10,520,932 | 52.5% |

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 the pension and health care plans are presented on Pages 31 and 32.

Refunds — Withdrawal cancels a member's rights and benefits in STRS Ohio.

Upon termination of employment, a Defined Benefit Plan member may withdraw accumulated contributions made to STRS Ohio. Refunds of member contributions may include interest and 50% matching payments.

A Combined Plan member is eligible for the present value of future benefits from the defined benefit portion of the account if he or she terminates employment after at least five years of service. For the defined contribution portion of the account, the refund consists of member contributions plus any investment gains or losses on those contributions.

Defined Contribution Plan members receive their contributions plus any investment gains or losses until they have completed one year of membership. After one year of membership, members receive the balance in their accounts, including employer contributions and related gains or losses.

Alternative Retirement Plan — Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer.

Employees have 120 days from their date of hire to select a retirement plan.

For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 3.5% of payroll. For the year ended June 30, 2011, the ARP participant payroll totaled \$477,923,000. For the year ended June 30, 2010, the ARP participant payroll totaled \$459,582,000.

Administrative Expenses — The costs of administering the Defined Benefit and post-employment health care plans are financed by investment income. The administrative costs of the Defined Contribution Plan are financed by participant fees.

3. Contribution Requirements and Reserves

Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Revised Code. The member rate is limited to 10% and the employer rate is limited to 14% of covered payroll.

Various funds are established under the Revised Code to account for contributions, reserves, income and administrative expenses.

The Teachers' Savings Fund (TSF) is used to accumulate member contributions in trust.

The Employers' Trust Fund (ETF) is used to accumulate employer contributions in trust. The ETF includes assets allocated to post-employment health care from which payments for health care coverage are made. Investment fair value changes for the Defined Benefit Plan and the health care program from year-to-year are recorded in the ETF.

The Annuity and Pension Reserve Fund (APRF) is the fund from which all annuities and pension payments to retired members are made. Reserves are transferred to this fund from the TSF and ETF funds at the time of retirement.

The Survivors' Benefit Fund is the fund from which all survivor benefit payments are made for which reserves have been transferred from the TSF and the ETF.

The Defined Contribution Fund accumulates DC member and employer contributions, Combined Plan member contributions, investment earnings and DC plan expenses.

The Guarantee Fund is used to accumulate income derived from gifts, bequests and investments for the year.

The Expense Fund is the fund from which all expenses for the administration and management of STRS Ohio are paid each year.

After interest is allocated to the various funds, the Guarantee Fund and the Expense Fund are closed into the ETF at year-end.

At June 30, 2011 and 2010, plan net assets were included in the various funds as shown in the chart below.

Fund Balances (in thousands)

| | June 30, 2011 | June 30, 2010 |
|----------------------------------|----------------------|----------------------|
| Teachers' Savings Fund | \$ 10,907,611 | \$ 10,641,167 |
| Employers' Trust Fund | (7,036,560) | (11,457,857) |
| Annuity and Pension Reserve Fund | 61,364,070 | 56,713,007 |
| Survivors' Benefit Fund | 1,077,531 | 1,041,647 |
| Defined Contribution Fund | 519,202 | 383,812 |
| Total | \$ 66,831,854 | \$ 57,321,776 |

4. Commitments and Contingencies

STRS Ohio has made commitments to fund various real estate investments totaling \$581,003,575 as of June 30, 2011. The commitments as of June 30, 2011, have expected funding dates from August 2011 to April 2014.

STRS Ohio has made commitments to fund various alternative investments totaling \$3,119,572,000 as of June 30, 2011. The expected funding dates for the commitments as of June 30, 2011, range from July 2011 to June 2017.

STRS Ohio is a party in various lawsuits. 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 the net assets available for benefits.

5. Deposit and Investment Risk Disclosure

Investment Authority — The investment authority of the Retirement Board is governed by Section 3307.15 of the Revised Code that also requires the Retirement Board to publish its investment policies annually and make copies available to interested parties. This section requires that investments be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Investments held at fair value by STRS Ohio at June 30, 2011 and 2010, are summarized in the chart below.

Investments Held at Fair Value by STRS Ohio at June 30, 2011 and 2010 (summarized and in thousands)

| Category | June 30, 2011 | June 30, 2010 |
|---|----------------------|----------------------|
| Short-term: | | |
| Commercial paper | \$ 4,334,154 | \$ 3,078,470 |
| Short-term investment funds | 33,000 | 49,000 |
| Repurchase agreements | — | — |
| Total short-term | 4,367,154 | 3,127,470 |
| Fixed income: | | |
| U.S. government agency obligations | 927,317 | 958,878 |
| Corporate bonds | 4,626,038 | 4,207,714 |
| High yield and emerging market | 1,252,280 | 1,110,016 |
| Mortgages and asset-backed | 4,064,050 | 4,070,661 |
| U.S. government obligations | 2,348,712 | 3,711,243 |
| Total fixed income | 13,218,397 | 14,058,512 |
| Domestic common and preferred stock | 24,406,336 | 19,530,128 |
| International: (See Note 6) | 12,955,372 | 11,290,445 |
| Real estate: (See Note 7) | | |
| East region | 2,361,152 | 2,201,662 |
| Midwest region | 1,093,349 | 970,248 |
| South region | 567,740 | 591,811 |
| West region | 1,429,065 | 1,274,687 |
| REITs | 819,738 | 719,420 |
| Other | 853,631 | 876,266 |
| Total real estate | 7,124,675 | 6,634,094 |
| Alternative investments: (See Note 8) | 5,920,652 | 4,133,488 |
| Invested securities lending collateral | 718,885 | 616,686 |
| Total investments and invested securities lending collateral | \$ 68,711,471 | \$ 59,390,823 |

Cash and Short-Term Investments — Cash and short-term investments are combined for reporting purposes and include bank cash balances of \$5,337,000 at June 30, 2011.

Notes to Financial Statements

Years ended June 30, 2011 and 2010

GASB Statement No. 40 — GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

Credit Risk — The quality ratings of investments in fixed-income securities as described by Standard & Poor's or Moody's at June 30, 2011 and 2010, are shown in the chart below. U.S. government fixed-income securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

Quality Ratings of Fixed-Income Investments Held at June 30, 2011 and 2010 (in thousands)

| Investment Type | Quality Rating | June 30, 2011 Fair Value | June 30, 2010 Fair Value |
|---|----------------|-----------------------------|-----------------------------|
| U.S. government agency obligations | AAA | \$ 764,804 | \$ 648,074 |
| | AA | 146,014 | — |
| | A | 16,499 | 15,820 |
| | NR | — | 294,984 |
| Total U.S. government agency obligations | | 927,317 | 958,878 |
| Corporate bonds | AAA | 1,607,948 | 1,462,542 |
| | AA | 436,964 | 221,445 |
| | A | 1,561,501 | 1,414,434 |
| | BBB | 886,053 | 982,179 |
| | BB | 35,443 | 77,649 |
| Total corporate bonds | | 4,626,038 | 4,207,714 |
| High yield and emerging markets fixed income | AAA | 264 | 13,461 |
| | AA | 1,644 | 4,338 |
| | A | 25,210 | 15,991 |
| | BBB | 143,819 | 149,322 |
| | BB | 264,566 | 262,164 |
| | B | 489,198 | 424,505 |
| | CCC and below | 171,501 | 129,762 |
| | NR | 156,078 | 110,473 |
| Total high yield and emerging markets fixed income | | 1,252,280 | 1,110,016 |
| Mortgages and asset-backed | AAA | 3,965,660 | 3,925,971 |
| | BBB | — | 13,600 |
| | BB | 19,148 | 54,480 |
| | B | 12,287 | 16,806 |
| Total mortgages and asset-backed | | 4,064,050 | 4,070,661 |
| Credit risk debt securities | | 10,869,685 | 10,347,269 |
| U.S. government obligations | | 2,348,712 | 3,711,243 |
| Total fixed-income investments | | \$ 13,218,397 | \$ 14,058,512 |

Custodial Credit Risk — Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of a failure of the counterparty, STRS Ohio will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of STRS Ohio, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of STRS Ohio.

All investments are held in the name of STRS Ohio or its nominee by the Treasurer of the State of Ohio as custodian. At June 30, 2011 and 2010, the bank cash balances were approximately \$15,388,000 and \$12,231,000, respectively. Bank balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining bank deposits are covered by collateral held in the name of STRS Ohio's pledging financial institution, as required by state statute.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. 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 longer the maturity, the more the value of the fixed-income investment will fluctuate with interest rate changes. The table on Page 26 shows the maturities by weighted-average duration at June 30, 2011 and 2010.

Concentration of Credit Risk — STRS Ohio is guided by statute and policy in the selection of security investments. No investment in any one organization represents 5% or more of plan net assets.

Duration of Fixed-Income Investments Held at June 30, 2011 and 2010 (in thousands)

| Investment Type | June 30, 2011 | | June 30, 2010 | |
|--|----------------------|---------------------------|----------------------|---------------------------|
| | Fair Value | Weighted-Average Duration | Fair Value | Weighted-Average Duration |
| U.S. government agency obligations | \$ 927,317 | 1.068 | \$ 958,878 | 2.180 |
| Corporate bonds | 4,626,038 | 3.250 | 4,207,714 | 5.002 |
| High yield and emerging markets fixed income | 1,252,280 | 5.759 | 1,110,016 | 4.747 |
| Mortgages and asset-backed | 4,064,050 | 4.253 | 4,070,661 | 2.831 |
| U.S. government obligations | 2,348,712 | 6.551 | 3,711,243 | 4.756 |
| Total fixed income | \$ 13,218,397 | | \$ 14,058,512 | |

Significant investment guidelines that relate to investment concentration, interest rate risk and foreign currency risk by major asset class are as follows:

Overall Investment Portfolio — The Retirement Board has approved a target risk budget range of 0.60% to 1.20%, with a working range of 0.20% to 1.60%, annualized for active investment management for the total fund. A risk budget is the amount the Retirement Board has approved for returns to vary from an unmanaged passive investment profile. The board expects active management to add net 0.40% of annualized excess return over moving five-year periods.

Fixed Income — The portfolio will seek diversification by market sector, quality and issuer. The risk budget range for fixed income is 0.10% to 1.50% using the Barclays Capital U.S. Universal Index as the benchmark. Derivatives may be used to adjust the exposure to interest rates, individual securities or to various market sectors in the portfolio. Underlying exposure of derivatives for fixed-income investments will not exceed 5% of total fund assets.

Domestic Equities — The risk budget range for domestic equities is 0.20% to 1.50% using the Russell 3000 as the benchmark. Derivatives may be used in management of the equity portfolio. The use of leverage is prohibited. Underlying exposure of equity derivatives cannot exceed 10% of total fund assets.

International — International assets will be a diversified portfolio including both developed and emerging countries. The risk budget range for international equity is between 1.00% to 2.50% using a blended benchmark of 80% MSCI World ex USA Index (50% hedged) and 20%

MSCI Emerging Market Free Index. Derivatives may be used in management of the portfolio and underlying exposure of derivatives for international investments will not exceed 10% of total fund assets.

Real Estate — The real estate portfolio shall be diversified between property type, geographic location and investment structure. The risk budget range for real estate investments is 2.00% to 7.00% using a benchmark of 85% NCREIF Property Index and 15% Wilshire Real Estate Investment Trust Index. Investments in non-core real estate, which includes domestic and international opportunity funds and real estate development projects, shall not exceed 20% of total real estate assets. Derivatives may be used and cannot exceed 1% of total fund assets. STRS Ohio may borrow funds on a secured or unsecured basis and leverage is limited to 50% of internally managed real estate assets excluding publicly traded real estate investment trusts (REITs).

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. Forward currency contracts may be used to manage the exposure to foreign currencies. The system's foreign currencies and investments at June 30, 2011 and 2010 are shown in the chart on Page 27. The investments figures are comprised of numerous portfolios within international equity, debt securities and real estate investments.

Securities Lending — STRS Ohio participates in a domestic and international securities lending program whereby securities are loaned to investment brokers/dealers (borrower). Securities loaned are collateralized by the borrower at 102% of the domestic equity and U.S. dollar-

Notes to Financial Statements

Years ended June 30, 2011 and 2010

denominated fixed-income loaned securities' fair value and 105% of the international loaned securities' fair value.

STRS Ohio lends domestic equities, international, U.S. Treasuries, agencies and corporate bonds. The collateral received is cash, U.S. Treasuries or related agency securities. STRS Ohio cannot sell or pledge collateral received. If a borrower defaults, then the collateral can be liquidated.

A custodial agent bank administers the program and STRS Ohio receives a fee from the borrower for the use of loaned securities. Cash collateral from securities lending is invested in repurchase agreements, commercial paper and U.S. corporate obligations.

The credit quality of the invested cash collateral is the same as the credit quality on STRS Ohio direct holdings. There are slight mismatches between the duration of the cash invested and the length of time the securities are on loan. As of June 30, 2011, the average maturity of the invested cash collateral is 30 days. Because much of the cash collateral is invested in floating rate securities, interest rates are reset every three days on average as of June 30, 2011. STRS Ohio has minimized its exposure to credit risk due to borrower default by having the custodial agent bank determine daily that the required collateral meets the specified collateral requirements. There are no restrictions on the amount of securities that can be loaned. The fair value of the loaned securities was approximately \$679,611,000 and \$592,686,000 as of June 30, 2011 and 2010, respectively. The fair value of the associated invested cash collateral as of June 30, 2011 and 2010, was approximately \$718,885,000 and \$616,686,000, respectively.

| Foreign Currency | | | | |
|--|----------------------|---|----------------------|---|
| Held at June 30, 2011 and 2010 (in thousands) | | | | |
| Foreign Currency Denomination | June 30, 2011 | | June 30, 2010 | |
| | International | High Yield & Emerging Markets Fixed Income | International | High Yield & Emerging Markets Fixed Income |
| Argentina Peso | \$ 559 | 3,182 | \$ 422 | |
| Australian Dollar | 235,794 | | 85,371 | |
| Brazilian Real | 187,855 | 6,479 | 180,770 | \$ 11,366 |
| British Pound Sterling | 520,669 | 1,528 | 615,135 | |
| Canadian Dollar | 14,883 | | 228,569 | |
| Chilean Peso | 34,374 | | 27,835 | |
| Colombian Peso | 472 | 4,169 | 2,376 | 3,505 |
| Czech Koruna | 27,565 | | 19,661 | |
| Danish Krone | 70,377 | | 81,238 | |
| Egyptian Pound | 13,873 | 67 | 22,759 | 74 |
| Euro Currency | 894,865 | 8,874 | 435,340 | 4,908 |
| Ghana Cedi | | 2,484 | 343 | |
| Hong Kong Dollar | 443,538 | | 435,695 | |
| Hungarian Forint | 16,542 | | 15,361 | |
| Indian Rupee | 123,482 | 646 | 118,328 | |
| Indonesian Rupiah | 40,353 | 4,665 | 45,920 | 4,370 |
| Israeli Shekel | 36,157 | | 21,936 | |
| Japanese Yen | 427,140 | 126 | 369,229 | 4,540 |
| Jordan Dollar | | | 1 | |
| Malaysian Ringgit | 44,890 | 4,847 | 46,463 | 4,017 |
| Mexican Nuevo Peso | 55,593 | 5,958 | 41,146 | 4,269 |
| New Zealand Dollar | 110,710 | | 66,007 | |
| Nigerian Naira | | 264 | | |
| Norwegian Krone | 213,575 | | 128,953 | |
| Philippines Peso | 20,386 | 668 | 14,527 | |
| Polish Zloty | 41,894 | | 24,156 | |
| Renminbi Yuan | 2,234 | | 3,040 | |
| Russian New Ruble | 10,950 | | 15,227 | 989 |
| Singapore Dollar | 102,062 | | 138,706 | |
| South African Rand | 219,561 | 5,998 | 172,464 | 1,010 |
| South Korean Won | 363,069 | | 280,878 | |
| Sri Lanka Rupee | | | 1,015 | |
| Swedish Krona | 166,906 | | 62,313 | |
| Swiss Franc | 272,990 | | 89,446 | |
| Taiwan Dollar | 333,894 | | 263,775 | |
| Thai Baht | 77,398 | | 63,356 | |
| Turkish Lira | 69,135 | | 69,301 | |
| Zimbabwean Dollar | | | 885 | |
| Held In Foreign Currency | 5,193,745 | 49,955 | 4,187,604 | 39,391 |
| Held In U.S. Dollars | 7,761,627 | 1,202,325 | 7,102,841 | 1,070,625 |
| Total | \$ 12,955,372 | \$ 1,252,280 | \$ 11,290,445 | \$ 1,110,016 |

6. International Investments

Externally Managed — STRS Ohio has investments in international equity securities through the use of external money managers. It is the intent of STRS Ohio and the money managers to be fully invested; however, cash and short-term fixed-income investments may be held temporarily. The portfolios are managed in accordance with various mandates based on Morgan Stanley Capital International's (MSCI) indexes. Investments are held in both developed and emerging international markets.

Internally Managed:

Developed Markets, Emerging Stock and Country Funds — STRS Ohio actively invests in developed and emerging markets through individual stock selection, including international publicly traded real estate securities, and traded country funds. Each country fund consists of individual equity securities pooled together in an attempt to match or exceed the local country's index.

Europe, Australia and Far East (EAFE) Index Fund — To increase diversification in international developed markets, STRS Ohio invests in an EAFE Index Fund. The EAFE Index Fund purchases foreign equities, futures and other traded investments to replicate the makeup of the EAFE benchmark.

Equity Swaps — Four EAFE and three Emerging Market Free (EMF) international equity swap agreements were contracted during fiscal 2011 with maturity dates in fiscal 2012. In exchange for LIBOR (London Interbank Offered Rate) minus a negotiated spread, STRS Ohio will receive or pay the difference of the change in the total return of the various market indices included in the swap agreements. Fixed-income securities with a notional amount of \$1.40 billion have been set aside at the State Street Bank and Trust Company as security.

Forward Contracts — Managers have the ability to add value through currency management. Forward currency contracts are used to minimize the impact of foreign currency fluctuations on the asset positions of foreign investments.

The fair values of international investments held at June 30, 2011 and 2010, are shown in the chart below.

| Fair Values of International Investments | | |
|--|----------------------|----------------------|
| Held at June 30, 2011 and 2010 (in thousands) | | |
| | June 30, 2011 | June 30, 2010 |
| Externally managed | | |
| International stocks | \$ 5,753,225 | \$ 5,033,018 |
| International other assets | | 55,995 |
| International currency and liquidity reserves | 107,247 | 220,155 |
| Forward contracts | 2,913 | (49,374) |
| Total externally managed | 5,863,385 | 5,259,794 |
| Internally managed | | |
| Developed markets | 3,853,060 | 3,326,185 |
| Emerging stock and country funds | 1,768,118 | 1,404,576 |
| International publicly traded real estate securities | 37,084 | 63,249 |
| EAFE Index Fund | 1,335,081 | 1,248,076 |
| EAFE equity swaps | 37,089 | (7,217) |
| EMF equity swaps | 68,835 | |
| Forward contracts | (7,280) | (4,218) |
| Total internally managed | 7,091,987 | 6,030,651 |
| Total international | \$ 12,955,372 | \$ 11,290,445 |

7. Real Estate Investments

Direct — STRS Ohio properties are diversified between property type, geographic location and investment structure. Direct real estate assets include both single and multi-tenant retail, office and warehouse properties, as well as apartments.

Public Real Estate — Public real estate includes publicly traded real estate securities and real estate investment trusts (REITs). REITs are real estate company stocks with a high dividend-income component. REITs divide the ownership of the real estate company and its properties among all the shareholders. REITs are required to distribute 90% of the company's taxable income to their shareholders annually in the form of dividends. Distributions are taxable to shareholders rather than the real estate company. STRS Ohio is exempt from federal and state income taxes.

Other — Other real estate investments include commingled funds that are externally managed. Commingled funds generate income as a result of operations and property sales, which are distributed to the investors.

Debt on Real Estate Investments and Interest Rate Swaps — STRS Ohio uses debt to lower the cash outlay in acquiring real estate assets and to positively impact the performance of the real estate portfolio. Of the debt on real estate investments, \$300 million was recourse debt as of June 30, 2011 and 2010. This debt is recourse to STRS Ohio with a covenant not to mortgage a specific pool of real estate assets. The remainder of the debt on real estate investments at June 30, 2011 and 2010, is non-recourse debt, which means that in the event of default, the specific real estate holding is used as collateral for the loan and general assets of STRS Ohio are not pledged as collateral.

At June 30, 2011, and June 30, 2010, the recourse loan of \$300 million had a maturity date of May 2012. Interest on the recourse loan is based on LIBOR plus a spread.

Of the non-recourse debt at June 30, 2011, loan maturities ranged from March 2012 to

Notes to Financial Statements

Years ended June 30, 2011 and 2010

July 2034. Non-recourse debt at June 30, 2010, had loan maturities ranging from December 2010 to July 2034. The repayment schedule for real estate debt is reflected in the table below.

| Real Estate Debt Repayment Schedule As of June 30, 2011 (in thousands) | | |
|---|---------------------|-------------------|
| By Fiscal Year | Principal | Interest |
| 2012 | \$ 436,699 | \$ 47,451 |
| 2013 | 181,977 | 34,531 |
| 2014 | 148,632 | 26,470 |
| 2015 | 1,349 | 22,843 |
| 2016 | 60,633 | 21,718 |
| 2017–2021 | 350,000 | 14,209 |
| 2022–2026 | 49,000 | 2,415 |
| 2027–2031 | 143,000 | 1,907 |
| 2032–2036 | 341,550 | 794 |
| Total | \$ 1,712,840 | \$ 172,338 |

8. Alternative Investments

Alternative investments are primarily investments in private equities and opportunistic/diversified investments. Private equity is actively managed and includes venture and buyout/growth opportunities. STRS Ohio invests as a limited partner in closed-end partnerships along with other pension funds, endowments and high-net-worth individuals. Private equity investments tend to be limited to a particular industry to take advantage of the general partner's knowledge and skill. Opportunistic/diversified investments are actively managed and are tactical in nature with a goal of downside protection during equity bear markets.

9. Derivatives

Equity Swap Agreements — As discussed in Note 6, STRS Ohio has entered into international equity swap agreements. No funds are required as collateral by either party; however, STRS Ohio has purchased fixed-income securities equivalent to the initial exposure, which are located in a subcustodial account at the State Street Bank and Trust Company as of June 30, 2011. The notional amount of the contracts was \$1.40 billion. The unrealized gain at June 30, 2011, was \$35.1 million and is included as net appreciation/depreciation in the *Statements of Changes in Plan Net Assets*. The market risk of the swap is the same as if STRS Ohio owned the underlying stocks that comprise the indexes. The revenues and expenses resulting from these agreements have been recorded in the basic financial statements.

Forward Contracts — Forward contracts in various currencies were used to transact and hedge direct foreign equity and real estate investments that STRS Ohio maintains through the use of outside managers. Additionally, forward contracts were used to hedge currency exposure as a result of the EAFE equity swap agreements. STRS Ohio is obligated to deliver the foreign currency at a certain dollar price sometime in the future. To fulfill this obligation at maturity, STRS Ohio must obtain the currency in the open market. Before the contract matures, STRS Ohio can enter into an offsetting forward contract that nets out the original contract. These events expose STRS Ohio to currency market risk, which can fluctuate. The unrealized gain or loss on forward-currency contracts is included as net appreciation/depreciation in the *Statements of Changes in Plan Net Assets*. STRS Ohio is also subject to the risk that the counterparty will fail to fulfill the contract.

Futures — STRS Ohio had investments in S&P 500 Index futures during the year. Index futures are designed to offer lower cost and more efficient alternatives to buying individual stocks that comprise the index. The market and credit risk of the futures were the same as if STRS Ohio had owned the underlying stocks that comprise the index. The realized gain or loss on index futures is included as net appreciation/depreciation in the *Statements of Changes in Plan Net Assets*.

Additionally, futures were used in the EAFE Index Fund and by external money managers. The system's exposure to future and forward contracts at June 30, 2011 and 2010, is shown in the chart below.

| Exposure to Future and Forward Contracts Held at June 30, 2011 and 2010 (in thousands) | | |
|---|---------------------|---------------------|
| | June 30, 2011 | June 30, 2010 |
| Forward contracts | | |
| Externally managed | \$ 4,668,174 | \$ 3,567,503 |
| Internally managed | 4,740,361 | 2,999,766 |
| Total forward contracts | \$ 9,408,535 | \$ 6,567,269 |
| Future contracts | | |
| S&P 500 | \$ 6,714 | \$ 2,269,402 |
| EAFE Index Fund | 20,709 | 27,805 |
| Externally managed | 15,030 | 14,186 |
| Total future contracts | \$ 42,453 | \$ 2,311,393 |

Options — STRS Ohio writes option contracts on existing stock positions to enhance the return on the stock portfolio. In exchange for a premium, STRS Ohio gives the option buyer the right to buy or sell the underlying stock. Options are also purchased to "cover" existing written open option positions. The notional

value of the options contracts at June 30, 2011, was \$4.2 million. The fair value of the options contracts of \$12,000 is included in the *Statements of Plan Net Assets*.

Fixed-Income Credit Default Swaps — The system may manage credit exposure through the use of credit default swaps. A credit default swap is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party who, in exchange for periodic fees, agrees to make payments in the event of a default or other predetermined credit event. One of the main advantages of a credit default swap is it allows for exposure to credit risk while limiting exposure to other risks, such as interest rate and currency risk. STRS Ohio held credit default swaps with notional values of \$6,350,000 and \$6,003,000 as of June 30, 2011 and 2010, respectively.

Fixed-Income Credit Linked Notes — Credit linked notes are structured securities whose principal and interest payments are based on a reference to underlying bonds. One of the general reasons for owning credit linked notes is to gain exposure to an underlying security where, otherwise, direct ownership is limited by restrictions imposed by certain countries. STRS Ohio held credit linked notes with a value of \$14,582,000 at June 30, 2011, which is included in the *Statements of Plan Net Assets*. STRS Ohio held credit linked notes with a value of \$8,376,000 at June 30, 2010.

Fixed-Income Interest Rate Swaps — Interest rate swaps are derivative instruments in which one party exchanges a stream of fixed interest rate cash flows for floating interest rate cash flows. A notional amount of principal is required to compute the actual cash amounts and is determined at the inception of the contract. At June 30, 2011 and 2010, STRS Ohio did not hold any interest rate swaps.

10. Pension Plan

Substantially all STRS Ohio employees are required to participate in a contributory retirement plan administered by the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS is a cost-sharing, multiple-employer public employee retirement system.

Eligible employees are entitled to a retirement benefit, payable monthly for life, equal to 2.2% of their final average salary for each year of credited service up to 30 years and 2.5% for each year of

service over 30 years. Final average salary is the employee's average salary over the highest three years of earnings. Benefits fully vest on reaching five years of service. Vested employees may retire at any age with 30 years of credited service; at age 55 with a minimum of 25 years of credited service; and at age 60 with a minimum of five years of service. Employees retiring with less than 30 years of service and under age 65 receive reduced retirement benefits. Benefits are established by state law.

The member and employer contribution rates are 10.0% and 14.0% of covered payroll, respectively. The required employer contributions for the current year and the two preceding years are shown in the chart below.

| Year Ended June 30 | Annual Required Contributions | Percentage Contributed |
|--------------------|-------------------------------|------------------------|
| 2009 | \$7,004,000 | 100% |
| 2010 | \$6,648,000 | 100% |
| 2011 | \$7,338,000 | 100% |

Historical trend information showing the progress of OPERS in accumulating sufficient assets to pay benefits when due is presented in the OPERS *Comprehensive Annual Financial Report*. OPERS issues a publicly available financial report for the plans. The report may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642.

OPERS also provides post-employment health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 43. A portion of each employer's contribution to OPERS is set aside for funding post-employment health care. The Revised Code provides statutory authority for employer contributions. The employer rate set aside for post-employment health care was 5.5% from July 1, 2009, to Feb. 28, 2010, and 5.0% from March 1, 2010, to Dec. 31, 2010.

Required Schedule of Pension Plan Funding Progress
For the Years Ended June 30, 2006–2011 (dollar amounts in thousands)

| Valuation Year | Actuarial Liability (AAL)* | Valuation Assets* | Unfunded Actuarial Liability (UAA)* | Ratio of Assets to AAL | Covered Payroll** | UAA as % of Covered Payroll |
|----------------|----------------------------|-------------------|-------------------------------------|------------------------|-------------------|-----------------------------|
| 2006 | \$77,371,024 | \$58,008,050 | \$19,362,974 | 75.0% | \$9,974,061 | 194% |
| 2007 | \$81,126,642 | \$66,671,511 | \$14,455,131 | 82.2% | \$10,199,505 | 142% |
| 2008 | \$87,432,348 | \$69,198,008 | \$18,234,340 | 79.1% | \$10,460,473 | 174% |
| 2009 | \$91,440,955 | \$54,902,859 | \$36,538,096 | 60.0% | \$10,800,817 | 338% |
| 2010 | \$94,720,669 | \$55,946,259 | \$38,774,410 | 59.1% | \$11,057,260 | 351% |
| 2011 | \$98,766,204 | \$58,110,495 | \$40,655,709 | 58.8% | \$11,097,598 | 366% |

*The amounts reported in this schedule do not include assets or liabilities for post-employment health care coverage.

**Covered payroll includes salaries for alternative retirement plan participants and defined contribution plan participants. For 2011 and 2010, alternative retirement plan participant payroll totaled \$477,923 and \$459,582, respectively. For 2011 and 2010, defined contribution plan payroll totaled \$250,307 and \$256,166, respectively.

Required Schedule of Employer Contributions Related to Pension Plan
For the Years Ended June 30, 2006–2011 (dollar amounts in thousands)

| Year Ended June 30 | Annual Required Contributions* | Percentage Contributed |
|--------------------|--------------------------------|------------------------|
| 2006 | \$1,417,598 | 88% |
| 2007 | \$1,539,805 | 83% |
| 2008** | \$1,329,498 | 100% |
| 2009 | \$1,502,240 | 89% |
| 2010 | \$2,623,624 | 52% |
| 2011 | \$2,715,523 | 51% |

*The amounts reported in this schedule do not include contributions for post-employment health care coverage. The Governmental Accounting Standards Board (GASB) requires disclosure of the Annual Required Contributions (ARC) using a maximum amortization period of 40 years; reduced to 30 years effective July 1, 2007. Amounts shown as the ARC for each year may be different from the contributions required by state statute. The information here was determined as part of the actuarial valuations for the dates indicated. Additional information as of the latest actuarial valuation is shown in the table below.

**Revised economic and non-economic assumptions due to experience review.

Notes to Pension Plan Trend Data

| | | |
|---|--|--|
| Valuation date | July 1, 2011 | July 1, 2010 |
| Actuarial cost method | Entry age | Entry age |
| Amortization method | Level percentage, open | Level percentage, open |
| Remaining amortization period (for GASB disclosure) | 30.0 years | 30.0 years |
| Asset valuation method | Four-year, smoothed with 91%/109% corridor | Four-year, smoothed with 91%/109% corridor |
| Actuarial assumptions: | | |
| Investment rate of return | 8.00% | 8.00% |
| Projected salary increases | 12.00% at age 20 to 3.25% at age 65 | 12.00% at age 20 to 3.25% at age 65 |
| Payroll increase | 3.50% for next 7 years, 4.00% thereafter | 3.50% for next 8 years, 4.00% thereafter |
| Inflation assumption | 3.00% | 3.00% |
| Cost-of-living adjustments | 3% simple | 3% simple |

The information presented in the required supplemental schedules was determined as part of the actuarial valuations for the dates indicated. See accompanying independent auditors' report.

Required Schedule of Health Care Funding Progress, 2007–2011

(dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Funded (UAAL) | Funded Ratio | Covered Payroll | UAAL as % of Covered Payroll |
|--------------------------|---------------------------|-----------------------------|--|--------------|-----------------|------------------------------|
| Jan. 1, 2007 | \$3,821,687 | \$13,599,374 | \$9,777,687 | 28.1% | \$9,665,780 | 101.2% |
| Jan. 1, 2008 | \$4,037,843 | \$12,170,949 | \$8,133,106 | 33.2% | \$9,834,501 | 82.7% |
| Jan. 1, 2009 | \$2,693,699 | \$13,413,723 | \$10,720,024 | 20.1% | \$10,053,041 | 106.6% |
| Jan. 1, 2010 | \$2,967,540 | \$11,355,003 | \$8,387,463 | 26.1% | \$10,347,383 | 81.1% |
| Jan. 1, 2011 | \$3,108,541 | \$8,631,313 | \$5,522,722 | 36.0% | \$10,520,932 | 52.5% |

Required Schedule of Employer Contributions Related to Health Care For the Years Ended June 30, 2007–2011 (dollar amounts in thousands)

| Year Ended June 30 | Annual Required Contributions | Percentage Contributed |
|--------------------|-------------------------------|------------------------|
| 2007 | \$630,138 | 15.3% |
| 2008 | \$582,217 | 16.9% |
| 2009 | \$775,262 | 13.1% |
| 2010 | \$635,447 | 16.3% |
| 2011 | \$448,890 | 23.1% |

Notes to Health Care Trend Data

| | | |
|-------------------------------|--|--|
| Valuation date | Jan. 1, 2011 | Jan. 1, 2010 |
| Actuarial cost method | Entry age | Entry age |
| Amortization method | Level percentage, open | Level percentage, open |
| Remaining amortization period | 30.0 years | 30.0 years |
| Asset valuation method | Fair market value | Fair market value |
| Actuarial assumptions: | | |
| Investment rate of return | 5.40% | 5.00% |
| Projected salary increases | 12.00% at age 20 to 3.00% at age 65 | 12.00% at age 20 to 3.25% at age 65 |
| Payroll increase | 3.50% for next 8 years; 4.00% thereafter | 3.50% for next 9 years; 4.00% thereafter |
| Inflation assumption | 3.00% | 3.00% |
| Trend rates | 7.80%–11.00% initial; 5.00% ultimate | 8.10%–11.60% initial; 5.00% ultimate |

The information presented in the required supplemental schedules was determined as part of the actuarial valuations for the dates indicated. See accompanying independent auditors' report.

**Schedules of Administrative Expenses
For the Years Ending June 30, 2011 and 2010**

| | 2011 | 2010 |
|--|----------------------|----------------------|
| Personnel | | |
| Salaries and wages | \$ 30,418,754 | \$ 30,472,029 |
| Retirement contributions | 4,273,598 | 4,164,990 |
| Benefits | 4,357,338 | 4,467,195 |
| Total personnel | 39,049,690 | 39,104,214 |
| Professional and technical services | | |
| Computer support services | 1,255,951 | 1,354,770 |
| Health care services | 869,529 | 736,383 |
| Actuary | 196,730 | 241,681 |
| Auditing | 219,376 | 113,647 |
| Defined contribution administrative fees | 902,253 | 894,124 |
| Legal | 167,504 | 172,776 |
| Temporary employment services | 67,174 | 9,471 |
| Total professional and technical services | 3,678,517 | 3,522,852 |
| Communications | | |
| Postage and courier services | 1,379,906 | 1,591,780 |
| Printing and supplies | 1,450,829 | 1,464,662 |
| Telephone | 416,582 | 404,868 |
| Total communications | 3,247,317 | 3,461,310 |
| Other expenses | | |
| Equipment repairs and maintenance | 4,203,255 | 4,889,230 |
| Building utilities and maintenance | 1,548,682 | 1,551,382 |
| Transportation and travel | 221,686 | 212,683 |
| Recruitment fees | 19,854 | 7,557 |
| Equipment rental | 19,080 | 19,080 |
| Depreciation | 7,494,545 | 7,374,542 |
| Member and staff education | 220,317 | 215,472 |
| Insurance | 726,946 | 678,620 |
| Memberships and subscriptions | 140,448 | 150,723 |
| Ohio Retirement Study Council | 255,626 | 235,598 |
| Miscellaneous | 376,339 | 384,268 |
| Total other expenses | 15,226,778 | 15,719,155 |
| Total administrative expenses | \$ 61,202,302 | \$ 61,807,531 |

Note: Above amounts do not include investment administrative expenses, which are deducted from investment income and shown in a separate schedule on Page 34.

See accompanying independent auditors' report.

**Schedules of Investment Expenses
For the Years Ending June 30, 2011 and 2010**

| | 2011 | 2010 |
|--|----------------------|----------------------|
| Personnel | | |
| Salaries and wages | \$ 23,555,586 | \$ 19,004,506 |
| Retirement contributions | 3,064,710 | 2,483,275 |
| Benefits | 1,895,392 | 1,174,789 |
| Total personnel | 28,515,688 | 22,662,570 |
| Professional and technical services | | |
| Legal | 5 | 42,537 |
| Investment research | 2,636,695 | 2,414,195 |
| Financial asset advisors | 771,787 | 745,800 |
| Banking fees | 1,849,227 | 3,287,624 |
| Total professional and technical services | 5,257,714 | 6,490,156 |
| Other expenses | | |
| Printing and supplies | 4,959 | 4,162 |
| Building utilities and maintenance | 318,683 | 331,925 |
| Travel | 327,238 | 298,938 |
| Investment quotation systems | 1,368,820 | 1,306,280 |
| Memberships and subscriptions | 72,517 | 106,028 |
| Miscellaneous | 38,121 | 34,369 |
| Total other expenses | 2,130,338 | 2,081,702 |
| Total investment expenses | \$ 35,903,740 | \$ 31,234,428 |

See accompanying independent auditors' report.

**Schedules of Fees to External Asset Managers by Asset Class
For the Years Ending June 30, 2011 and 2010**

| | 2011 | 2010 |
|-------------------------------------|-----------------------|-----------------------|
| Asset class | | |
| Domestic common and preferred stock | \$ 11,512,629 | \$ 8,878,108 |
| International | 24,072,061 | 26,637,816 |
| Fixed income | 5,188,337 | 4,388,420 |
| Alternative investments | 77,870,472 | 69,891,634 |
| Real estate | 21,301,018 | 19,998,697 |
| Total external manager fees | \$ 139,944,517 | \$ 129,794,675 |

See accompanying independent auditors' report.

Investment Review

For Fiscal Year July 1, 2010, through June 30, 2011

Prepared by STRS Ohio's Investments Associates

Sluggish gains after the "Great Recession" continue

During the first six quarters of the economic expansion that began in mid-2009, real gross domestic product grew at a solid 3% rate. However, business inventory growth accounted for roughly 40% of the advance in the economy — a situation that normally is not conducive to future economic growth because of the mismatch it creates between supply and demand. Growth in real final sales (economic activity excluding the change in inventories) was very weak at only 1.8%.

As soft as the underlying productive economy was during the first year-and-a-half of the economic expansion, it was about to worsen. Soaring energy and food costs ate away at discretionary consumer spending and geopolitical crises played out in the oil-producing Middle East. A severe earthquake and tsunami in Japan late in the third fiscal quarter contributed additional shocks to the U.S. and global economies. Real gross domestic produce (GDP) and real final sales grew just 0.8% at an annual rate in the second half of fiscal 2011. Increasingly, headline inflation was hurting real economic growth and damaging consumer confidence while the ongoing sovereign debt crisis in Europe threatened to stall the global economy. Domestic political impasses over raising the federal debt ceiling and reducing federal spending added to the shaky economic confidence in the United States, driving business and consumer confidence even lower as the fiscal year ended.

Because the housing sector will likely continue to see only slow progress into fiscal 2012 and government bodies increasingly face fiscal austerity, U.S. economic prospects will continue to be heavily dependent upon consumer spending, business fixed investment, and to some extent, international trade. The most important economic sector will be consumer spending and it will largely depend upon stronger employment and income gains. The unemployment rate remains very high and job growth needs to be much

stronger to significantly improve labor conditions. However, because of ongoing deleveraging in the consumer and business sectors and the need to rebuild lost wealth from the housing and financial market collapses, growth in consumer spending will likely remain tepid in the coming fiscal year.

Business fixed investment will also need to be a major contributor to economic activity in the upcoming fiscal year. Though investment in structures will not likely add a great deal to economic activity, business spending on capital equipment has been robust and will need to continue. After the broad-based slowdown in fiscal 2010, both manufacturing and non-manufacturing activity soared for most of fiscal 2011. Larger companies did better than smaller companies, but even among small companies optimism moved into expansion territory before the end of the fiscal year. However, those strengths began to evaporate toward the end of the fiscal year from continuing shaky consumer and business confidence.

Foreign trade could improve modestly in fiscal 2012 after the trade-weighted dollar depreciated significantly during fiscal 2011. Though the terms of trade have improved from an U.S. perspective, economic growth is going to be relatively slow across countries. Most developed countries face ongoing structural constraints that should limit their potential economic growth while rapid growth in most emerging countries is softening because developed consumer markets are growing only slowly.

On the inflation front, commodity prices moved broadly higher, even accelerating the pace during the current fiscal year. Much of the increase can be attributed to the return of foreign demand for scarce energy, industrial and agricultural commodities to feed more rapidly-growing emerging economies. The increase in commodity prices led to a surge in producer prices, but it was only sparingly passed through to core consumer prices (consumer price index excluding volatile food and energy costs) or broader economy-wide

measures of inflation. The threat from swelling commodity prices was offset somewhat by a huge output gap and low wage expectations. There is a great deal of excess capacity in the economy that has yet to be swallowed up by growing demand that would allow inflation pressures to stick. The recent surge in headline inflation indicators from largely energy and food costs should ease as the economy moves through fiscal 2012. Though there may continue to be geopolitical shocks in sensitive energy-producing regions in the upcoming year, core inflation will likely remain behaved.

Along with a renewed focus at the federal, state and local government levels toward fiscal austerity, the Federal Reserve's campaign to support economic activity through more and more accommodative monetary policies is reaching an end. Interest rates will not likely be raised in fiscal 2012 because the unemployment rate will remain elevated and core inflation should stay below the Federal Reserve's preferred rate of roughly 2%. Nevertheless, further quantitative easing will not extend into fiscal 2012 unless another crisis develops in major economies that then renews deflationary concerns. Regardless, a concerted move toward monetary policy tightening is likely about a year away given the expected slow improvement in economic fundamentals and the lack of a sustained threat to core inflation measures from energy and food costs.

There continues to be a variety of downside risks that will keep a lid on the economy's expansion into fiscal 2012 — among them, the weak housing industry, continued deleveraging, modest hiring and bank lending, fiscal restraint and developments abroad — but cyclical growth prospects should improve from the very slow pace in the second half of fiscal 2011 toward a more moderate 2–2.5% trend around the economy's longer-term potential. Yet, longer-term structural problems remain from developed countries that are adapting to slower longer-term growth prospects, leaving the global economy vulnerable to additional shocks from Europe's and America's debt problems, political unrest in the Middle East and even natural disasters like Japan has faced. As a result, positive cyclical trends and developments need to be tempered by longer-term concerns that could lead to further disappointment in economic growth.

Fixed income returns outperform benchmark

Interest rates generally remained low for fiscal year 2011 as the U.S. economy proved vulnerable to global external shocks and Federal Reserve policy anchored interest rates. The vulnerability of the U.S. economy became evident early in year when sovereign debt issues broadened in Europe, followed by unrest in the Middle East and disruptions from the earthquake in Japan. These events impacted consumer and business confidence and contributed to the ongoing sluggish economic recovery, limiting any meaningful rise in interest rates. The Federal Reserve has also maintained the federal funds rate near 0% for 30 months and a second round of quantitative easing resulted in purchases of approximately \$850 billion in U.S. Treasuries during the final eight months of the fiscal year.

The Barclays Capital U.S. Universal Index finished fiscal year 2011 with a 12-month return of 4.78%, essentially matching the long-term STRS Ohio fixed income policy return of 4.80%. The credit-sensitive sectors of the fixed income market performed relatively well for a second consecutive year, consistent with the recovery of risk assets in other asset classes. This group was led by high yield (+15.63%), emerging market debt (+12.14%), commercial mortgage-backed securities (+11.36%), and investment-grade corporate bonds (+6.29%). The non-credit sectors had lower returns with agency mortgage-backed securities (+3.81%), government-related (+3.72%), and U.S. Treasuries (+2.24%).

The STRS Ohio fixed income portfolio returned 5.18% versus the benchmark's return of 4.78%. Over the three prior fiscal years, the STRS Ohio fixed income portfolio returned an annualized 7.74% versus the benchmark's return of 6.74%. The STRS Ohio performance over the prior five fiscal years was an annualized 7.44% versus the benchmark's 6.61%. A more complete report of STRS Ohio performance appears on Page 49.

Domestic equity returns soar

Fiscal year 2011 saw the U.S. equity market rise dramatically for the second consecutive year, as the economy and financial markets returned to health from the unprecedented declines caused by the 2008–2009 financial crises. From

the beginning of the fiscal year level of 1030.71, the S&P 500 gained 30.7% on a total return basis, closing the fiscal year at 1320.64.

The rise in the equity index outpaced only moderate U.S. economic growth. The strong market returns were largely driven by a continuation of strong corporate earnings growth. Stronger corporate earnings primarily resulted from better margins, rather than strong top-line growth. Earnings were buoyed by corporate cost controls as companies continued to do an exemplary job of belt-tightening and improving efficiency.

The STRS Ohio domestic equities portfolio returned 33.18% versus the Russell 3000 benchmark's return of 32.37%. Over the three prior fiscal years, the STRS Ohio domestic equities portfolio returned an annualized 4.50% versus the benchmark's return of 4.00%. The STRS Ohio performance over the prior five fiscal years was an annualized 3.15% versus the benchmark return of 3.35%. A more complete report of STRS Ohio performance appears on Page 49.

International markets remain strong

The international markets rose strongly for the second year in a row. The developed markets, as measured by the Morgan Stanley Capital International (MSCI) World ex US Index (50% hedged), rose 22.1% and the emerging markets, represented by the MSCI Emerging Markets Free (EMF) Index, were even stronger with an increase of 28.2%. The bulk of the appreciation came in the first six months of the fiscal year while the second half remained in a trading range with little progress seen. None of the risks identified last year: whether it be EU sovereign debt crises, U.S. mortgage crisis, or the inflation/deflation debate have been resolved. If anything, all risks have become more acute and it is actually becoming even more difficult to see any kind of benign resolution. Oddly, market volatility was relatively tame in the last 12 months — could this be the proverbial calm before the storm?

Returns for the 12 months were generally strong among the developed markets. The strongest markets were Austria (+55.3%), Norway (+53.0%), and New Zealand (+47.4%). The three smallest gains were seen in Greece (+3.0%), Israel (+8.2%),

and Japan (+13.2%). Currency played a major role in boosting U.S. dollar-based returns with the euro and yen appreciating by 19% and 9%, respectively. On a regional basis, Europe was the star, gaining over 30% with one-third from market appreciation and the other two-thirds from currency strength relative to the U.S. dollar. The Far East region was flattish but achieved high single digit returns through currency strength while North America (Canada) saw about 20% returns, split 50/50 between currency and market appreciation. Among the emerging markets, two markets generated returns in excess of 50%, including Argentina (+64.2%) and Poland (+57.8%), and the third best market was Russia (+45.4%). The weakest, and the only market with a negative return was Egypt (-12.0%), followed by Peru (+7.3%) and India (+8.0%). Like the developed markets, emerging Europe led the way with a nearly 40% appreciation while the Latin America and Asia regions generated returns exceeding 22%.

The STRS Ohio international portfolio returned 24.16% versus the benchmark's return of 23.38%. Over the past three fiscal years, the STRS Ohio international portfolio returned an annualized 0.42% versus the benchmark's return of -0.04%. The STRS Ohio performance over the prior five fiscal years was an annualized 3.78% versus the benchmark's 3.18%. A more complete report of STRS Ohio performance appears on Page 49.

Commercial real estate in early stage of recovery

The real estate market is recovering from the significant downturn experienced in 2008 and 2009. While the operating fundamentals of real estate, rents and occupancy have been improving, they have not recovered to the levels that current pricing would imply. As has been the case for the last several years, the capital markets have had the most impact on pricing and are ahead of the fundamentals. Top tier markets and assets have garnered much of the capital flow into the asset class resulting in rapid value recovery, in some cases to pre-crisis levels. Second tier markets have seen much less activity and, therefore, less value recovery.

Real estate's quick jump out of the gate will taper to reflect the more moderate pace of the overall economy. A sustainable real estate recovery is highly dependent on job growth and, if that wanes, so too will real estate property fundamentals. However, relative to other asset classes, real estate provides a strong income return with private market real estate enjoying a 6.4% income return in fiscal 2011. The real estate public market (REITs) with a total return of 35.57% in fiscal 2011 slightly outperformed the broader equity market. This comes after last fiscal year's 55.46% return for the Wilshire REIT Index. We anticipate continued high volatility in REITs.

The STRS Ohio real estate total portfolio returned 22.66% versus the benchmark's return of 19.46%. Over the three prior fiscal years, the STRS Ohio real estate total portfolio returned an annualized -3.84% versus the benchmark's return of -0.33%. The STRS Ohio performance over the prior five fiscal years was an annualized 6.03% versus the benchmark's 3.96%. A more complete report of STRS Ohio performance appears on Page 49.

Alternative investment returns continue rebound with the public market recovery

Alternative investment returns in fiscal 2011 reflected the continued improvement in the public markets and produced the second consecutive year of returns in excess of 20%. Although fiscal 2011 alternative investment returns did not match the returns generated by the public markets (the Russell 3000 Index produced a 32.37% return), the capital markets enabled the realization of investments through strategic sales and initial public offerings. In the private equity portfolio, this activity generated distributions that were sufficient to fund 99.5% of the capital called during fiscal 2011.

During fiscal 2011, further progress was made toward growing the opportunistic/diversified portfolio within alternative investments in response to the annual increases in its target allocation. The opportunistic/diversified allocation was 3% of total fund during fiscal 2011, increased to 4% on July 1, 2011, and will ultimately reach 5% on July 1, 2012. During fiscal 2011, \$831 million of new opportunistic/diversified investments were made.

On June 30, 2011, the market value of investments in the opportunistic/diversified portfolio was \$1.66 billion, or 2.51% of total fund, compared to \$814 million, or 1.43% of total fund, at June 30, 2010. The allocation to private equity was set at 5% when the opportunistic/diversified allocation was established and has not changed. At the end of fiscal 2011, the actual allocation to private equity was 6.18%.

Over the long term, the private equity portfolio within alternative investments is targeted to earn 3% above the annualized return of the Russell 3000 Index, and the opportunistic/diversified portfolio is targeted to earn annualized returns equal to the Russell 3000 minus 1%. During fiscal 2011, the alternative investment portfolio produced a return of 20.43%, up from 20.04% during fiscal 2010 and rebounding from the negative return (-24.59%) produced during fiscal 2009. For fiscal 2011, the alternative investments five-year return was an annualized 8.64%, compared to the blended five-year return of 5.94% based on the long-term targeted rates of return for private equity and opportunistic/diversified described above and the targeted allocations during that period. A more complete report of STRS Ohio performance appears on Page 49.

Total fund beats the benchmark in fiscal 2011

During fiscal 2011, the STRS Ohio fund returned 22.59% versus the benchmark's (blended index of industry benchmarks) return of 22.36%. Over the three prior fiscal years, the STRS Ohio fund returned an annualized 2.93% versus the benchmark's return of 3.32%. The STRS Ohio fund performance over the prior five fiscal years was an annualized 4.48% versus the benchmark's 4.42%. A more complete report of STRS Ohio fund performance appears on Page 49.

Statement of Investment Objectives and Policy

Effective Dec. 9, 2010

1.0 Purpose

- 1.1 The State Teachers Retirement System of Ohio (“STRS Ohio”) was established for the benefit of the teachers of the public schools of the State of Ohio. STRS Ohio is dedicated to partnering with STRS Ohio members to provide financial performance and member service that assures financial security for current and future retirees.
- 1.2 The State Teachers Retirement Board of Ohio (the “Board”) is vested with the operation and management of the State Teachers Retirement System of Ohio (“STRS Ohio”) (ORC Section 3307.04). The Board has the full power to invest the assets (the “Fund”) of STRS Ohio (ORC Section 3307.15). The Board is required to “. . . adopt in a regular meeting, policies, objectives or criteria for the operation of the investment program . . .” (ORC Section 3307.15).
- 1.3 To fulfill the statutory requirement of ORC Section 3307.15, the Board has adopted this Statement of Investment Objectives and Policy (the “Statement”) to govern the investment of the Fund. This Statement summarizes the objectives and policies for the investment of the Fund.
- 1.4 The Board has approved these objectives and policies after careful consideration of STRS Ohio benefit provisions, and the implications of alternative objectives and policies.
- 1.5 The Statement has been prepared with five audiences in mind: incumbent, new and prospective Board members; STRS Ohio investment staff; STRS Ohio active and retired members; Ohio General Assembly and Governor; and agents engaged by the Board to manage and administer the Fund.
- 1.6 The Board regularly, but in no event less than annually, will assess the continued suitability of this Statement, initiate change as necessary and update this Statement accordingly.
- 1.7 The Board may authorize its administrative officers and committees to act for it in accord with its policies (ORC Sections 3307.04 and 3307.15). The Board, no less frequently than annually, adopts a resolution delegating to the Executive Director and the Deputy Executive Director — Investments the authority to acquire, dispose, operate and manage the Fund, subject to the Board’s policies and to subsequent approval by the Board. Consequently, the Executive Director, the Deputy Executive Director — Investments and the investment staff are responsible for preparing and maintaining numerous supporting management documents that govern the implementation of Board policies, including, but not limited to, individual investment manager mandates and guidelines, agent agreements and limited partnership documents.
- 1.8 In carrying out the operation and management of STRS Ohio, the Board, the Executive Director, his/her investment staff and others that are considered fiduciaries as defined in ORC Section 3307.01(K) are subject to various fiduciary responsibilities in ORC Chapter 3307, including those found in ORC Sections 3307.15, 3307.151, 3307.181 and 3307.18. This Statement incorporates, and is subject to, all of the provisions of ORC Chapter 3307.
- 1.9 The Board acknowledges its responsibilities under ORC Chapter 3307 and to the extent that this Statement is inconsistent with ORC Chapter 3307, Chapter 3307 shall control.
- 1.95 The Board approved this Statement on Dec. 9, 2010.

2.0 Investment Objective

- 2.1 Subject to the Ohio Revised Code, the investment objectives for the total fund are:
 - (a) to earn, over moving 20-year periods, an annualized return that equals or exceeds the actuarial rate of return (ARR) approved by the Board to value STRS Ohio liabilities. The current actuarial rate of return is 8.0%;
 - (b) to earn a rate of return that enables the System to meet pension liabilities and fulfill minimum funding requirements;
 - (c) to earn a rate of return that equals or exceeds the System’s long-term policy index with an acceptable level of risk; and
 - (d) maintain sufficient liquidity to satisfy cash flow needs.
- 2.2 The Board believes, based on the assumptions in this Statement, that the investment policies summarized in this Statement will achieve this long-term actuarial objective at an acceptable level of risk. The Board evaluates risk in terms of the probability of not achieving the ARR over a 20-year time horizon.

3.0 Key Document Policy

To assist the Board and the investment staff, the following key documents will be produced or reviewed according to the schedule in Exhibit 1.

4.0 Asset Mix Policy, Risk Diversification and Return Expectations

4.1 After careful consideration of the investment objectives, liability structure, funded status and

liquidity needs of STRS Ohio, and the return, risk and risk-diversifying characteristics of different asset classes, the Board approved the asset mix policy presented in Exhibit 2. The exhibit also summarizes the Board's return expectations for the asset mix policy and active management.

- 4.2 Seventy percent of the Fund is targeted for investment in equities, inclusive of alternative investments. Equity investments have provided the highest returns over long time periods, but can produce low and even negative returns over shorter periods.
- 4.3 The risk of low returns over shorter time periods makes 100% equity policies unsuitable for most pension funds, including STRS Ohio. By investing across multiple equity asset classes, and in lower return but less risky fixed-income and real estate, the Board is managing and diversifying total fund risk.
- 4.4 Forecasts of capital market and active management returns undertaken by the Board's asset management consultant indicate that the Board's investment policy summarized in Exhibit 2 has an expected 20-year annualized return of 8.1%. The expected 8.1% annualized return is 0.1% above the Board-approved 8.0% actuarial rate of return.
- 4.5 From the 2009 Asset Allocation Study, the 7.7% expected asset mix policy return was developed

Exhibit 1: Key Document Schedule

| Key Document | Document Source | Review Schedule |
|--|--|-----------------|
| Quarterly Performance Review | Board Consultant | Quarterly |
| Statement of Investment Objectives and Policy/ Fund Governance | STRS Ohio Investment Staff/Reviewed by Board Consultant | Annually |
| Annual Plan (Includes Risk Budget) | STRS Ohio Investment Staff/Reviewed by Board Consultant | Annually |
| Actuarial Study | Actuary/STRS Ohio Finance Department | Annually |
| Asset/Liability Study | STRS Ohio Investment Staff/ STRS Ohio Senior Staff/ Board Consultant/Board | Every 3–5 years |

Exhibit 2: Asset Mix Policy and Return Expectations for STRS Ohio Total Fund

| Asset Class | Target Allocation ⁴ | Rebalancing Range | Expected 20-Year Policy Returns ¹ | Expected Five-Year Management Net Returns ³ | Expected Total Return ² |
|-------------------------------|--------------------------------|-------------------|--|--|------------------------------------|
| Equity | | | | | |
| Domestic | 39.00% | 30–50% | 8.50% | 0.25% | 8.75% |
| International | 23.00% | 18–30% | 8.80% | 1.00% | 9.80% |
| Alternatives | 8.00% | 3–13% | 10.35% | | 10.35% |
| Private Equity | 5.00% | 3–8% | 11.50% | | 11.50% |
| Opportunistic/Diversified | 3.00% ⁶ | 0–5% | 7.50% | | 7.50% |
| Total Equity | 70.00% | | | | |
| Fixed Income | 19.00% | 15–30% | 4.80% | 0.35% | 5.15% |
| Real Estate | 10.00% | 6–13% | 6.50% | 1.00% | 7.50% |
| Liquidity Reserve | 1.00% | 0–5% | 3.40% | | 3.40% |
| Total Fund⁵ | 100.00% | | 7.70% | 0.40% | 8.10% |

¹ Based on the 2009 Asset Allocation Study.

² The 20-year return forecast is 8.1% per year.

³ Individual asset classes are gross value added; the total fund is net value added.

⁴ The target allocation percentage is effective as of July 1, 2010.

⁵ The Total Fund Blended benchmark is a blend of the asset class benchmarks based on the Total Fund's target allocation for the respective asset classes. Effective July 1, 2010, the Total Fund Blended benchmark will be calculated using 19% Barclays Capital U.S. Universal Bond Index, 39% Russell 3000, 23% International Blended Benchmark, 10% Real Estate Blended Benchmark, 8% Alternative Investment actual return and 1% 3-month Treasury Bill Index.

⁶ Opportunistic/Diversified target weight is scheduled to increase 1% per year until a max 5% target weight is obtained effective July 1, 2012.

with reference to the observed long-term relationships among major asset classes. The Board believes this return expectation is reasonable, but recognizes that the actual 20-year asset mix policy return can deviate significantly from this expectation — both positively and negatively. The volatility level associated with this asset mix is approximately 12.30%.

- 4.6 Fund assets are invested using a combination of passive and active management strategies. Active management of public market securities and real estate assets is expected to earn net 0.40% per annum of

additional returns over moving five-year periods. The Board recognizes that unsuccessful active management can reduce total fund returns.

- 4.7 Investment objectives and guidelines for individual asset classes have been approved by the Board and are summarized below.
- 4.8 Liquidity reserves are kept at a minimum level, but sufficient to cover the short-term cash flow needs. STRS Ohio investment staff may utilize a derivative overlay to maintain the level at 1%.
- 4.9 The Board reviews at least annually its expectations for asset class and active management performance, and assesses how the updated expectations affect the probability that the Fund will achieve the established investment objectives.

5.0 Rebalancing

- 5.1 Exposures to selected asset classes are actively managed within the rebalancing ranges specified in Exhibit 2. Rebalancing ensures that the Fund's actual asset allocation remains close to the target asset mix policy.
- 5.2 The Fund's actual asset allocation is monitored at least monthly relative to established asset allocation policy targets and ranges. The timing and magnitude of rebalancing are decided with due consideration to the liquidity of the investments and the associated transaction costs.
- 5.3 In its Annual Investment Plan prepared for the Board, staff explains how it is managing asset class exposures based on short- and intermediate-term capital forecasts.
- 5.4 The impact of rebalancing decisions on total fund returns is included in investment performance reports to the Board.

6.0 Passive and Active Management Within Risk Budgets

- 6.1 STRS Ohio investment staff has been delegated the responsibility for managing the Fund's exposure to passive and active investment strategies, subject to the constraint that active risk does not exceed Board-approved target risk budgets for the total fund and individual asset classes.
- 6.2 The Board has approved a target risk budget of .60% to 1.20%, with a working range of .20% to 1.60%, annualized for active management for the total fund. In exchange for assuming this level of active risk, the Board expects active management to add

net 0.40% of annualized excess return over moving five-year periods.

- 6.3 The Board realizes that actual management returns will likely be above or below the net 0.40% target over any five-year moving period, and therefore will evaluate the success of the STRS Ohio active management program within this context. The Board recognizes that any amount of management return in excess of the associated investment costs improves the security of STRS Ohio plan members.
- 6.4 Passive management uses low cost index funds to access the return streams available from the world's capital markets. Indexed funds control costs, are useful tools for evaluating active management strategies, capture exposure to the more efficient markets and facilitate rebalancing to the policy asset mix.
- 6.5 Active management tries to earn higher returns than those available from index funds by making value-adding security selection and asset mix timing decisions. Unsuccessful active management earns below index fund returns.
- 6.6 Because there are no index fund products for real estate and alternative investments, these asset classes must be actively managed.
- 6.7 Aggregate short sale positions for all asset classes may not exceed 3% of total fund assets.

7.0 Global Equities — Domestic

- 7.1 Domestic equity is being managed relative to a Board-approved risk budget range of .20% to 1.50%, and is expected to earn at least 0.25% of annualized excess return above the Russell 3000 Index over moving five-year periods.
- 7.2 Key elements of the strategy:
 - (a) The portfolio's active management adds value primarily through security selection. Sector tilts by style, economic sectors or market capitalization are managed in accordance with the risk budget for domestic equities.
 - (b) The portfolio utilizes a variety of portfolio management approaches including quantitative and fundamental techniques to diversify the source of excess return.
 - (c) The portfolio utilizes a combination of internal and external management, utilizing multiple internal portfolio managers and multiple external manager firms to improve the likelihood of achieving excess returns, to diversify risk and to control costs.

- 7.3 Short sales may be used in the management of STRS Ohio domestic equity portfolios, but may not exceed 10% of the value of the asset class.

8.0 Global Equities — International

- 8.1 International equity is being managed relative to a Board-approved risk budget range of 1.0% to 2.50%, and is expected to earn at least 1.0% of annualized excess return above a blended benchmark of 80% MSCI World ex US (50% hedged) and 20% MSCI Emerging Market Free Index over moving five-year periods.

- 8.2 Key elements of the strategy:

- (a) The portfolio emphasizes fundamental management approaches and exposures to security selection and country allocation decisions. These decisions have been shown to be the principal sources of the excess return in international equity portfolios. Managers have the ability to add value through currency management.
- (b) Aggregate exposures to countries, currencies, equity styles and market capitalization are monitored and managed relative to their benchmark exposures.
- (c) The portfolio utilizes a combination of internal and external management, with multiple internal portfolio managers and multiple external manager firms to improve the likelihood of achieving excess returns, to diversify risk and to control costs.
- (d) STRS Ohio utilizes a 50% hedged benchmark on the developed markets portfolios in order to reduce the overall exposure to currency risk. With a 50% hedged benchmark, all developed market portfolios are generally hedged around the 50% benchmark level. Active currency positions are taken from time to time in some portfolios at the managers' discretion. This is generally limited to 10 percentage points under or over hedged around the benchmark for the internal portfolios. Three-month currency forwards are the investment instrument generally used for hedges.

- 8.3 Short sales may be used in the management of STRS Ohio international equity portfolios, but may not exceed 10% of the value of the asset class.

9.0 Fixed Income

- 9.1 Fixed income is being managed relative to a Board-approved risk budget range of 0.1% to 1.50%, and

is expected to earn at least 0.35% of annualized excess returns above the Barclays Capital U.S. Universal Bond Index over moving five-year periods.

- 9.2 All of fixed income is actively managed because active management is generally low cost and market opportunities exist for skilled managers to generate excess returns.

- 9.3 Key elements of the strategy:

- (a) The portfolio will primarily be managed internally, with multiple external managers utilized in specialized segments of the market such as high yield and emerging market debt.
- (b) The portfolio will emphasize issue selection, credit analysis, sector allocations and duration management.
- (c) Aggregate exposures to duration, credit and sectors are monitored and managed relative to corresponding exposures in the asset class benchmark.

- 9.4 Short sales may be used in the management of STRS Ohio fixed-income portfolios, but may not exceed 10% of the value of the asset class.

10.0 Real Estate

- 10.1 Real estate investments are being managed relative to a Board-approved risk budget range of 2.00% to 7.00%, and are expected to earn at least 1.00% of annualized excess returns above a blended benchmark over moving five-year periods. The Real Estate Blended Benchmark is 85% NCREIF Property Index and 15% Wilshire Real Estate Trust Index.

- 10.2 Key elements of the strategy:

- (a) Real estate is 100% actively managed because index funds replicating the real estate broad market are not available. The portfolio is primarily managed internally. External managers are utilized primarily for specialized segments of the market. Direct property investments represent most of the real estate portfolio. Risk is diversified by investing across major property types and geographic areas.
- (b) Leverage of up to and including 50%, in aggregate, is permitted for internally managed assets (excluding REITs).
- (c) Publicly traded real estate investment trusts (REITs) are targeted at 15% of the real estate portfolio to enhance liquidity, diversification and excess returns.

(d) Non-core real estate investments are limited to 20% of the real estate portfolio. Investment strategies will be characterized as “opportunistic” based on the market conditions prevailing at the time of investment.

10.3 Short sales may be used in the management of REITs, but may not exceed 10% of the value of the asset class.

11.0 Alternative Investments (Private Equity and Opportunistic/Diversified)

11.1 Alternative investments involve separate allocations to private equity and opportunistic/diversified investments.

11.2 Private equity investments are being managed with the objective of earning at least 3% net of fees above domestic public equity markets (Russell 3000 Index) over very long time horizons, typically moving 10-year periods. Private equity investments are traded infrequently and, therefore, risk budget concepts are not applicable.

11.3 Key elements of the private equity strategy:

(a) Private equity investments are 100% actively managed because index funds are not available.

(b) Private equity risk is diversified by investing across different types of investments including, but not limited to, venture capital, leverage buyouts, mezzanine debt, sector and international funds.

(c) Private equity risk is also diversified by investing across vintage years, industry sectors, investment size, development stage and geography.

(d) Private equity investments are managed by general partners with good deal flow, specialized areas of expertise, established or promising net of fees track records and fully disclosed and verifiable management procedures.

11.4 Opportunistic/diversified investments are being managed with the objective of earning domestic public equity-like returns (approximately 1% net of fees below domestic public equity markets [Russell 3000 Index]) over very long time horizons, typically moving 10-year periods, but with the goal of downside protection during equity bear markets. Investments in this category can be liquid or illiquid and, therefore, risk budget concepts are not applicable.

11.5 Key elements of the opportunistic/diversified strategy:

(a) Opportunistic/diversified investments are tactical in nature and typically are actively managed because index funds would not be available.

(b) Downside protection during equity bear markets can be achieved and asset class risk is diversified by investing across different types of opportunistic/diversified investments primarily modeled on hedge funds, commodities and infrastructure, but can include current “opportunistic” investments such as commercial mortgage-backed securities, non-agency mortgages and distressed debt, and may include low volatility equity, defensive equity, emerging market equities, master limited partnerships, listed private equity, closed-end funds, diversified alpha/beta strategies, volatility strategies, local currency emerging market debt, bank loans, agricultural investing, managed futures, natural resources, green and energy investing, micro-finance institutions, etc.

(c) Opportunistic/diversified investments may be made directly, through specialist managers or through fund-of-funds.

12.0 Derivatives

12.1 Derivatives may be used in the management of STRS Ohio internal and external liquidity reserves, fixed-income, equity and real estate portfolios. Derivatives are typically, but not exclusively, futures contracts, equity swaps, credit default swaps, option contracts and option contracts on futures for market indexes. Options on individual securities, baskets of securities and equity-linked notes, and shorting for positioning purposes are further examples. Derivatives are both exchange traded and traded over the counter.

12.2 Derivative exposures must be of a hedging or positioning nature. As a percentage of Fund assets, the underlying exposure of all positioning derivatives will not exceed:

(a) 5% for fixed-income investments;

(b) 10% for domestic equity investments;

(c) 10% for international equity investments; and

(d) 1% for real estate investments.

Hedging derivatives will not be included in the limits above, but must be footnoted.

- 12.3 Any use of leverage will adhere to asset allocation restrictions and asset class active management risk range constraints.

13.0 Proxy Voting

- 13.1 Common stock proxies are valuable and should be voted in the best interest of STRS Ohio active and retired members.
- 13.2 The Board shall maintain stock proxy voting policies and has directed STRS Ohio investment staff and the proxy voting agents to use these policies as guidelines for voting common stock proxies held by the Fund.

14.0 Ohio Investments

- 14.1 The Board will give due consideration to investments that enhance the general welfare of the state and its citizens provided that assets are invested in the best interest of STRS Ohio active and retired members. Preference will be given to Ohio investments offering competitive returns at risk levels comparable to similar investments currently available to the Board.
- 14.2 STRS Ohio investment staff shall maintain and implement an Ohio Investment Plan. The plan shall set forth procedures to assure that a special effort will be made by the investment staff to examine and evaluate all legal investment opportunities in the state and, where policy criteria are satisfied, to acquire such investments.

15.0 Broker-Dealers

- 15.1 Purchases and sales of publicly traded securities shall be executed with broker-dealers from a list reviewed by the Board. In those rare situations where best execution cannot be achieved through a broker-dealer on the list, the Deputy Executive Director — Investments may approve the use of a broker-dealer not on the list.
- 15.2 Selection shall be based on an evaluation by the STRS Ohio investment staff as to financial soundness, underwriting capabilities, research services, execution capabilities and other factors required by the staff to fulfill its assigned investment responsibilities.
- 15.3 Specific transactions will be directed to the broker on that list most capable of providing brokerage services necessary to obtain both the best available price and the most favorable execution.

- 15.4 The Board shall give equal consideration to smaller Ohio-headquartered broker-dealers or smaller broker-dealers with at least one Ohio office and broker-dealers owned and controlled by minorities and/or women, provided the assets are transacted in the best interest of STRS Ohio members.

- 15.5 The Board has a goal to increase the use of Ohio-qualified broker-dealers for the execution of domestic equity and fixed-income securities transactions, when the services that Ohio-qualified broker-dealers provide are equal in quality, cost, scope and execution capabilities to all broker-dealers approved to transact securities transactions on behalf of the Board.

- 15.6 Each firm listed shall file with the Board on an annual basis such evidence of financial responsibility as required by the Board. This information shall include, but not be limited to, an audited financial statement.

- 15.7 When stocks are purchased during underwriting, allocations may be made to dealers not on the approved list provided the managing underwriter is so listed.

- 15.8 When entering into real estate transactions, the Board shall give equal consideration to Ohio firms providing associated professional services, minority-owned and controlled firms, and firms owned and controlled by women.

16.0 Securities Lending

The Board may operate a securities lending program to enhance the income of the Fund. The program must be operated by a bank trustee who follows the custodial requirements of the Treasurer of State and each security lent must be fully collateralized. Results of the program must be reported to the Board annually.

17.0 Securities Litigation

Involvement in securities litigation is an important responsibility for institutional investors with major public market exposure. The Board shall maintain a policy to determine the appropriate action to be taken when class action litigation is initiated against a company that generates a significant loss for the Board during the class period.

18.0 Security Valuation

Valuation of investments shall be the total of:

- (a) The primary closing price on the principal registered stock exchange for all common and preferred stocks so listed.
- (b) The NASDAQ Official Closing Price (NOCP) as reflected by NASDAQ for common and preferred stocks not listed on a registered stock exchange.
- (c) The current value as determined by a qualified independent service for all bonds, notes and certificates of indebtedness.
- (d) Amortized cost for commercial paper, certificates of deposit, repurchase agreements and other short-term investments with a maturity of 270 or fewer days.
- (e) The value of private direct real estate as determined by a valuation process consistent with GIPS standards; primary closing price on the principal registered stock exchange for all public real estate securities; and most recent external manager reported valuations updated to include current capital activity on externally managed funds.
- (f) The most recent external manager valuations for alternative investments updated to include current capital activity.
- (g) International investments are valued by the subcustodian using relevant closing market prices and exchange rates.

19.0 Performance Monitoring and Evaluation

- 19.1 The Board and its agents use a variety of compliance, verification and performance measurement tools to monitor, measure and evaluate how well STRS Ohio assets are being managed. Monitoring, reporting and evaluation frequencies range from live real time performance, to daily, weekly, monthly, quarterly and annually.
- 19.2 The Board has developed a performance monitoring and evaluation system that answers two fundamental fiduciary questions:

- (a) Are the assets being prudently managed? More specifically, are assets being managed in accordance with established laws, policies and procedures, and are individual investment managers in compliance with their mandates?
- (b) Are the assets being profitably managed? More specifically, has performance affected benefit security, has capital market risk been rewarded and has active management risk been rewarded?

- 19.3 If there is a deviation from Board policies, STRS Ohio investment staff is required to provide the Board with a report explaining how the deviation was discovered, the reasons for the deviation, the impact on Fund performance, if any, and steps taken to mitigate future occurrences.
- 19.4 Exhibit 3 is an example of one of many reports used by the Board to monitor and evaluate performance of the total fund. Panel one indicates whether the total fund return exceeded the 8.0% actuarial rate of return. Panel two indicates whether the Fund was rewarded for investing in higher return but more risky equity investments. Panel three indicates whether active management added or subtracted returns.
- 19.5 Additional reports provide the Board with a multi-level view of investment activities at different levels and over different time horizons. These include:
- (a) Performance of the total fund;
 - (b) Performance of individual asset class strategies;
 - (c) Performance of internal and externally managed portfolios; and
 - (d) Performance of individual external managers.

Exhibit 3: EXAMPLE Total Fund Trustee Summary Report, as of June 30, 2008

| Experienced Returns | Annualized Rates of Return | | | |
|--|----------------------------|---------|---------|----------|
| | 1 Year | 3 Years | 5 Years | 10 Years |
| Have returns affected funded ratio? | | | | |
| 1. Total fund return | -5.44% | 9.09% | 11.40% | 6.52% |
| 2. Actuarial discount rate | 8.00% | 8.00% | 8.00% | 7.82% |
| 3. Out/under-performance (1-2) | -13.44% | 1.09% | 3.40% | -1.30% |
| Has plan been rewarded for capital market risk? | | | | |
| 4. Total fund benchmark return | -5.79% | 8.11% | 10.38% | 6.19% |
| 5. Minimum risk/high opportunity cost policy of 91-day T-Bills | 2.90% | 4.02% | 3.06% | 3.40% |
| 6. Impact of asset mix policy (4-5) | -8.69% | 4.09% | 7.32% | 2.79% |
| Has plan been rewarded for active management risk? | | | | |
| 7. Active management return (1-4) | 0.35% | 0.98% | 1.02% | 0.33% |
| 8. Net active management return estimated | 0.24% | 0.87% | 0.90% | 0.22% |

Statement of Fund Governance

Effective Dec. 9, 2010

1.0 Purpose

- 1.1 This Statement of Fund Governance (the "Statement") summarizes the governance structure established by the State Teachers Retirement Board of Ohio (the "Board") to ensure the prudent, effective and efficient management of the assets of the State Teachers Retirement System of Ohio ("STRS Ohio").
- 1.2 The fund governance structure was approved by the Board after careful consideration of alternative approaches to governing a very large and growing pension fund within an increasingly complex financial and investment environment.
- 1.3 The Statement has been prepared with five audiences in mind: incumbent, new and prospective Board members; STRS Ohio investment staff; STRS Ohio active and retired members; Ohio General Assembly and Governor; and agents engaged by the Board to manage, administer or advise on STRS Ohio assets.
- 1.4 The Statement summarizes more detailed policy and procedure documents prepared and maintained by STRS Ohio investment staff, and numerous other documents that govern the day-to-day management of STRS Ohio assets.
- 1.5 The Board regularly assesses the continued suitability of the STRS Ohio fund governance structure, initiates change as necessary and updates this Statement accordingly.
- 1.6 The Board may authorize its administrative officers and committees to act for it in accord with its policies (ORC Sections 3307.04 and 3307.15). The Board, no less frequently than annually, adopts a resolution delegating to the Executive Director and the Deputy Executive Director — Investments the authority to acquire, dispose, operate and manage the Fund, subject to the Board's policies and to subsequent approval by the Board.
- 1.7 In carrying out the operation and management of STRS Ohio, the Board, the Executive Director, his/her investment staff and others that are considered fiduciaries as defined in ORC Section 3307.01(K) are subject to various fiduciary responsibilities in ORC Chapter 3307,

including those found in ORC Sections 3307.15, 3307.151, 3307.181 and 3307.18. This Statement incorporates, and is subject to, all of the provisions of ORC Chapter 3307.

- 1.8 The Board acknowledges its responsibilities under ORC Chapter 3307 and to the extent that this Statement is inconsistent with ORC Chapter 3307, Chapter 3307 shall control.
- 1.9 The Board approved this Statement on Dec. 9, 2010.

2.0 Governance Principles

- 2.1 Three principles guided the Board's development of the STRS Ohio fund governance structure:
 - (a) As STRS Ohio governing fiduciary, the Board is ultimately accountable for all investment decisions. Section 3307.15 of the Ohio Revised Code (the "Code") vests the investment function in the Board and requires the Board to ". . . adopt, in regular meetings, policies, objectives, or criteria for the operation of the investment program . . ." Section 3307.15 of the Code sets forth the fiduciary responsibility of the Board in discharging its duties with respect to the fund.
 - (b) To ensure STRS Ohio assets are prudently, profitably and efficiently managed on a day-to-day basis, the Board needs to delegate the management and implementation of Board investment policies to qualified managing and operating fiduciaries. Sections 3307.04 and 3307.15 of the Code empower the Board to authorize its committees and administrative officers to act for it in accord with Board policies. The fiduciary responsibility of Board delegates in discharging their duties with respect to the fund is specified in Section 3307.15.
 - (c) To ensure effective oversight of delegates, the Board requires informative and timely performance reports that reveal if managing and operating fiduciaries have complied with established policies, and indicate how assets under their care have performed relative to Board-approved investment objectives.

3.0 Investment Decisions Retained by the Board

- 3.1 The Board approves the following investment policies:
- (a) Statement of Investment Objectives and Policy, which includes the following:
 - (i) Total fund risk and return objectives;
 - (ii) Total fund target asset mix policy;
 - (iii) Total fund asset mix policy rebalancing ranges;
 - (iv) Active management risk and return objectives at the total fund and asset class levels; and
 - (v) Performance measurement criteria and evaluation standards.
 - (b) Proxy voting;
 - (c) Ohio investments;
 - (d) Securities lending;
 - (e) Broker-dealer selection criteria and procedures;
 - (f) Ohio-qualified investment managers and brokers; and
 - (g) Securities litigation.
- 3.2 Before approving or amending policy decisions, the Board seeks advice, guidance and recommendations from STRS Ohio investment staff, Board-retained investment consultants, and other experts or sources as considered prudent by the Board.

4.0 Investment Decisions Delegated to Investment Staff

- 4.1 The Board, through the Executive Director, has delegated to qualified STRS Ohio investment staff the following investment management and implementation decisions:
- (a) Buying, selling, managing and monitoring individual securities, real assets and/or other investment transactions to achieve the total fund and asset class investment objectives approved by the Board;
 - (b) Retaining, managing and terminating external investment managers within each asset class as required to achieve the total fund and asset class investment objectives approved by the Board;
 - (c) Ensuring total fund, asset class and individual manager portfolios comply with established parameters and risk levels; and

- (d) Preparing, negotiating and executing external investment manager mandates, guidelines and fee agreements.

- 4.2 In making these decisions, STRS Ohio investment staff seeks the advice, guidance and recommendations of Board-retained investment consultants, external investment managers, and other experts and sources as considered prudent by STRS Ohio staff.

5.0 Board Oversight

- 5.1 The Board requires investment staff to prepare and deliver an Annual Investment Plan that explains how STRS Ohio assets will be managed in order to achieve the Board-established investment objectives. This provides the Board a focused opportunity to:
- (a) Question and comment on staff's investment management plans;
 - (b) Request additional information and support about staff's investment intentions; and
 - (c) Express its confidence in the Annual Investment Plan.
- 5.2 The Board meets at least quarterly to assess how assets are being managed relative to the Annual Investment Plan, to monitor and evaluate investment performance relative to objectives and to address other investments issues as are warranted.
- 5.3 The Board approves the criteria and standards for monitoring and evaluating the impact different investment decisions have on total fund, asset class and manager-level performance. Performance is monitored and evaluated with respect to risk and return objectives established by the Board.
- (a) Investment risks are monitored and evaluated quarterly by comparing total fund and asset class risk characteristics relative to suitable benchmarks.
 - (b) Investment returns are monitored monthly and evaluated quarterly by comparing total fund and asset class returns relative to suitable benchmarks.
- 5.4 Before approving or amending the criteria for monitoring and evaluating investment decisions, the Board seeks advice, guidance and recommendations from STRS Ohio investment staff, Board-retained investment consultants, and other experts and sources as considered prudent by the Board.



State Teachers Retirement System of Ohio
275 E. Broad Street
Columbus, OH 43215-3771

We have verified whether State Teachers Retirement System of Ohio (“STRS Ohio”) (1) complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis for the period from July 1, 2006 through June 30, 2011, and (2) designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of June 30, 2011. STRS Ohio’s management is responsible for compliance with the GIPS standards and the design of its policies and procedures. Our responsibility is to express an opinion based on our verification. We conducted this verification in accordance with the verification procedures set forth in the GIPS standards and the Guidance Statement on Verification. We also conducted such other procedures as we considered necessary in the circumstances.

In our opinion, State Teachers Retirement System of Ohio has, in all material respects:

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the period from July 1, 2006 through June 30, 2011, and
- Designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of June 30, 2011.

Since our verification was designed to form an opinion on a firm-wide basis this report does not relate to any composite compliant presentation of STRS Ohio and does not ensure the accuracy of any specific composite compliant presentation, including what is reflected in this Comprehensive Annual Financial Report.

A handwritten signature in black ink that reads 'Karyn D. Vincent'.

Karyn D. Vincent, CFA, CIPM
Vincent Performance Services LLC
August 19, 2011

Investment Performance

(total returns, annualized on a fiscal-year basis, July 1–June 30)

1-Year Returns (2011)¹

| Asset Category | STRS Ohio Return | Index Name | Index Return |
|--------------------------------------|------------------|---|---------------|
| Domestic Equities ⁶ | 33.18% | Russell 3000 | 32.37% |
| International ⁶ | 24.16% | International Equity Blended Benchmark ² | 23.38% |
| Fixed Income ⁶ | 5.18% | Barclays Capital U.S. Universal Index | 4.78% |
| Real Estate ⁶ | 22.66% | Real Estate Blended Benchmark ³ | 19.46% |
| Alternative Investments ⁶ | 20.43% | Alternative Investment Blended Benchmark ⁴ | – |
| Total Fund | 22.59% | Total Fund Blended Benchmark⁵ | 22.36% |

3-Year Returns (2009–2011)

| Asset Category | STRS Ohio Return | Index Name | Index Return |
|--------------------------------------|------------------|---|--------------|
| Domestic Equities ⁶ | 4.50% | Russell 3000 | 4.00% |
| International ⁶ | 0.42% | International Equity Blended Benchmark ² | –0.04% |
| Fixed Income ⁶ | 7.74% | Barclays Capital U.S. Universal Index | 6.74% |
| Real Estate ⁶ | –3.84% | Real Estate Blended Benchmark ³ | –0.33% |
| Alternative Investments ⁶ | 2.92% | Alternative Investment Blended Benchmark ⁴ | – |
| Total Fund | 2.93% | Total Fund Blended Benchmark⁵ | 3.32% |

5-Year Returns (2007–2011)

| Asset Category | STRS Ohio Return | Index Name | Index Return |
|--------------------------------------|------------------|---|--------------|
| Domestic Equities ⁶ | 3.15% | Russell 3000 | 3.35% |
| International ⁶ | 3.78% | International Equity Blended Benchmark ² | 3.18% |
| Fixed Income ⁶ | 7.44% | Barclays Capital U.S. Universal Index | 6.61% |
| Real Estate ⁶ | 6.03% | Real Estate Blended Benchmark ³ | 3.96% |
| Alternative Investments ⁶ | 8.64% | Alternative Investment Blended Benchmark ⁴ | 5.94% |
| Total Fund | 4.48% | Total Fund Blended Benchmark⁵ | 4.42% |

STRS Ohio Long-Term Policy Objective (20 Years)

Total Fund: 8.10%

State Teachers Retirement System of Ohio claims compliance with the Global Investment Performance Standards (GIPS®). To receive a compliant presentation and/or a description of the firm's composite, please contact the STRS Ohio Communication Services Department at (614) 227-2825.

State Teachers Retirement System of Ohio is defined and created by the Ohio Revised Code, Chapter 3307.15. The STRS Ohio Total Fund performance returns consist of all assets of the fund, including both internally and externally managed accounts. All returns are calculated in U.S. dollars using a time-weighted rate of return. All returns are net of brokerage commissions, expenses related to trading, and applicable foreign withholding taxes on dividends, interest and capital gains. Performance is generally gross of fees; net of fees returns are available upon request. Investment management fees vary among asset class. All measurements and comparisons have been made using standard performance evaluation methods, and results are presented in a manner consistent with the investment industry in general and public pension funds in particular.

The Total Fund reflects an asset allocation to six primary asset classes. As of June 30, 2011, the actual asset allocation is as follows: Liquidity Reserves 7.0%, Fixed Income 17.5%, Domestic Equities 36.9%, International Equities 21.7%, Real Estate 8.2% and Alternative Investments 8.7%. The investment objective for the Total Fund is to earn, over moving 20-year periods, an annualized return that equals or exceeds the actuarial rate of return, approved by the State Teachers Retirement Board ("Board") to value STRS Ohio liabilities. As of June 30, 2011, the current actuarial rate of return is 8.0%.

As part of the Total Fund strategy, certain asset classes may use derivatives and/or leverage. The following asset classes may use derivatives and/or leverage to gain exposure to certain sectors of the market:

- Fixed Income: Exposure to derivatives for internally managed fixed-income investments may not exceed 5% of Total Fund assets. A variety of derivatives may be used to adjust the exposure to interest rates, individual securities or to market sectors in the fixed-income asset class.
- Domestic Equities: Exposure to derivatives, including, but not limited to, futures, stock options and index options may not exceed 10% of Total Fund assets.
- International Equities: Exposure to derivatives, including swap agreements, may not exceed 10% of Total Fund assets.
- Real Estate: Activities may include borrowing funds on a secured or unsecured basis with leverage limited to 50% of the internally managed direct real estate assets. At June 30, 2011 and 2010, debt as a percentage of these assets was 27.5% and 33%, respectively. Derivatives may also be used and cannot exceed 1% of Total Fund assets.

¹The one-year returns for the fiscal years ended June 30, 2011, 2010, 2009, 2008 and 2007, have been examined by Vincent Performance Services LLC. A copy of the examination report is available upon request.

²The International Equity Blended Benchmark is calculated using 80% of the MSCI World ex USA Index (50% hedged) and 20% of the MSCI EMF Index.

³The Real Estate Blended Benchmark is calculated quarterly using 85% NCREIF Property Index (NPI) and 15% Wilshire REIT Index for all periods beginning on or after Oct. 1, 2007, and 80% NPI, 10% NCREIF Timberland Index and 10% Dow Jones Wilshire REIT Index for periods prior to Oct. 1, 2007.

⁴The Alternative Investment Blended Benchmark is calculated monthly using 62.5% of the Russell 3000 Index plus 3% and 37.5% of the Russell 3000 Index minus 1% effective July 1, 2010; 71.4% of the Russell 3000 Index plus 3% and 28.6% of the Russell 3000 Index minus 1% effective July 1, 2009; and the Russell 3000 Index plus 3% for periods prior to July 1, 2009. Given the long-term nature of the asset class, no benchmark return for alternative investments is displayed for the one- and three-year periods.

⁵The Total Fund Blended Benchmark is calculated and rebalanced monthly using a blend of the asset class benchmarks based on the Total Fund's policy weights in effect during the respective period. For alternative investments, however, the actual alternative investments return is used in the calculation of the Total Fund Blended Benchmark. Information concerning asset class benchmarks and policy weights is available upon request.

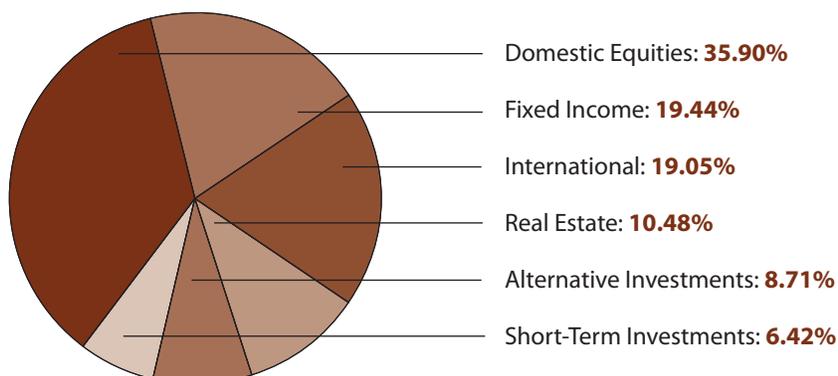
⁶Returns are supplemental to the Total Fund composite returns.

Summary of Investment Assets
As of June 30, 2011 and 2010 (dollar amounts in thousands)

| | June 30, 2011 Fair Value | % | June 30, 2010 Fair Value | % |
|--|-----------------------------|----------------|-----------------------------|----------------|
| Short term | | | | |
| Commercial paper | \$ 4,334,154 | 6.37% | \$ 3,078,470 | 5.24% |
| Short-term investment funds | 33,000 | 0.05% | 49,000 | 0.08% |
| Total short term | 4,367,154 | 6.42% | 3,127,470 | 5.32% |
| Fixed income | | | | |
| U.S. government agency obligations and | | | | |
| U.S. government obligations | 3,276,029 | 4.82% | 4,670,121 | 7.94% |
| Corporate bonds | 4,626,038 | 6.80% | 4,207,714 | 7.16% |
| High yield and emerging market | 1,252,280 | 1.84% | 1,110,016 | 1.89% |
| Mortgages and asset-backed | 4,064,050 | 5.98% | 4,070,661 | 6.93% |
| Total fixed income | 13,218,397 | 19.44% | 14,058,512 | 23.92% |
| Domestic common and preferred stock | 24,406,336 | 35.90% | 19,530,128 | 33.23% |
| Real estate | | | | |
| East region | 2,361,152 | 3.47% | 2,201,662 | 3.75% |
| Midwest region | 1,093,349 | 1.61% | 970,248 | 1.65% |
| South region | 567,740 | 0.83% | 591,811 | 1.01% |
| West region | 1,429,065 | 2.10% | 1,274,687 | 2.17% |
| REITs | 819,738 | 1.21% | 719,420 | 1.22% |
| Other | 853,631 | 1.26% | 876,266 | 1.49% |
| Total real estate | 7,124,675 | 10.48% | 6,634,094 | 11.29% |
| Alternative investments | 5,920,652 | 8.71% | 4,133,488 | 7.03% |
| International | 12,955,372 | 19.05% | 11,290,445 | 19.21% |
| Total investments | \$ 67,992,586 | 100.00% | \$ 58,774,137 | 100.00% |

Investment asset schedule excludes invested securities lending collateral.

Investment Distribution by Fair Value — as of June 30, 2011



Ohio Investment Profile — as of June 30, 2011 (in thousands)

STRS Ohio continues to engage in quality Ohio investments. As of June 30, 2011, STRS Ohio investments in companies with headquarters in Ohio are valued at more than \$1.1 billion.

| | |
|---|--------------------|
| Fixed income | \$ 97,071 |
| Common stock | 703,667 |
| Alternative investments | 182,380 |
| Real estate | 148,799 |
| Total Ohio-headquartered investments | \$1,131,917 |

Schedule of U.S. Stock Brokerage Commissions Paid

(for the year ended June 30, 2011)

| Brokerage Firm | Shares Traded* | Commissions Paid | Avg. Cents Per Share |
|--|--------------------|---------------------|----------------------|
| ITG, Inc. | 45,627,122 | \$ 881,007 | 1.9 |
| UBS Investment Bank | 35,963,947 | 699,476 | 1.9 |
| JP Morgan Securities | 15,777,121 | 678,261 | 4.3 |
| Deutsche Bank Securities | 47,897,727 | 615,045 | 1.3 |
| Barclays Capital | 17,162,045 | 593,361 | 3.5 |
| Cantor Fitzgerald | 20,465,416 | 584,076 | 2.9 |
| Morgan Stanley | 23,925,296 | 551,280 | 2.3 |
| Citigroup | 13,047,456 | 531,537 | 4.1 |
| Liquidnet Inc. | 24,486,625 | 417,977 | 1.7 |
| Credit Suisse Securities | 15,315,374 | 401,441 | 2.6 |
| Banc of America Securities | 10,305,438 | 398,187 | 3.9 |
| Bernstein (Sanford C.) & Company | 8,337,959 | 386,713 | 4.6 |
| Cowen & Company | 9,836,391 | 360,984 | 3.7 |
| Goldman Sachs | 15,391,183 | 355,956 | 2.3 |
| Baird (Robert) & Company | 8,894,916 | 332,635 | 3.7 |
| Instinet | 46,627,120 | 322,482 | 0.7 |
| RBC Capital Markets | 9,211,164 | 286,332 | 3.1 |
| Susquehanna Financial Group | 13,347,445 | 271,186 | 2.0 |
| Jefferies & Company | 7,163,528 | 264,108 | 3.7 |
| ICAP Corporates LLC | 8,919,115 | 244,937 | 2.7 |
| Piper Jaffray | 5,916,844 | 229,665 | 3.9 |
| Wells Fargo Securities | 4,665,697 | 201,903 | 4.3 |
| State Street Global Markets | 6,621,285 | 198,066 | 3.0 |
| International Strategy & Investment Group Inc. | 3,688,505 | 182,871 | 5.0 |
| Oppenheimer & Company | 3,946,441 | 167,511 | 4.2 |
| Others (includes 82 brokerage firms and external managers) | 231,978,959 | 6,007,332 | 2.6 |
| Total | 654,520,119 | \$16,164,329 | 2.5 |

*Includes option equivalent shares
Excludes commissions on futures trading

Schedule of Largest Investment Holdings*

(as of June 30, 2011)

Domestic Equities — Top 20 Holdings

| | Shares | Fair Value |
|---------------------------------------|------------|---------------|
| Exxon Mobil Corp. | 8,425,197 | \$685,642,532 |
| Apple Computer Inc. | 1,903,800 | \$639,048,546 |
| General Electric Co. | 17,813,800 | \$335,968,268 |
| Microsoft Corp. | 11,389,700 | \$296,132,200 |
| Philip Morris International | 4,329,400 | \$289,074,038 |
| Oracle Systems Corp. | 8,608,441 | \$283,303,793 |
| Chevron Corp. | 2,747,979 | \$282,602,160 |
| International Business Machines Corp. | 1,628,900 | \$279,437,795 |
| AT&T Inc. | 8,827,682 | \$277,277,491 |
| Procter & Gamble Co. | 4,196,686 | \$266,783,329 |
| JPMorgan Chase & Co. | 6,120,312 | \$250,565,573 |
| PepsiCo Inc. | 3,441,230 | \$242,365,829 |
| Wells Fargo Co. | 8,479,594 | \$237,937,408 |
| Johnson & Johnson | 3,087,200 | \$205,360,544 |
| Pfizer Inc. | 9,927,600 | \$204,508,560 |
| Coca Cola Co. | 2,984,700 | \$200,840,463 |
| Citigroup Inc. | 4,496,440 | \$187,231,762 |
| Qualcomm Inc. | 3,139,600 | \$178,297,884 |
| Merck & Co. Inc. | 4,786,771 | \$168,925,149 |
| Google Inc. | 319,900 | \$161,990,962 |

International Equities — Top 20 Holdings

| | Shares | Fair Value |
|---|------------|---------------|
| Vodafone (United Kingdom) | 52,740,803 | \$139,964,082 |
| Rio Tinto (United Kingdom) | 1,503,094 | \$108,362,209 |
| Astrazeneca (United Kingdom) | 2,047,746 | \$102,177,225 |
| Novartis AG (Switzerland) | 1,453,657 | \$ 88,911,325 |
| Total SA (France) | 1,394,521 | \$ 80,631,174 |
| GlaxoSmithKline (United Kingdom) | 3,686,106 | \$ 78,944,278 |
| British American Tobacco (United Kingdom) | 1,785,141 | \$ 78,269,261 |
| Sanofi-Aventis (France) | 956,055 | \$ 76,847,346 |
| Royal Dutch Shell (United Kingdom) | 1,995,844 | \$ 71,069,808 |
| Siemens (Germany) | 507,592 | \$ 69,692,737 |
| Samsung Electronics (South Korea) | 88,197 | \$ 68,234,648 |
| BNP Paribas (France) | 846,349 | \$ 65,317,375 |
| Repsol YPF (Spain) | 1,852,175 | \$ 64,287,855 |
| Taiwan Semiconductor (Taiwan) | 25,389,355 | \$ 63,819,222 |
| Bayerische Motoren Werke (Germany) | 633,553 | \$ 63,205,851 |
| ING (Netherlands) | 5,122,627 | \$ 63,048,105 |
| Koninklijke Philips Electronics (Netherlands) | 964,460 | \$ 62,581,873 |
| Roche (Switzerland) | 370,237 | \$ 61,867,394 |
| Munchener Ruckvers (Germany) | 382,334 | \$ 58,453,736 |
| Daimler AG (Germany) | 769,219 | \$ 57,881,547 |

Fixed Income — Top 20 Holdings

| | Par Value | Fair Value |
|---|-------------|---------------|
| U.S. Treasury N/B, 1.000%, due 12/31/2011, AAA | 148,630,000 | \$149,273,568 |
| U.S. Treasury N/B, 2.375%, due 08/31/2014, AAA | 129,300,000 | \$135,299,520 |
| U.S. Treasury N/B, 1.000%, due 10/31/2011, AAA | 128,400,000 | \$128,787,768 |
| U.S. Treasury N/B, 2.125%, due 11/30/2014, AAA | 115,100,000 | \$119,384,022 |
| U.S. Treasury N/B, 4.250%, due 11/15/2040, AAA | 106,688,000 | \$104,299,256 |
| U.S. Treasury N/B, 2.625%, due 11/15/2020, AAA | 105,550,000 | \$101,642,539 |
| FNMA Pool #AH5583, 4.500%, due 02/01/2041, AAA | 94,278,201 | \$ 97,699,557 |
| U.S. Treasury N/B, 0.875%, due 01/31/2012, AAA | 97,250,000 | \$ 97,675,955 |
| AMXCA 2009-2 A (8/15/2014), 1.437%, due 03/15/2017, AAA | 93,005,000 | \$ 96,156,009 |
| Freddie Mac, 1.375%, due 01/09/2013, AAA | 91,400,000 | \$ 92,718,902 |
| FNMA Pool #735578, 5.000%, due 06/01/2035, AAA | 86,188,136 | \$ 91,978,255 |
| FHLMC GOLD 15YR #G13815, 4.500%, due 05/01/2025, AAA | 85,620,160 | \$ 90,742,814 |
| U.S. Treasury N/B, 3.250%, due 06/30/2016, AAA | 82,950,000 | \$ 88,996,225 |
| CSFB 2004-C1 A4, 4.750%, due 01/15/2037, AAA | 82,617,000 | \$ 86,437,210 |
| FNMA Pool #960605, 5.000%, due 08/01/2037, AAA | 80,832,072 | \$ 86,262,370 |
| U.S. Treasury N/B, 3.000%, due 09/30/2016, AAA | 79,250,000 | \$ 83,802,912 |
| FHLMC GOLD #A97047, 4.500%, due 02/01/2041, AAA | 72,475,706 | \$ 74,995,686 |
| FHLMC 10/20 #H09112, 5.500%, due 11/01/203 , AAA | 68,558,540 | \$ 73,515,323 |
| U.S. Treasury N/B, 2.375%, due 09/30/2014, AAA | 70,120,000 | \$ 73,383,385 |
| FNMA Pool #AE9681, 4.000%, due 12/01/2040, AAA | 73,014,522 | \$ 73,137,186 |

*A complete list of investment holdings is available from STRS Ohio.

Schedule of External Managers

(as of June 30, 2011)

Domestic Equity

| | |
|---------------------------|----------------------------------|
| Large Cap Enhanced | Intech |
| Small Cap | Chartwell Investment Partners |
| | Neuberger Berman |
| | Eagle Asset Management |
| | Fuller & Thaler Asset Management |
| | Lord, Abnett & Company |
| | M.A. Weatherbie & Company |
| | Next Century Growth Investors |

International

| | |
|------------------------|----------------------------|
| EAFE | Arrowstreet Capital |
| | Alliance Bernstein |
| | Marvin & Palmer Associates |
| Emerging Market | First State Investments |
| | Genesis Asset Managers |
| | Marvin & Palmer Associates |
| | Alliance Bernstein |

Fixed Income

| | |
|------------------------|---------------------------------------|
| High Yield | Pacific Investment Management Company |
| | Oaktree Capital Management |
| Emerging Market | Pyramis Global Advisors |
| | Stone Harbor Investment Partners |



November 10, 2011

The Retirement Board
State Teachers Retirement System of Ohio
275 East Broad Street
Columbus, Ohio 43215

Ladies and Gentlemen:

This report presents the results of the annual valuation of the assets and liabilities of The State Teachers Retirement System of Ohio (STRS Ohio) as of July 1, 2011, prepared in accordance with Section 3307.51 of Chapter 3307 of the Ohio Revised Code, pursuant to our engagement letter with STRS Ohio dated December 1, 2007. This valuation takes into account all of the pension and survivor benefits to which members are entitled. A separate valuation of the retiree health care benefits provided by the System is performed as of January 1 of each year.

The valuation was based on the actuarial assumptions and methods as adopted by the Board of Trustees, including a valuation interest rate of 8% per annum, compounded annually. The actuarial methods and assumptions are unchanged from the prior valuation.

Actuarial Assumptions

The actuarial assumptions and methods were selected by the Board and comply with the parameters set forth in Governmental Accounting Standards No. 25. The demographic assumptions, including the withdrawal, active death, retirement, and retiree mortality rates reflect the past experience and the expected future experience of the System. The inflation assumption is 3.0%. The real rate of return is 5.0%, resulting in an interest rate of 8.0%. The payroll growth assumption is 3.5% for the next seven years and 4.0% thereafter.

Assets and Membership Data

STRS Ohio reported to the actuary the individual data for members of the System as of the valuation date. The amount of assets in the trust fund taken into account in the valuation was based on statements prepared by STRS Ohio.

Funding Adequacy

The total contribution rate from employers and members is 24% of payroll. The Board allocates the total contribution rate between pension and survivor benefits and health care. For fiscal 2012 and after, the Board has allocated 1% toward health care, leaving 23% for pension and survivor benefits. The valuation indicates that the contribution rate of 23% for fiscal 2012 and after is insufficient to provide for the payment of the pension and survivor benefits, as the funding period is infinite. An infinite funding period means the contributions collected will never amortize the unfunded accrued liability, and ultimately the system will not be able to meet its pension obligation unless changes are made.

The valuation indicates that for the fiscal year ending June 30, 2011, the actuarial experience of STRS Ohio was somewhat favorable generating a net actuarial gain of \$181 million. This gain consisted of a \$1,296 million loss due to the recognition of deferred prior asset losses under the system's asset valuation method, a \$1,884 million gain due to fiscal 2011 favorable investment return and a net \$407 million loss due to unfavorable fiscal 2011 demographic experience offset somewhat by favorable salary experience as compared to the actuarial assumptions.

Financial Results

This report shows detailed summaries of the financial results of the valuation used in preparing this valuation. The actuary prepared supporting schedules included in the Actuarial and Statistical Sections of the STRS Ohio Comprehensive Annual Financial Report. The actuary prepared the trend data schedules included in the Financial Section of the STRS Ohio Comprehensive Annual Financial Report.

Actuarial Certification

In preparing the results presented in this report, we have relied upon information STRS Ohio provided to us regarding the benefit provisions, System members, benefit payments and unaudited plan assets. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.

A range of results, different from those presented in this report could be considered reasonable. Future actuarial measurements may differ significantly from the current measurement presented in this report due to a number of factors including but not limited to: plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methods used for these measurements, and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

This report was prepared for the internal use of STRS Ohio in connection with our actuarial valuation of the System and not for reliance by any other person. PwC disclaims any contractual or other responsibility or duty of care to others based upon the services or deliverables provided in connection with this report.

This report is not intended to satisfy the requirements of any standard or to be used for any purpose other than those specifically stated herein. Significantly different results from those presented in this report may be required or applicable for other purposes.

This document is not intended or written to be used, and it cannot be used, for the purposes of avoiding U.S. federal, state, or local tax penalties. This includes penalties that may apply if the transaction that is the subject of this document is found to lack economic substance or fails to satisfy any other similar rule of law.

The undersigned actuaries are members of the Society of Actuaries and other professional actuarial organizations and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. To the best of our knowledge, the individuals have no relationship that may impair, or appear to impair the objectivity of our work.

Respectfully submitted,

PricewaterhouseCoopers LLP

Sheldon Gamzon
Fellow of the Society of Actuaries
Member of the American Academy of Actuaries

Catherine Marron
Associate of the Society of Actuaries
Member of the American Academy of Actuaries

Statement of Actuarial Assumptions and Methods

The assumptions below have been adopted by the State Teachers Retirement Board after consulting with the actuary.

Financing Objective: To establish contributions as a level percentage of active member payroll which, when invested, will be sufficient to provide specified benefits to STRS Ohio members and retirees.

Interest Rate: 8% per annum, compounded annually. (Adopted 2003)

Mortality Rates: According to the RP 2000 Combined (Projection 2018 — Scale AA). Males' ages are set back two years. Females younger than age 85 are set back three years, while females age 85 and over are set back two years. Special mortality tables are used for the period after disability retirement. (Adopted 2008)

Future Expenses: The assumed interest rate is net of the anticipated future administrative expenses of the fund.

Actuarial Cost Method: Projected benefit method with level percentage entry age normal cost and open-end unfunded accrued liability. Gains and losses are reflected in the accrued liability.

Asset Valuation Method: A four-year moving market average value of assets that spreads the difference between the actual investment income and the expected income (based on the valuation interest rate) over a period of four years. The actuarial value shall not be less than 91% or more than 109% of market value. (Adopted 1997)

Payroll Growth: 3.50% per annum compounded annually for the next seven years, 4.00% thereafter. (Adopted 2008)

Separations From Active Service and Salary Increases: Representative values of the assumed rates of separation and annual rates of salary increase are shown in the table below. (Adopted 2008)

Replacement of Retiring Members: The majority of members who retire do so effective July 1. These members are replaced by new members who are hired after July 1. As a result, new members are not reported on the census data. To compensate for this disparity, assumed payroll for these new members is equal to the difference between actual total system payroll for the fiscal year just ended and reported payroll for members reported on the valuation date.

Census and Assets: The valuation was based on members of the system as of July 1, 2011, and does not take into account future members. All census and asset data was supplied by the system.

Definition of Active Member: Members employed on July 1, 2011, who have earned at least 0.25 years of service or were employed on or after Jan. 1, 2011, and have less than 0.25 years of service, are considered active.

Marital Status: 80% of male members and 60% of female members are assumed to be married, with husbands assumed to be three years older than their spouse.

Annual Rates of Separation and Salary Increase

| Age | Non-Vested Withdrawal | Vested Withdrawal | Mortality | Disability | Salary Increase* |
|--------------|-----------------------|-------------------|-----------|------------|------------------|
| MEN | | | | | |
| 20 | 24.70% | 15.00% | .02% | .01% | 12.00% |
| 25 | 13.60% | 15.00% | .03% | .01% | 12.00% |
| 30 | 12.75% | 3.20% | .04% | .02% | 8.00% |
| 35 | 14.50% | 2.61% | .06% | .04% | 7.25% |
| 40 | 13.75% | 2.16% | .09% | .10% | 6.00% |
| 45 | 13.40% | 1.90% | .13% | .18% | 5.25% |
| 50 | 13.40% | 1.80% | .29% | .24% | 4.50% |
| 55 | 13.40% | 1.80% | .40% | .30% | 4.00% |
| 60 | 13.40% | 1.80% | .52% | .35% | 3.50% |
| 65 | 13.40% | — | .85% | .40% | 3.25% |
| WOMEN | | | | | |
| 20 | 19.50% | 20.00% | .01% | .02% | 12.00% |
| 25 | 9.99% | 19.00% | .01% | .02% | 12.00% |
| 30 | 9.99% | 6.40% | .02% | .02% | 8.00% |
| 35 | 11.75% | 3.60% | .03% | .07% | 7.25% |
| 40 | 9.00% | 2.25% | .04% | .12% | 6.00% |
| 45 | 9.00% | 1.80% | .06% | .17% | 5.25% |
| 50 | 9.00% | 2.00% | .10% | .24% | 4.50% |
| 55 | 9.00% | 2.40% | .21% | .30% | 4.00% |
| 60 | 7.25% | 2.40% | .40% | .35% | 3.50% |
| 65 | 7.25% | — | .70% | .40% | 3.25% |

*Includes an inflation adjustment of 3.00%.

Retirement Rates

| Age | Under 25 Years of Service | 25–29 Years of Service | 30–34 Years of Service | 35+ Years of Service |
|--------------|---------------------------|------------------------|------------------------|----------------------|
| MEN | | | | |
| 52 | 0% | 0% | 20% | 40% |
| 55 | 0% | 18% | 12% | 60% |
| 60 | 13% | 9% | 15% | 45% |
| 65 | 17% | 20% | 10% | 30% |
| 70 | 12% | 15% | 10% | 20% |
| 75 | 100% | 100% | 100% | 100% |
| WOMEN | | | | |
| 52 | 0% | 0% | 20% | 80% |
| 55 | 0% | 14% | 12% | 50% |
| 60 | 22% | 15% | 25% | 40% |
| 65 | 20% | 32% | 25% | 45% |
| 70 | 12% | 20% | 15% | 35% |
| 75 | 100% | 100% | 100% | 100% |

Benefit Recipients Added to and Removed From the Rolls, 2004–2011

| Fiscal Year Ended | Beginning Number of Benefit Recipients | Beginning Annual Allowances (in thousands) | Benefit Recipients Added | Payments Added (in thousands) | Benefit Recipients Removed | Payments Removed (in thousands) | Ending Number of Benefit Recipients | Ending Annual Allowance (in thousands) |
|-------------------|--|--|--------------------------|-------------------------------|----------------------------|---------------------------------|-------------------------------------|--|
| 2004 | 108,294 | \$3,021,825 | 7,038 | \$310,262 | 3,479 | \$60,009 | 111,853 | \$3,272,078 |
| 2005 | 111,853 | \$3,272,078 | 6,929 | \$330,284 | 3,387 | \$62,121 | 115,395 | \$3,540,241 |
| 2006 | 115,395 | \$3,540,241 | 7,194 | \$354,245 | 3,405 | \$66,091 | 119,184 | \$3,828,395 |
| 2007 | 119,184 | \$3,828,395 | 7,289 | \$370,503 | 3,539 | \$74,241 | 122,934 | \$4,124,657 |
| 2008 | 122,934 | \$4,124,657 | 7,182 | \$373,385 | 3,610 | \$79,243 | 126,506 | \$4,418,799 |
| 2009 | 126,506 | \$4,418,799 | 6,675 | \$366,645 | 3,522 | \$78,480 | 129,659 | \$4,706,964 |
| 2010 | 129,659 | \$4,706,964 | 7,089 | \$334,654 | 3,645 | \$83,658 | 133,103 | \$4,957,960 |
| 2011 | 133,103 | \$4,957,960 | 7,744 | \$501,900 | 2,759 | \$66,488 | 138,088 | \$5,393,372 |

Schedule of Valuation Data — Active Members, 2002–2011

| Valuation Date | Number | Annualized Salaries (in thousands) | Annual Average Pay | % Increase in Average Pay |
|----------------|---------|------------------------------------|--------------------|---------------------------|
| 2002 | 178,557 | \$8,063,134 | \$45,157 | 4% |
| 2003 | 179,944 | \$8,425,838 | \$46,825 | 4% |
| 2004 | 179,063 | \$8,646,404 | \$48,287 | 3% |
| 2005 | 176,692 | \$8,757,200 | \$49,562 | 3% |
| 2006 | 175,065 | \$8,894,400 | \$50,806 | 3% |
| 2007 | 174,110 | \$9,051,842 | \$51,989 | 2% |
| 2008 | 173,327 | \$9,187,562 | \$53,007 | 2% |
| 2009 | 174,807 | \$9,502,701 | \$54,361 | 3% |
| 2010* | 180,975 | \$9,633,355 | \$53,230 | -2% |
| 2011 | 177,897 | \$9,609,723 | \$54,018 | 1% |

*For valuations prior to July 1, 2010, active members are defined as participants who earned 0.25 years of service credit or more, in the valuation year. Starting with the July 1, 2010 figures, active members are defined as participants who earned 0.25 years of service credit or more in the valuation year and those employed on or after Jan. 1, with less than 0.25 years of service.

Schedule of Valuation Data — Retirees/Beneficiaries, 2002–2011

| Valuation Date | Number | Annual Allowances (in thousands) | % Increase in Annual Allowances | Average Annual Allowances |
|----------------|---------|----------------------------------|---------------------------------|---------------------------|
| 2002 | 105,300 | \$2,806,482 | 8% | \$26,652 |
| 2003 | 108,294 | \$3,021,825 | 8% | \$27,904 |
| 2004 | 111,853 | \$3,272,078 | 8% | \$29,253 |
| 2005 | 115,395 | \$3,540,241 | 8% | \$30,679 |
| 2006 | 119,184 | \$3,828,395 | 8% | \$32,122 |
| 2007 | 122,934 | \$4,124,657 | 8% | \$33,552 |
| 2008 | 126,506 | \$4,418,799 | 7% | \$34,930 |
| 2009 | 129,659 | \$4,706,964 | 7% | \$36,303 |
| 2010 | 133,103 | \$4,957,960 | 5% | \$37,249 |
| 2011 | 138,088 | \$5,393,372 | 9% | \$39,057 |

Solvency Test, 2002–2011 (dollar amounts in thousands)

| Valuation Date | Accrued Liability for: | | | Valuation Assets* | Portion of Accrued Liabilities Covered by Valuation Assets | | |
|----------------|---------------------------------|--------------------------------|--|-------------------|--|------|-----|
| | (1) Active Member Contributions | (2) Retirees and Beneficiaries | (3) Active Members (Employer-Financed Portion) | | (1) | (2) | (3) |
| 2002 | \$7,771,703 | \$32,639,291 | \$22,804,650 | \$48,958,824 | 100% | 100% | 37% |
| 2003 | \$8,155,685 | \$34,938,341 | \$22,842,331 | \$48,899,215 | 100% | 100% | 25% |
| 2004 | \$8,600,068 | \$37,870,700 | \$23,396,658 | \$52,253,799 | 100% | 100% | 25% |
| 2005 | \$8,940,971 | \$40,937,540 | \$23,938,603 | \$53,765,570 | 100% | 100% | 16% |
| 2006 | \$9,284,076 | \$44,219,489 | \$23,867,459 | \$58,008,050 | 100% | 100% | 19% |
| 2007 | \$9,563,124 | \$47,526,142 | \$24,037,375 | \$66,671,511 | 100% | 100% | 40% |
| 2008 | \$9,737,926 | \$51,874,103 | \$25,820,319 | \$69,198,008 | 100% | 100% | 29% |
| 2009 | \$10,295,816 | \$54,909,046 | \$26,236,093 | \$54,902,859 | 100% | 81% | 0% |
| 2010 | \$10,641,167 | \$57,754,654 | \$26,324,848 | \$55,946,259 | 100% | 78% | 0% |
| 2011 | \$10,907,611 | \$62,441,600 | \$25,416,993 | \$58,110,495 | 100% | 76% | 0% |

*Excludes health care assets. Years prior to 2008 included the health care assets in prior disclosures, but have been restated to exclude these assets.

Analysis of Financial Experience

Gains and Losses in Accrued Liabilities Resulting From Differences Between Assumed Experience and Actual Experience (in thousands)

| Type of Activity: | Gain (loss) for year ended June 30: | | | | |
|--|-------------------------------------|--------------|-----------------|--------------|--------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Investment income. If there is greater investment income than assumed, there is a gain. If less, there is a loss. | \$ 588,454 | \$ (731,414) | \$ (17,353,396) | \$ (593,933) | \$5,865,787 |
| Payroll growth. If more contributions from payroll growth are received than expected, there is a gain. If less, there is a loss. | (77,193) | (30,530) | (35,590) | (55,621) | (312,644) |
| Salary increases. If there are smaller salary increases than assumed, there is a gain. If greater increases, there is a loss. | 680,760 | 404,084 | 133,050 | 327,750 | 54,930 |
| Retirement and other separation experience. If members retire from service at an older age or with a lower final average salary than assumed, there is a gain. If separation claims are less than expected, there is a gain. If new members don't enter the system as expected, there is a loss. | (535,829) | (664,659) | (493,354) | (436,523) | (329,777) |
| Death after retirement. If retirees live shorter than expected, there is a gain. If retirees live longer than assumed, there is a loss. | (488,586) | 744,522 | (66,627) | (136,493) | (46,727) |
| Defined Contribution Plan administrative expenses. If there is more expense than participant income, there is a loss. | 0 | 0 | 0 | 0 | (49) |
| Final plan reselection. If the account value from defined contribution accounts is greater than the reestablished defined benefit account balance, there is a gain. | 13,373 | (1,061) | 14,538 | 821 | 2,951 |
| Gain (or loss) during year from financial experience | 180,979 | (279,058) | (17,801,379) | (893,999) | 5,234,471 |
| Nonrecurring items adjustment | 0 | 0 | 0 | 0 | 0 |
| Composite gain (or loss) during the year | \$ 180,979 | \$ (279,058) | \$ (17,801,379) | \$ (893,999) | \$ 5,234,471 |

Summary of Benefit and Contribution Provisions — Defined Benefit Plan

Eligibility for Membership

Immediate upon commencement of employment.

Service Retirement

Eligibility

Any age with 30 years of service, age 55 with 25 years of service, or age 60 with five years of service. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts.

Amounts

Annual amount equal to the greater of (a) 2.2% of final average salary for the three highest paid years, multiplied by years of total Ohio service credit, or 2.5% of final average salary for the three highest paid years if the member has 35 or more years of contributing service credit, multiplied by years of total service credit — except that for years of Ohio contributing service credit in excess of 30 the following formula percentage will apply:

| Year | Percentage |
|------|------------|
| 31 | 2.5% |
| 32 | 2.6% |
| 33 | 2.7% |
| 34 | 2.8% |
| 35 | 2.9% |
| 36 | 3.0% |
| 37 | 3.1% |
| 38 | 3.2% |
| 39 | 3.3% |

or (b) \$86 multiplied by years of service credit, and adjusted by the following percentage:

| Attained Age | Years of Ohio Service Credit | Percentage of Base Amount |
|--------------|------------------------------|---------------------------|
| 58 | 25 | 75% |
| 59 | 26 | 80% |
| 60 | 27 | 85% |
| 61 | | 88% |
| | 28 | 90% |
| 62 | | 91% |
| 63 | | 94% |
| | 29 | 95% |
| 64 | | 97% |
| 65 | 30 or more | 100% |

Annual salary is subject to the limit under Section 401(a)(17).

Maximum benefit — The lesser of: (a) 100% of average annual salary for the three highest paid years, or (b) the limit as established by Section 415 of the Internal Revenue Code.

Minimum benefit — The sum of the annuity provided by: (a) the member's contribution with interest, (b) a pension equal to the annuity, and (c) an additional pension of \$40 multiplied by the number of years of prior and military service.

Disability Retirement

Eligibility

A member may qualify if the following criteria are met: membership before July 30, 1992, and election of this benefit; completion of five or more years of service; under age 60; and incapacitated for the performance of regular job duties for at least 12 months.

Amount

- (1) Annuity with a reserve equal to the member's accumulated contributions, plus
- (2) The difference between (1) (noted above) and the greater of 2% of the average salary during the three highest paid years times total service plus years and months from date of disability to age 60, or \$86 times total service plus years and months from date of disability to age 60. Maximum allowance is 75% of final average salary. Minimum allowance is 30% of final average salary.

Disability Allowance

Eligibility

A member may qualify if the following criteria are met: membership after July 29, 1992, or membership on or before July 29, 1992, and election of this benefit; completion of five or more years of service; and incapacitated for the performance of regular job duties for at least 12 months.

Amount

The amount is 2.2% of the average salary during the three highest paid years times total service. Maximum allowance is 60% of final average salary. Minimum allowance is 45% of final average salary. The disability allowance payment terminates at age 65 (or later if payment begins after age 60). After termination of the disability allowance, the member may apply for service retirement.

Death After Retirement

Lump-sum payment of \$1,000 upon death after service or disability retirement.

Survivor Benefits

Eligibility

A member may qualify for this benefit after at least 1-1/2 years of credit for Ohio service with at least 1/4 year of such service in the 2-1/2 years preceding death; or upon death of a disability retiree.

Amount

If a member was eligible for retirement, a spouse or other sole dependent beneficiary may elect to receive Option 1 benefits in lieu of return of contributions. If a member was not eligible for retirement, qualified beneficiaries may elect to receive dependent-based benefits in lieu of return of contributions (see chart below) or service-based benefits, which provide a minimum benefit of a percentage of final average salary based on years of credited service ranging from 29% with 20 years of service to 60% with 29 years of service.

Qualified beneficiaries are spouse, dependent children and/or dependent parents age 65 or older.

| Number of Qualified Dependents | % of Average Annual Salary for Three Highest Paid Years | Minimum Annual Benefit |
|--------------------------------|---|------------------------|
| 1 | 25% | \$ 1,152 |
| 2 | 40% | 2,232 |
| 3 | 50% | 2,832 |
| 4 | 55% | 2,832 |
| 5 or more | 60% | 2,832 |

Lump-Sum Withdrawal Option

In lieu of any other pension or survivor benefits, a member who leaves the system can receive his or her member contributions with interest in a lump sum according to the following schedule:

| Credited Service | Lump-Sum Amount |
|--|---|
| Less than three years | Member contributions with 2% interest |
| Three or more years but less than five years | Member contributions with 3% interest |
| Five or more years | 150% of member contributions with 3% interest |

The board has the authority to modify the interest credited to member contributions.

Optional Forms of Benefit

Option 1 — 100% joint and survivorship. Reduced retirement allowance payable to the member and continuing for life to the member's sole beneficiary (named at retirement) after the member's death.

Option 2 — A joint and survivorship annuity payable during the lifetime of the member, with the member's sole beneficiary (named at retirement) to receive some other portion of the member's annuity after the member's death.

Option 3 — The member's reduced retirement allowance provided under Option 1 or Option 2 paid for life to the member's sole beneficiary (named at retirement) after the member's death. In the event of the death of the sole beneficiary or termination of marriage between the retiree and the sole beneficiary, the retiree may elect to return to a single lifetime benefit equivalent, available for an actuarially computed charge as determined by the Retirement Board. In the case of termination of marriage, the election may be made with the written consent of the beneficiary or by court order.

Option 4 — A life annuity payable during the lifetime of the member with a guarantee that, upon the member's death before the expiration of a certain period, the benefit will continue for the remainder of such period to the beneficiary. Joint beneficiaries may receive the present value of any remaining payments in a lump-sum settlement. If all beneficiaries die before the expiration of the certain period, the present value of all remaining payments is paid to the estate of the beneficiary last receiving benefits.

Option 5 — A plan of payment established by the Retirement Board combining any of the features of Options 1, 2 and 4.

Partial Lump-Sum Option Plan (PLOP) —

A lump-sum payment totaling between six and 36 times the member's monthly retirement benefit value. Lifetime monthly benefit payments then start at a reduced amount to account for the sum taken up front in a single payment.

Refund of Contributions

A member's contributions with interest are refunded upon termination of employment where no other benefit is payable. Upon death after retirement or upon death of a survivor in receipt of benefits, the member's accumulated contributions, less payments made, are returned to the designated beneficiary.

Cost-of-Living Benefits

The basic benefit is increased each year by 3% of the original base benefit.

Health Care

Retirees, their spouse and dependents have access to a medical expense health care plan as may be offered by the Retirement Board and which is subject to changes in terms and conditions from time to time.

Contribution

By members: 10% of salary.

By employers: 14% of salaries of their employees who are members.

Summary of Benefit and Contribution Provisions — Combined Plan

Eligibility for Membership

New members hired on or after July 1, 2001, may elect in writing to participate in the Combined Plan.

Service Retirement

Eligibility

Age 60 with five years of service.

Amount

The balance in the member's defined contribution account plus an annual amount equal to 1% of final average salary for the three highest paid years multiplied by years of total Ohio service credit.

Annual salary is subject to the limit under Section 401(a)(17) of the Internal Revenue Code.

Vesting

Eligibility

Completion of five years of service for the defined benefit portion. Member contributions and earnings are 100% vested at all times.

Amount

A member who terminates with five or more years of service credit can receive the actuarial equivalent present value of the defined benefit formula. Before age 50, a withdrawal must include both the defined benefit and defined contribution portions of the account.

Early Retirement

Eligibility

Before age 60 with five years of service.

Amount

The normal retirement benefit commencing at age 60. At age 50 or after, a member who elects to withdraw the full value of his or her defined contribution account may receive the withdrawal value of the formula benefit in a single sum, or leave the formula benefit on account for a benefit payable at age 60. The member may withdraw the defined benefit portion of the account only if he or she is also withdrawing the defined contribution account.

Late Retirement

Eligibility

After age 60 with five years of service.

Amount

The formula benefit described in the service retirement section based on service credit and final average salary at termination without any actuarial adjustment.

Disability Benefits

Eligibility

Completion of five or more years of service and incapacitated for the performance of regular job duties for at least 12 months.

Amount

Members have the option of receiving disability benefits. All contributions and investment gains in the member's defined contribution account are used to fund the benefit. At age 65, the disability benefit converts to a service retirement benefit with a 2.2% formula. Alternatively, the member's defined contribution account is available upon termination of employment.

Survivor Benefits

Eligibility

Upon death after at least 1-1/2 years of credit for Ohio service with at least 1/4 year of such service in the 2-1/2 years preceding death or upon death of a disability retiree.

Amount

Qualified surviving members have the option of receiving survivor benefits paid as an annuity. All contributions and investment gains in the member's defined contribution account are used to fund the benefit. If a member had 30 years of service, was age 55 with 25 years of service or age 60 with five years of service, the spouse or other sole dependent beneficiary may elect to receive an Option 1 benefit in lieu of return of contributions.

If a member did not meet the eligibility requirements described above, qualified beneficiaries may elect to receive the following benefits in lieu of return of contributions.

| Number of Qualified Dependents | % of Average Annual Salary for Three Highest Paid Years | Minimum Annual Benefit |
|--------------------------------|---|------------------------|
| 1 | 25% | \$ 1,152 |
| 2 | 40% | 2,232 |
| 3 | 50% | 2,832 |
| 4 | 55% | 2,832 |
| 5 or more | 60% | 2,832 |

Service-based benefits provide a minimum benefit of a percentage of final average salary based on years of credited service ranging from 29% with 20 years of service to 60% with 29 years of service.

Alternatively, the member's defined contribution account is available.

Qualified beneficiaries are spouse, dependent children and/or dependent parents age 65 or older.

Optional Forms of Payment of Defined Benefit Portion

A lump sum of the actuarial equivalent of the defined benefit formula benefit. If a member withdraws the defined contribution account before age 50, the formula benefit is paid in a lump sum.

Joint and Survivorship Options — Options 1 through 5 described in the Defined Benefit Plan provisions are available, as well as the PLOP. All alternative forms of payment are the actuarial equivalent of the Single Life Annuity benefit payable at age 60.

Optional Forms of Payment of Member's Defined Contribution Account

The actuarial equivalent of the member's defined contribution account can be paid on or after age 50 as a lifetime annuity. Options 1 through 5, described in the Defined Benefit Plan provisions, are also available. The monthly annuity must be \$100 or more to receive the member's defined contribution account in the form of an annuity.

The vested amount of the member's defined contribution account upon termination of employment can be paid as a single lump sum. If a member takes a lump sum of the defined benefit formula benefit, the member must simultaneously withdraw the lump-sum value of the member's defined contribution account in a single lump sum.

Cost-of-Living Benefits

Not available on the service retirement benefit. For disability and survivor benefits, the basic benefit is increased by 3% each year.

Health Care

Retirees, their spouse and dependents have access to a medical expense health care plan as may be offered by the Retirement Board and which is subject to changes in terms and conditions from time to time.

Contribution

By members: 10% of salary is deposited into the member's defined contribution account.

By employers: 13.7% of salaries is used to fund the defined benefit formula and health care; 0.3% of salaries is used to fund administrative expenses for the Defined Contribution Plan.

Summary of Benefit and Contribution Provisions — Defined Contribution Plan

Eligibility for Membership

New members hired on or after July 1, 2001, may elect in writing to participate in the Defined Contribution Plan.

Service Retirement

Eligibility

Termination after age 50.

Amount

The balance in the member's defined contribution account.

Vesting

Eligibility

Employer contributions and earnings on the member's account are vested after the first anniversary of membership. Member contributions and earnings are 100% vested at all times.

Amount

The balance in the member's defined contribution account.

Early Retirement

Eligibility

Termination before age 50.

Amount

The balance in the member's defined contribution account.

Disability Benefit

Not available. However, members who terminate employment may withdraw their account.

Survivor Benefits

Eligibility

Upon death.

Amount

The balance in the member's defined contribution account.

Optional Forms of Payment

The actuarial equivalent of the member's defined contribution account can be paid on or after age 50 as a lifetime annuity. Options 1 through 5, described in the Defined Benefit Plan provisions, are also available. The monthly annuity must be \$100 or more to receive the member's defined contribution account in the form of an annuity.

Cost-of-Living Benefits

Not available.

Health Care

Not available.

Contribution

By members: 10% of salary is deposited into the member's defined contribution account.

By employers: 10.5% of salary is deposited into the member's defined contribution account; 3.5% of salaries is used to amortize the unfunded liability of the Defined Benefit Plan.

Statistical

The objective of the statistical section is to provide financial statement users with historical perspective, context and detail to assist in using the information in the financial statements and the notes to the financial statements to better understand and assess STRS Ohio's economic condition.

The schedules on Pages 64–65 show financial trend information that assists users in understanding and assessing how STRS Ohio's financial position has changed over time. The financial trend schedules presented are:

- Changes in Net Assets
- Net Assets by Plan
- Benefit Expenses by Type

Demographic and economic information begins on Page 66. This information is intended to assist users in understanding the environment in which STRS Ohio operates and to provide information that facilitates comparisons of financial statement information over time and among governments. The demographic and economic information presented are:

- Actuarial Funded Ratio and Funding Period
- Selected Funding Information — Defined Benefit Plan
- Number of Benefit Recipients by Type
- Summary of Active Membership Data

Operating information, which begins on Page 68, is intended to provide contextual information about STRS Ohio's operation to assist in using financial statement information. The operating information presented is:

- Benefit Payments by Type
- Average Benefit Payments for Service Retirees
- Number of Reporting Employers by Type
- Principal Participating Employers

Changes in Net Assets
Years Ending June 30, 2002–2011 (in thousands)

| Defined Benefit Plan | | | | | | | | | | |
|--|--------------------|------------------|------------------|------------------|------------------|-------------------|--------------------|---------------------|------------------|-------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Additions: | | | | | | | | | | |
| Member contributions | \$ 815,339 | \$ 868,157 | \$ 967,234 | \$ 969,226 | \$ 987,900 | \$ 1,002,876 | \$ 1,017,720 | \$ 1,041,248 | \$ 1,066,483 | \$ 1,081,958 |
| Employer contributions | 817,742 | 1,164,734 | 1,206,439 | 1,232,317 | 1,255,053 | 1,272,559 | 1,305,027 | 1,347,741 | 1,374,327 | 1,379,104 |
| Investment income (loss) | (4,039,314) | 857,081 | 7,685,568 | 6,101,662 | 7,550,742 | 12,693,905 | (3,926,797) | (14,371,713) | 6,641,516 | 11,925,835 |
| Other | 193 | 21,486 | 20,777 | 20,488 | 18,974 | 36,313 | 37,945 | 35,324 | 39,857 | 45,910 |
| Total additions | (2,406,040) | 2,911,458 | 9,880,018 | 8,323,693 | 9,812,669 | 15,005,653 | (1,566,105) | (11,947,400) | 9,122,183 | 14,432,807 |
| Deductions: | | | | | | | | | | |
| Benefit payments | 2,638,953 | 2,845,503 | 3,108,753 | 3,383,605 | 3,684,385 | 4,007,705 | 4,338,617 | 4,613,751 | 4,900,418 | 5,244,407 |
| Refunds | 83,859 | 76,453 | 99,538 | 110,018 | 121,290 | 128,587 | 133,832 | 121,863 | 117,751 | 153,243 |
| Administrative expenses | 69,991 | 69,085 | 62,768 | 59,093 | 63,398 | 60,002 | 59,467 | 58,679 | 59,320 | 58,860 |
| Total deductions | 2,792,803 | 2,991,041 | 3,271,059 | 3,552,716 | 3,869,073 | 4,196,294 | 4,531,916 | 4,794,293 | 5,077,489 | 5,456,510 |
| Net increase (decrease) | (5,198,843) | (79,583) | 6,608,959 | 4,770,977 | 5,943,596 | 10,809,359 | (6,098,021) | (16,741,693) | 4,044,694 | 8,976,297 |
| Net assets held in trust, beginning of year | 50,080,968 | 44,882,125 | 44,802,542 | 51,411,501 | 56,182,478 | 62,126,074 | 72,935,433 | 66,837,412 | 50,095,719 | 54,140,413 |
| Net assets held in trust, end of year | \$44,882,125 | \$44,802,542 | \$51,411,501 | \$56,182,478 | \$62,126,074 | \$72,935,433 | \$66,837,412 | \$50,095,719 | \$54,140,413 | \$63,116,710 |
| Post-Employment Health Care Plan | | | | | | | | | | |
| Additions: | | | | | | | | | | |
| Employer contributions | \$ 380,437 | \$ 88,587 | \$ 91,589 | \$ 93,066 | \$ 94,610 | \$ 96,287 | \$ 98,342 | \$ 101,221 | \$ 103,415 | \$ 103,694 |
| Health care premiums | 79,590 | 103,913 | 156,970 | 188,835 | 189,432 | 201,537 | 214,700 | 225,627 | 222,316 | 222,130 |
| Investment income (loss) | (267,250) | 54,800 | 470,125 | 361,600 | 433,999 | 713,400 | (217,501) | (778,556) | 348,311 | 608,969 |
| Government reimbursements | 0 | 0 | 0 | 0 | 17,947 | 36,312 | 36,915 | 37,956 | 38,156 | 70,556 |
| Total additions | 192,777 | 247,300 | 718,684 | 643,501 | 735,988 | 1,047,536 | 132,456 | (413,752) | 712,198 | 1,005,349 |
| Deductions: | | | | | | | | | | |
| Health care provider payments | 434,287 | 456,214 | 425,709 | 443,615 | 490,122 | 503,407 | 540,493 | 558,344 | 592,416 | 604,456 |
| Administrative expenses | 3,909 | 3,903 | 3,763 | 3,879 | 3,204 | 3,027 | 2,913 | 3,349 | 2,523 | 2,502 |
| Total deductions | 438,196 | 460,117 | 429,472 | 447,494 | 493,326 | 506,434 | 543,406 | 561,693 | 594,939 | 606,958 |
| Net increase (decrease) | (245,419) | (212,817) | 289,212 | 196,007 | 242,662 | 541,102 | (410,950) | (975,445) | 117,259 | 398,391 |
| Net assets held in trust, beginning of year | 3,255,940 | 3,010,521 | 2,797,704 | 3,086,916 | 3,282,923 | 3,525,585 | 4,066,687 | 3,655,737 | 2,680,292 | 2,797,551 |
| Net assets held in trust, end of year | \$ 3,010,521 | \$ 2,797,704 | \$ 3,086,916 | \$ 3,282,923 | \$ 3,525,585 | \$ 4,066,687 | \$ 3,655,737 | \$ 2,680,292 | \$ 2,797,551 | \$ 3,195,942 |
| Defined Contribution Plan | | | | | | | | | | |
| Additions: | | | | | | | | | | |
| Member contributions | \$ 11,571 | \$ 18,774 | \$ 23,612 | \$ 28,641 | \$ 33,070 | \$ 36,709 | \$ 40,829 | \$ 44,490 | \$ 46,059 | \$ 47,935 |
| Employer contributions | 6,536 | 10,136 | 13,147 | 16,270 | 19,280 | 21,645 | 24,471 | 26,873 | 27,359 | 28,205 |
| Investment income (loss) | (1,469) | 2,677 | 11,741 | 13,560 | 19,830 | 37,023 | (31,120) | (59,251) | 39,157 | 88,131 |
| Transfers between retirement plans | 19,792 | 0 | 0 | 0 | 0 | (15,845) | (14,399) | (14,644) | (16,580) | (16,264) |
| Total additions | 36,430 | 31,587 | 48,500 | 58,471 | 72,180 | 79,532 | 19,781 | (2,532) | 95,995 | 148,007 |
| Deductions: | | | | | | | | | | |
| Refunds | 218 | 1,076 | 2,656 | 4,533 | 5,918 | 6,407 | 9,086 | 7,427 | 9,230 | 12,777 |
| Administrative expenses | 3,225 | 931 | 849 | 733 | 491 | 358 | 240 | 256 | (35) | (160) |
| Total deductions | 3,443 | 2,007 | 3,505 | 5,266 | 6,409 | 6,765 | 9,326 | 7,683 | 9,195 | 12,617 |
| Net increase (decrease) | 32,987 | 29,580 | 44,995 | 53,205 | 65,771 | 72,767 | 10,455 | (10,215) | 86,800 | 135,390 |
| Net assets held in trust, beginning of year | (2,533) | 30,454 | 60,034 | 105,029 | 158,234 | 224,005 | 296,772 | 307,227 | 297,012 | 383,812 |
| Net assets held in trust, end of year | \$ 30,454 | \$ 60,034 | \$ 105,029 | \$ 158,234 | \$ 224,005 | \$ 296,772 | \$ 307,227 | \$ 297,012 | \$ 383,812 | \$ 519,202 |

Net Assets by Plan
Years Ending June 30, 2002–2011 (in thousands)

| Fiscal Year | Defined Benefit Plan | Post-Employment Health Care Plan | Defined Contribution Plan | Total Net Assets |
|-------------|----------------------|----------------------------------|---------------------------|------------------|
| 2002 | \$44,882,125 | \$3,010,521 | \$30,454 | \$47,923,100 |
| 2003 | \$44,802,542 | \$2,797,704 | \$60,034 | \$47,660,280 |
| 2004 | \$51,411,501 | \$3,086,916 | \$105,029 | \$54,603,446 |
| 2005 | \$56,182,478 | \$3,282,923 | \$158,234 | \$59,623,635 |
| 2006 | \$62,126,074 | \$3,525,585 | \$224,005 | \$65,875,664 |
| 2007 | \$72,935,433 | \$4,066,687 | \$296,772 | \$77,298,892 |
| 2008 | \$66,837,412 | \$3,655,737 | \$307,227 | \$70,800,376 |
| 2009 | \$50,095,719 | \$2,680,292 | \$297,012 | \$53,073,023 |
| 2010 | \$54,140,413 | \$2,797,551 | \$383,812 | \$57,321,776 |
| 2011 | \$63,116,710 | \$3,195,942 | \$519,202 | \$66,831,854 |

Benefit Expenses by Type
Years Ending June 30, 2002–2011 (in thousands)

| Fiscal Year | Service Retirement | Disability Benefits | Survivor Benefits | Supplemental Benefit | Other | Total |
|-------------|--------------------|---------------------|-------------------|----------------------|----------|-------------|
| 2002 | \$2,395,318 | \$168,704 | \$69,214 | \$0 | \$5,717 | \$2,638,953 |
| 2003 | \$2,588,800 | \$175,620 | \$73,680 | \$0 | \$7,403 | \$2,845,503 |
| 2004 | \$2,840,334 | \$182,889 | \$77,089 | \$0 | \$8,441 | \$3,108,753 |
| 2005 | \$3,106,371 | \$187,426 | \$81,589 | \$0 | \$8,219 | \$3,383,605 |
| 2006 | \$3,393,968 | \$193,329 | \$86,023 | \$0 | \$11,065 | \$3,684,385 |
| 2007 | \$3,708,919 | \$198,581 | \$90,092 | \$0 | \$10,113 | \$4,007,705 |
| 2008 | \$4,029,937 | \$201,949 | \$94,167 | \$0 | \$12,564 | \$4,338,617 |
| 2009 | \$4,299,310 | \$204,939 | \$99,139 | \$0 | \$10,363 | \$4,613,751 |
| 2010 | \$4,579,805 | \$205,989 | \$103,114 | \$0 | \$11,510 | \$4,900,418 |
| 2011 | \$4,908,718 | \$207,245 | \$113,531 | \$0 | \$14,913 | \$5,244,407 |

Actuarial Funded Ratio and Funding Period 2002–2011 (dollar amounts in thousands)

| At July 1 | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio | Funding Period |
|-----------|---------------------------|-----------------------------|--------------------------------------|--------------|----------------|
| 2002 | \$48,958,824 | \$63,215,643 | \$14,256,819 | 77.4% | 39.0 Yrs. |
| 2003 | \$48,899,215 | \$65,936,357 | \$17,037,142 | 74.2% | 42.3 Yrs. |
| 2004 | \$52,253,798 | \$69,867,425 | \$17,613,627 | 74.8% | 42.2 Yrs. |
| 2005 | \$53,765,570 | \$73,817,114 | \$20,051,544 | 72.8% | 55.5 Yrs. |
| 2006 | \$58,008,050 | \$77,371,024 | \$19,362,974 | 75.0% | 47.2 Yrs. |
| 2007 | \$66,671,511 | \$81,126,642 | \$14,455,131 | 82.2% | 26.1 Yrs. |
| 2008 | \$69,198,008 | \$87,432,348 | \$18,234,340 | 79.1% | 41.2 Yrs. |
| 2009 | \$54,902,859 | \$91,440,955 | \$36,538,096 | 60.0% | Infinite Yrs. |
| 2010 | \$55,946,259 | \$94,720,669 | \$38,774,410 | 59.1% | Infinite Yrs. |
| 2011 | \$58,110,495 | \$98,766,204 | \$40,655,709 | 58.8% | Infinite Yrs. |

Selected Funding Information — Defined Benefit Plan 2002–2011

| As of July 1 | Member Contribution Rate | Employer Contribution Rate | | | | Interest Rate Assumption | Payroll Growth Assumption |
|--------------|--------------------------|----------------------------|-------------|--------------------------------------|---------------------|--------------------------|---------------------------|
| | | Normal Cost | Health Care | Unfunded Actuarial Accrued Liability | Total Employer Rate | | |
| 2002 | 9.30% | 6.02% | 1.00% | 6.98% | 14.00% | 7.75% | 4.50% |
| 2003 | 10.00% | 4.89% | 1.00% | 8.11% | 14.00% | 8.00% | 4.50% |
| 2004 | 10.00% | 4.90% | 1.00% | 8.10% | 14.00% | 8.00% | 4.50% |
| 2005 | 10.00% | 4.90% | 1.00% | 8.10% | 14.00% | 8.00% | 4.50% |
| 2006 | 10.00% | 4.82% | 1.00% | 8.18% | 14.00% | 8.00% | 4.50% |
| 2007 | 10.00% | 4.81% | 1.00% | 8.19% | 14.00% | 8.00% | 4.50% |
| 2008 | 10.00% | 4.24% | 1.00% | 8.76% | 14.00% | 8.00% | 3.50% |
| 2009 | 10.00% | 4.34% | 1.00% | 8.66% | 14.00% | 8.00% | 3.50% |
| 2010 | 10.00% | 4.30% | 1.00% | 8.70% | 14.00% | 8.00% | 3.50% |
| 2011 | 10.00% | 3.98% | 1.00% | 9.02% | 14.00% | 8.00% | 3.50% |

Number of Benefit Recipients by Type 2002–2011

| As of July 1 | Service Retirement | Disability Benefits | Beneficiaries Receiving | | Total |
|--------------|--------------------|---------------------|-------------------------|-------------------|---------|
| | | | Optional Allowances | Survivor Benefits | |
| 2002 | 86,666 | 6,498 | 6,623 | 5,513 | 105,300 |
| 2003 | 89,257 | 6,552 | 6,885 | 5,600 | 108,294 |
| 2004 | 92,574 | 6,531 | 7,079 | 5,669 | 111,853 |
| 2005 | 95,843 | 6,514 | 7,314 | 5,724 | 115,395 |
| 2006 | 99,248 | 6,588 | 7,574 | 5,774 | 119,184 |
| 2007 | 102,771 | 6,480 | 7,859 | 5,824 | 122,934 |
| 2008 | 106,099 | 6,417 | 8,151 | 5,839 | 126,506 |
| 2009 | 109,031 | 6,340 | 8,387 | 5,901 | 129,659 |
| 2010 | 112,483 | 6,104 | 8,619 | 5,897 | 133,103 |
| 2011 | 117,138 | 6,028 | 9,012 | 5,910 | 138,088 |

**Summary of Active Membership Data
2002–2011 (dollars in thousands)**

| Defined Benefit Plan | | | | | | | | | | | | |
|----------------------|----------------|-----------------|-------------|-----------------|----------------|-----------------|-------------|-----------------|----------------|-----------------|-------------|-----------------|
| As of July 1 | Females | | | | Males | | | | Total | | | |
| | Active Members | Annual Salaries | Average Age | Average Service | Active Members | Annual Salaries | Average Age | Average Service | Active Members | Annual Salaries | Average Age | Average Service |
| 2002 | 123,198 | \$5,312,351 | 43.37 | 12.56 | 52,792 | \$2,674,763 | 44.54 | 13.70 | 175,990 | \$7,987,114 | 43.72 | 12.90 |
| 2003 | 123,850 | \$5,567,951 | 43.03 | 12.52 | 52,862 | \$2,758,722 | 44.11 | 13.41 | 176,712 | \$8,326,673 | 43.35 | 12.78 |
| 2004 | 123,320 | \$5,738,523 | 43.22 | 12.65 | 52,034 | \$2,787,446 | 44.21 | 13.38 | 175,354 | \$8,525,969 | 43.51 | 12.87 |
| 2005 | 121,940 | \$5,832,249 | 43.37 | 12.80 | 50,738 | \$2,787,043 | 44.36 | 13.42 | 172,678 | \$8,619,292 | 43.66 | 12.98 |
| 2006 | 121,106 | \$5,937,660 | 43.45 | 12.85 | 49,923 | \$2,808,086 | 44.38 | 13.33 | 171,029 | \$8,745,746 | 43.72 | 12.99 |
| 2007 | 120,641 | \$6,058,709 | 43.50 | 12.84 | 49,201 | \$2,829,219 | 44.41 | 13.21 | 169,842 | \$8,887,928 | 43.76 | 12.95 |
| 2008 | 120,514 | \$6,176,798 | 44.05 | 13.12 | 48,500 | \$2,837,340 | 44.95 | 13.37 | 169,014 | \$9,014,138 | 44.31 | 13.19 |
| 2009 | 121,544 | \$6,402,337 | 43.98 | 13.09 | 48,763 | \$2,909,210 | 44.90 | 13.18 | 170,307 | \$9,311,547 | 44.24 | 13.12 |
| 2010 | 122,730 | \$6,509,962 | 43.97 | 12.89 | 48,609 | \$2,921,391 | 44.81 | 13.01 | 171,339 | \$9,431,353 | 44.21 | 12.92 |
| 2011 | 123,721 | \$6,481,816 | 43.67 | 12.38 | 49,562 | \$2,914,809 | 44.59 | 12.42 | 173,283 | \$9,396,625 | 43.94 | 12.39 |

| Combined Plan | | | | | | | | | | | | |
|---------------|----------------|-----------------|-------------|-----------------|----------------|-----------------|-------------|-----------------|----------------|-----------------|-------------|-----------------|
| As of July 1 | Females | | | | Males | | | | Total | | | |
| | Active Members | Annual Salaries | Average Age | Average Service | Active Members | Annual Salaries | Average Age | Average Service | Active Members | Annual Salaries | Average Age | Average Service |
| 2002 | 1,973 | \$58,023 | 36.21 | 2.39 | 594 | \$17,997 | 39.94 | 2.22 | 2,567 | \$76,020 | 37.07 | 2.35 |
| 2003 | 2,474 | \$75,715 | 35.80 | 2.41 | 758 | \$23,449 | 38.83 | 2.18 | 3,232 | \$99,164 | 36.51 | 2.35 |
| 2004 | 2,833 | \$91,090 | 35.85 | 2.82 | 876 | \$29,345 | 38.99 | 2.55 | 3,709 | \$120,435 | 36.59 | 2.76 |
| 2005 | 3,081 | \$104,158 | 36.13 | 3.28 | 933 | \$33,750 | 39.22 | 3.02 | 4,014 | \$137,908 | 36.85 | 3.22 |
| 2006 | 3,144 | \$112,499 | 36.60 | 3.76 | 892 | \$36,155 | 39.81 | 3.68 | 4,036 | \$148,654 | 37.31 | 3.74 |
| 2007 | 3,342 | \$124,417 | 36.90 | 4.16 | 926 | \$39,497 | 40.12 | 4.04 | 4,268 | \$163,914 | 37.60 | 4.13 |
| 2008 | 3,387 | \$132,008 | 37.91 | 4.91 | 926 | \$41,416 | 40.86 | 4.79 | 4,313 | \$173,424 | 38.54 | 4.88 |
| 2009 | 3,528 | \$145,617 | 38.46 | 5.39 | 972 | \$45,537 | 41.24 | 5.22 | 4,500 | \$191,154 | 39.06 | 5.35 |
| 2010 | 3,518 | \$154,180 | 38.98 | 6.08 | 985 | \$47,821 | 42.11 | 5.80 | 4,503 | \$202,001 | 39.67 | 6.02 |
| 2011 | 3,611 | \$163,273 | 39.51 | 6.59 | 1,003 | \$49,825 | 42.30 | 6.29 | 4,614 | \$213,098 | 40.11 | 6.53 |

| Total Active Membership | | | | | | | | | | | | |
|-------------------------|----------------|-----------------|-------------|-----------------|----------------|-----------------|-------------|-----------------|----------------|-----------------|-------------|-----------------|
| As of July 1 | Females | | | | Males | | | | Total | | | |
| | Active Members | Annual Salaries | Average Age | Average Service | Active Members | Annual Salaries | Average Age | Average Service | Active Members | Annual Salaries | Average Age | Average Service |
| 2002 | 125,171 | \$5,370,374 | 43.25 | 12.40 | 53,386 | \$2,692,760 | 44.49 | 13.57 | 178,557 | \$8,063,134 | 43.62 | 12.75 |
| 2003 | 126,324 | \$5,643,666 | 42.89 | 12.32 | 53,620 | \$2,782,171 | 44.04 | 13.25 | 179,944 | \$8,425,837 | 43.23 | 12.60 |
| 2004 | 126,153 | \$5,829,613 | 43.05 | 12.43 | 52,910 | \$2,816,791 | 44.12 | 13.20 | 179,063 | \$8,646,404 | 43.37 | 12.66 |
| 2005 | 125,021 | \$5,936,407 | 43.20 | 12.56 | 51,671 | \$2,820,793 | 44.27 | 13.23 | 176,692 | \$8,757,200 | 43.51 | 12.76 |
| 2006 | 124,250 | \$6,050,159 | 43.45 | 12.85 | 50,815 | \$2,844,241 | 44.30 | 13.16 | 175,065 | \$8,894,400 | 43.58 | 12.77 |
| 2007 | 123,983 | \$6,183,126 | 43.32 | 12.60 | 50,127 | \$2,868,716 | 44.33 | 13.04 | 174,110 | \$9,051,842 | 43.61 | 12.73 |
| 2008 | 123,901 | \$6,308,806 | 43.88 | 12.90 | 49,426 | \$2,878,756 | 44.87 | 13.21 | 173,327 | \$9,187,562 | 44.16 | 12.99 |
| 2009 | 125,072 | \$6,547,954 | 43.82 | 12.87 | 49,735 | \$2,954,747 | 44.83 | 13.02 | 174,807 | \$9,502,701 | 44.11 | 12.92 |
| 2010 | 126,248 | \$6,664,142 | 43.83 | 12.70 | 49,594 | \$2,969,212 | 44.75 | 12.86 | 175,842 | \$9,633,354 | 44.09 | 12.74 |
| 2011 | 127,332 | \$6,645,089 | 43.55 | 12.22 | 50,565 | \$2,964,634 | 44.54 | 12.29 | 177,897 | \$9,609,723 | 43.84 | 12.24 |

Note: Members enrolled in STRS Ohio's Defined Contribution Plan and reemployed retirees are not reflected in the above figures.

**Benefit Payments by Type
As of July 1, 2011**

| Age Last Birthday | Number | Annual Allowance (in thousands) | Average Annual Allowance |
|--|----------------|------------------------------------|--------------------------|
| Service Retirees | | | |
| Under 60 | 10,188 | \$ 514,508 | \$ 50,501 |
| 60-64 | 27,823 | 1,358,885 | 48,840 |
| 65-69 | 25,702 | 1,145,067 | 44,552 |
| 70-74 | 18,909 | 763,258 | 40,365 |
| 75-79 | 13,806 | 491,856 | 35,626 |
| Over 79 | 20,710 | 587,690 | 28,377 |
| Total | 117,138 | \$4,861,264 | \$ 41,500 |
| Beneficiaries Receiving Optional Allowances | | | |
| Under 60 | 435 | \$ 10,522 | \$ 24,189 |
| 60-64 | 456 | 14,155 | 31,042 |
| 65-69 | 796 | 25,275 | 31,752 |
| 70-74 | 1,119 | 31,691 | 28,321 |
| 75-79 | 1,496 | 37,973 | 25,383 |
| Over 79 | 4,710 | 94,802 | 20,128 |
| Total | 9,012 | \$ 214,418 | \$ 23,793 |
| Survivor Benefit Beneficiaries | | | |
| Under 60 | 1,754 | \$ 25,025 | \$ 14,267 |
| 60-64 | 786 | 19,041 | 24,225 |
| 65-69 | 830 | 18,682 | 22,508 |
| 70-74 | 700 | 14,499 | 20,713 |
| 75-79 | 622 | 11,928 | 19,177 |
| Over 79 | 1,218 | 20,540 | 16,864 |
| Total | 5,910 | \$ 109,715 | \$ 18,564 |
| Disability Beneficiaries | | | |
| Under 60 | 1,636 | \$ 59,197 | \$ 36,184 |
| 60-64 | 1,479 | 55,086 | 37,245 |
| 65-69 | 1,111 | 40,456 | 36,414 |
| 70-74 | 690 | 23,076 | 33,444 |
| 75-79 | 494 | 15,116 | 30,599 |
| Over 79 | 618 | 15,043 | 24,342 |
| Total | 6,028 | \$ 207,974 | \$ 34,501 |
| Grand Total | 138,088 | \$5,393,372 | \$ 39,057 |

Average Benefit Payments for Service Retirees, 2002–2011

| | | Years of Service Credit | | | | | | Average/ Total |
|------|------------------------------|-------------------------|----------|----------|----------|----------|----------|-------------------|
| | | 5–9 | 10–14 | 15–19 | 20–24 | 25–29 | >=30 | |
| 2002 | Average monthly benefit | \$321 | \$706 | \$1,128 | \$1,765 | \$2,188 | \$3,472 | \$2,910 |
| | Average final average salary | \$21,452 | \$33,672 | \$39,517 | \$50,993 | \$53,932 | \$58,872 | \$54,481 |
| | Number of recipients | 248 | 202 | 203 | 243 | 548 | 3,776 | 5,220 |
| 2003 | Average monthly benefit | \$301 | \$672 | \$1,182 | \$1,710 | \$2,232 | \$3,668 | \$3,003 |
| | Average final average salary | \$20,067 | \$30,751 | \$42,129 | \$48,616 | \$55,395 | \$62,109 | \$56,242 |
| | Number of recipients | 259 | 208 | 214 | 275 | 459 | 3,439 | 4,854 |
| 2004 | Average monthly benefit | \$317 | \$704 | \$1,175 | \$1,803 | \$2,365 | \$3,815 | \$3,149 |
| | Average final average salary | \$22,873 | \$34,369 | \$43,591 | \$52,442 | \$58,161 | \$63,780 | \$58,440 |
| | Number of recipients | 261 | 223 | 231 | 261 | 476 | 3,704 | 5,156 |
| 2005 | Average monthly benefit | \$392 | \$746 | \$1,187 | \$1,904 | \$2,392 | \$4,003 | \$3,419 |
| | Average final average salary | \$29,291 | \$33,986 | \$42,990 | \$54,611 | \$58,866 | \$66,075 | \$61,763 |
| | Number of recipients | 188 | 137 | 225 | 272 | 516 | 4,075 | 5,413 |
| 2006 | Average monthly benefit | \$399 | \$859 | \$1,370 | \$1,911 | \$2,537 | \$4,068 | \$3,505 |
| | Average final average salary | \$27,055 | \$42,280 | \$50,235 | \$54,608 | \$62,027 | \$67,315 | \$63,649 |
| | Number of recipients | 156 | 159 | 247 | 298 | 577 | 4,379 | 5,816 |
| 2007 | Average monthly benefit | \$425 | \$830 | \$1,279 | \$1,978 | \$2,578 | \$4,235 | \$3,592 |
| | Average final average salary | \$31,415 | \$39,215 | \$47,769 | \$57,835 | \$64,025 | \$69,713 | \$65,417 |
| | Number of recipients | 196 | 177 | 277 | 360 | 622 | 4,605 | 6,237 |
| 2008 | Average monthly benefit | \$406 | \$831 | \$1,352 | \$2,024 | \$2,600 | \$4,309 | \$3,611 |
| | Average final average salary | \$30,224 | \$40,804 | \$49,447 | \$60,033 | \$64,959 | \$71,113 | \$66,378 |
| | Number of recipients | 200 | 182 | 314 | 366 | 551 | 4,288 | 5,901 |
| 2009 | Average monthly benefit | \$431 | \$822 | \$1,382 | \$2,193 | \$2,697 | \$4,497 | \$3,754 |
| | Average final average salary | \$28,623 | \$38,507 | \$51,590 | \$64,199 | \$67,168 | \$73,260 | \$68,136 |
| | Number of recipients | 199 | 158 | 288 | 310 | 429 | 3,698 | 5,082 |
| 2010 | Average monthly benefit | \$455 | \$934 | \$1,349 | \$2,030 | \$2,780 | \$4,680 | \$3,887 |
| | Average final average salary | \$30,030 | \$46,509 | \$50,407 | \$59,781 | \$67,794 | \$74,810 | \$69,522 |
| | Number of recipients | 174 | 155 | 282 | 359 | 543 | 3,833 | 5,346 |
| 2011 | Average monthly benefit | \$480 | \$992 | \$1,540 | \$2,377 | \$2,890 | \$4,689 | \$3,937 |
| | Average final average salary | \$33,330 | \$46,727 | \$55,904 | \$68,932 | \$70,775 | \$75,724 | \$71,591 |
| | Number of recipients | 171 | 201 | 365 | 438 | 685 | 4,595 | 6,455 |

Number of Reporting Employers by Type, 2002–2011

| Fiscal Year Ended | City School Districts | Local School Districts | County Educational Service Centers | Exempted Village School Districts | Joint Vocational Schools | Colleges & Universities | County Boards of Developmental Disabilities | Community Schools | Other | Total |
|-------------------|-----------------------|------------------------|------------------------------------|-----------------------------------|--------------------------|-------------------------|---|-------------------|-------|-------|
| 2002 | 194 | 369 | 60 | 49 | 49 | 37 | 77 | 101 | 8 | 944 |
| 2003 | 194 | 369 | 60 | 49 | 49 | 37 | 76 | 130 | 8 | 972 |
| 2004 | 194 | 369 | 60 | 49 | 49 | 37 | 76 | 142 | 9 | 985 |
| 2005 | 194 | 370 | 60 | 49 | 49 | 37 | 74 | 219 | 9 | 1,061 |
| 2006 | 194 | 369 | 60 | 49 | 49 | 37 | 73 | 246 | 9 | 1,086 |
| 2007 | 194 | 369 | 60 | 49 | 49 | 36 | 73 | 255 | 9 | 1,094 |
| 2008 | 194 | 370 | 59 | 49 | 49 | 36 | 73 | 272 | 9 | 1,111 |
| 2009 | 194 | 370 | 58 | 49 | 49 | 36 | 71 | 280 | 10 | 1,117 |
| 2010 | 194 | 370 | 57 | 49 | 49 | 36 | 69 | 273 | 10 | 1,107 |
| 2011 | 194 | 370 | 56 | 49 | 49 | 36 | 69 | 291 | 10 | 1,124 |

**Principal Participating Employers
For the Year Ended June 30, 2011**

| Employer | Covered Members | Prior Year Rank | Percentage of Membership |
|------------------------------|-----------------|-----------------|--------------------------|
| Columbus City Schools | 6,198 | 1 | 2.32% |
| The Ohio State University | 5,685 | 3 | 2.12% |
| Cleveland Municipal Schools | 5,116 | 2 | 1.91% |
| University of Cincinnati | 3,249 | 7 | 1.21% |
| Kent State University | 3,130 | 8 | 1.17% |
| Cincinnati City Schools | 3,094 | 5 | 1.16% |
| Akron City Schools | 3,002 | 4 | 1.12% |
| Cuyahoga Community College | 2,736 | 9 | 1.02% |
| University of Akron | 2,635 | 10 | 0.98% |
| Toledo City Schools | 2,602 | 6 | 0.97% |
| All Others | 230,256 | | 86.02% |
| Total Covered Members | 267,703* | | 100.00% |

*Covered members include any participant in STRS Ohio who made contributions through a reporting employer during the fiscal year. Part-time teachers working in multiple school districts are included within each school's payroll data and, consequently, are reported more than once. Participating employers include every publicly funded school in Ohio employing a certified teacher. A complete listing of participating employers is available upon request. Years prior to the current year are not reflected since the participating employers do not change substantially from year to year.



State Teachers Retirement System of Ohio

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