The Comprehensive

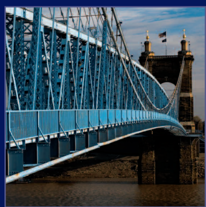
Annual Financial Report

2010

For the years ended December 31, 2010 and 2009

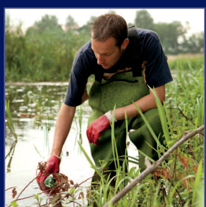
Supporting the People Who Support Ohio



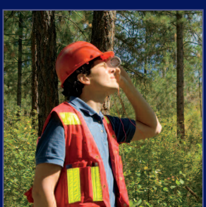




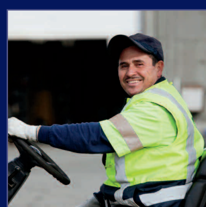













Prepared by OPERS' Finance Division staff

Ohio Public Employees Retirement System

OPERS

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Employer Composition and Membership Information

For actuarial purposes, participating employers are divided into state, local government, law enforcement and public safety divisions. A complete description of the OPERS membership is contained in the Plan Statement section of this document, beginning on page 150.

Annual Report Organization

This Annual Report is divided into six sections, listed as each appears in this document:

1. **Introductory Section**—with the Letter of Transmittal, organizational chart, and recognition awards garnered in 2010;
2. **Financial Section**—with the Independent Auditor's Report, Management's Discussion and Analysis, the financial statements of the System, required supplementary and additional information;
3. **Investment Section**—with a report on investment activity, investment policies, investment results, and various investment schedules;
4. **Actuarial Section**—with the Actuary's Certification Letter, and the most recent results of the annual actuarial valuation;
5. **Statistical Section**—with significant data pertaining to the System, and the
6. **Plan Statement**—with complete membership information and details about the retirement plans offered through OPERS.

Introductory Section






Meet the people who support Ohio—helping to keep the state moving throughout the year by providing important support services that enhance the lives of every Ohio resident. Showcased here are just some of Ohio's public employees, OPERS members, who provide support services that enhance our health, safety, commerce, education and recreational activities. The efforts of Ohio public employees are critical to every Ohio resident.

The state of Ohio has the second largest number of bridges in the United States—supporting one of the largest transportation systems in the nation. Ohio has more than 28,000 bridges over valleys, rivers, streams, creeks and other bridges. In Ohio, bridges are inspected by Ohio's state and county engineers—OPERS members.

OPERS

Board of Trustees members, as of January 2011

Seated, front row: *John Maurer, representing retirees; Helen Youngblood, representing county employees; James Tilling, General Assembly appointee*

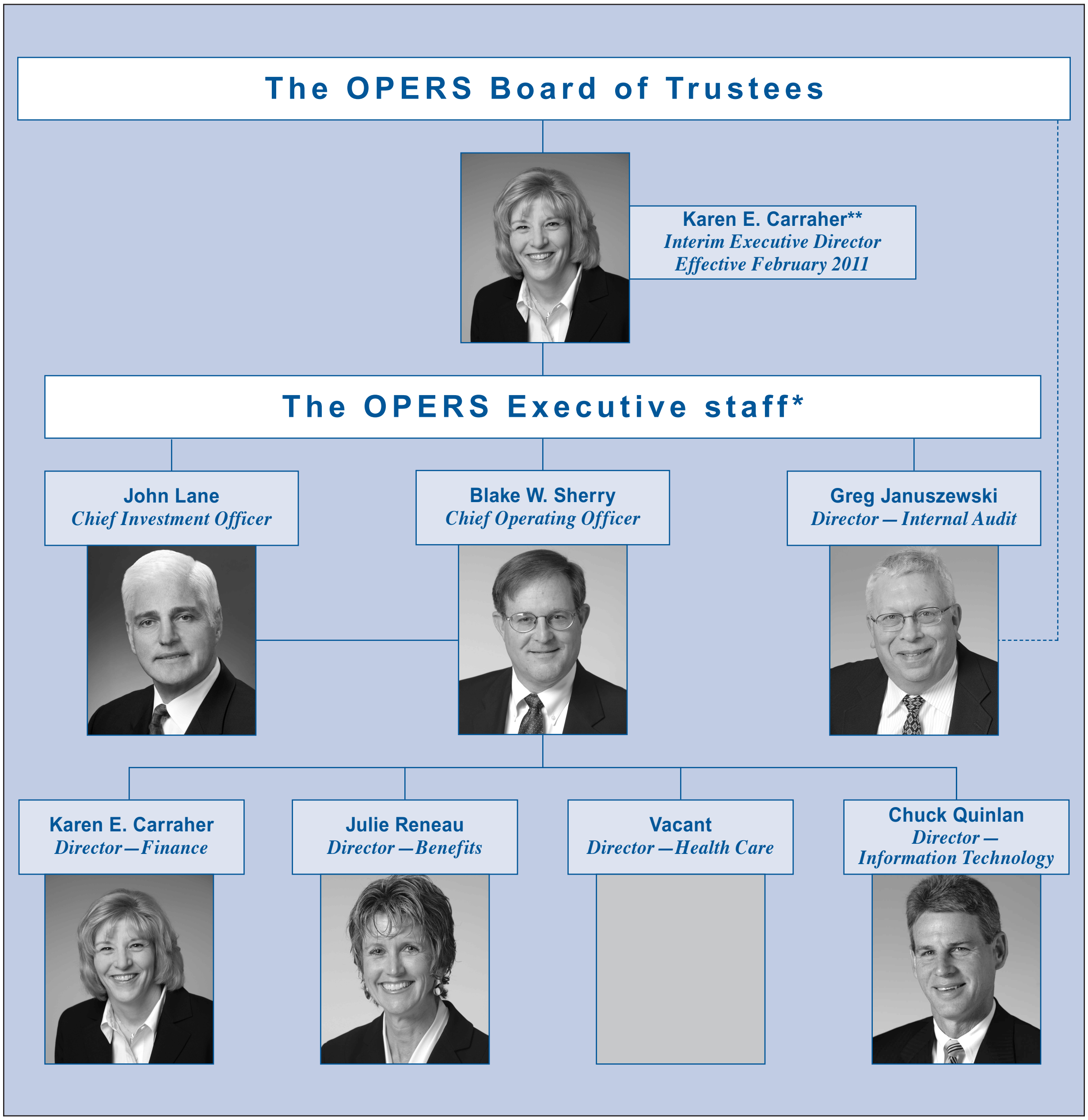
Second row: *Sharon Downs, representing retirees; Charlie Adkins, Treasurer's appointee; Lennie Wyatt, Governor's appointee; Matthew Schulz, representing state employees; Ken Thomas, chair, representing municipal employees; Kimberly Russell, representing college/university employees; Robert Blair, Director of the Ohio Department of Administrative Services, statutory member; Cinthia Sledz, vice chair, representing miscellaneous employees*

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

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

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

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



Auditors

Clifton Gunderson
Toledo, Ohio
(under contract with the Auditor of State)

*Shown here, those executive staff members with direct input to annual report information.

** During 2010, Christopher M. DeRose served as executive director and was instrumental in guiding many of the activities reported in this annual report. In first quarter 2011, DeRose resigned to pursue an opportunity in the private sector. Finance Director Karen Carraher was asked by the Board of Trustees to serve as interim executive director in February.

Advisors

Actuary—Gabriel, Roeder, Smith & Company
Southfield, Michigan

Investment Policy Advisors to the Board of Trustees—Mercer Investment Consultants
Chicago, Illinois

See page 71 for a list of investment consultants and payments; page 86 for a list of external asset managers.

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

April 28, 2011

Dear Chairman and Members of the Board of Trustees:

This *Comprehensive Annual Financial Report* (CAFR or annual report) for the Ohio Public Employees Retirement System (OPERS or System) for the fiscal years ending December 31, 2010 and 2009, provides all stakeholders with an overview of the significant work done in 2010 as OPERS further positions itself to be one of the best-run organizations in the U.S. As always, the responsibility for the accuracy of the data presented here, as well as the completeness and fairness of the presentation, rests with OPERS management.

In 2010, OPERS recognized 75 years of service—a significant achievement few organizations attain. We believe our 75 years of service to Ohio's public employees, those who provide critical services to all of Ohio's residents, is an important milestone. OPERS has delivered on its stated mission of providing retirement security for members and, in a broader perspective, economic stability for the state.

OPERS was established and exists solely for the purpose of providing retirement, disability and survivor benefits to Ohio's public employees—the public employees who provide infrastructure, quality-of-life and even life-saving services to Ohio's residents. OPERS has grown from legislation in 1933 to a public pension system commencing January 1, 1935. Since that time, the System has expanded and changed to adapt to marketplace needs and demographic shifts. In 1974, OPERS added health care access and, in 2003, increased the number of pension plans to three. As prudent stewards of retirement contributions, OPERS works diligently to preserve access to and financial assistance for affordable, meaningful health care—although this benefit is neither mandated nor guaranteed.

OPERS has remained steadfast in its commitment to provide quality retirement, disability, survivor, and health care benefits, while working to deliver superior service to all members. Complete information on current benefits can be found in Plan Statement, starting on page 150.

As of year-end 2010, OPERS served nearly 975,000 members, including more than 179,500 retirees and beneficiaries. In addition, the System works with nearly 3,700 public employers. With an asset base of $76.5 billion, OPERS is the largest pension system in Ohio and the 12th largest public pension system in the nation.

Plan design changes

In 2010, OPERS worked diligently to encourage the Ohio legislature to enact pension plan design changes proposed by the OPERS Board in the fall of 2009. The plan design changes recognize the realities of today's global economy as well as the lengthening life span of our members. The changes would also improve the pension's funded status, thereby enabling the fund to meet the promise of long-term retirement security. The changes address important funding issues;

- Members are living longer in retirement, thereby drawing pensions for more years;
- The unfair subsidization of certain member benefits negatively affects long-term funded status; and
- Members need the tools to become active partners in their OPERS retirement.

By law, OPERS is required to be able to pay off unfunded liabilities within 30 years. OPERS is currently within this 30-year window. The Board-recommended plan design changes are important to the System's long-term funded status and its ability to offer access to health care—an important component of retirement security.

The Board's proposed changes also carry a recommended phase-in period. The phase-in period would allow members adequate time to make changes they feel are important to their own retirement security.

These changes must be approved by the Ohio General Assembly. Throughout 2010, we worked diligently with state and federal elected officials to educate them on the impact of the recommendation on continuing our strong pension system. A strong system not only benefits active and retired public workers but is also a major economic driver. In addition, OPERS engaged in an active outreach effort to keep key audiences informed. Outreach took many forms, including stakeholder meetings across the state, a special information section of the OPERS website, stepped-up relations with news media, broadcast emails, and use of social media channels in addition to member newsletters. In early 2011, placeholder legislation was introduced in both the Ohio House and Senate. As of this writing, work continues on substitute legislation that we hope will include our Board's recommended changes.

Thriving in our environment: External forces

As with any organization, OPERS is subject to external forces over which we have little or no control, but for which we must adapt. Because OPERS is a long-term institutional investor, the System is able to weather market fluctuations. OPERS' investment policies and stringent administrative controls allow the fund to manage the effects of market changes. And so it was with 2010, a year that produced significant challenges yet yielded positive results. Key issues in 2010 included:

- ***Media focus:*** As the nation slowly recovers from the challenging economy of 2008-2009, scrutiny of public pension systems intensifies. To clarify key issues, OPERS redoubled its efforts to communicate with retirement groups, elected officials, major employee groups, the news media and others. Throughout 2010, and into the future, it is this organization's strong desire to work closely with the news media. We view the media as both a stakeholder and an outlet for accurate information. We are committed to working with media representatives to help ensure all stakeholder groups are well-educated about important issues—but especially to facilitate understanding about the business of pensions. We are also committed to the use of social media as a way to reach stakeholder groups quickly.

- ***GASB reporting requirements:*** In 2010, the Governmental Accounting Standards Board (GASB) issued a series of proposed changes for pension accounting and financial reporting. Specifically, GASB proposed changes in the way government sponsors of defined benefit pension plans account for and report pension assets and liabilities in annual financial reports. OPERS believes GASB's proposed changes to current reporting standards represent a significant modification in accounting for public pension plans.

  Overall, GASB has played a significant role in standardizing and stabilizing how governmental entities report and track financial data to the public—and therefore has a significant impact on the marketplace. OPERS believes the recommended changes to accounting standards to allocate pension expense and net pension liabilities to OPERS-covered employees will result in reporting data that is too volatile to be used as a benchmark for funding and, most importantly, may not be truly representative of inter-period equity due to the long-term nature of public pension plans and the employer entities funding those plans. OPERS has provided official comment back to GASB to modify the proposed changes throughout 2010 and will continue to monitor that proposal in the future.

- ***Public scrutiny:*** Throughout 2010, as taxpayers reviewed personal budgets, OPERS encountered a growing negative feeling from taxpayers toward public pensions. That tension—fed by a volatile economy, poor understanding about pensions and unrealistic expectations—has intensified, especially since private-sector retirement funds have dwindled or been eliminated. OPERS provides pension benefits to public employees who do not participate in Social Security and who have made retirement contributions during their careers, contributions invested by OPERS. These pension benefits provide an ongoing incentive for public employees, a significant amount of financial security to retirees, and ultimately provide stability to many communities. In fact, more than 90 percent of OPERS retirees live in Ohio, spending the vast majority of retirement benefits on goods and services in the state.

Internal actions: 2010 achievements

In 2010, OPERS chose to initiate changes designed to positively position the organization for the future. Realistically, any organization must anticipate for and adapt to change to thrive; OPERS' Board has consistently demonstrated an ability to anticipate needs and make incremental changes that result in a positive long-term impact.

OPERS' overriding goal is to work to strengthen the System's funded status so that the System continues to meet obligations now and in the future. Although it's noted often, the following bears repeating: OPERS remains a well-funded pension system because we remain resolute in our approach to:

- Adhering to a diligent funding schedule;
- Anticipating issues and proposed solutions;
- Engaging in a conservative fiscal approach; and
- Communicating to our members and stakeholders.

Under our Board's leadership, we strive to be an organization that delivers services at an affordable cost—yet still be responsive to our stakeholders. Once completed, certain initiatives will dramatically enhance OPERS' ability to serve the growing number of retirees resulting from Baby Boomers now reaching retirement age. Internal initiatives will also allow increased efficiencies and streamlined operations that will enhance service levels while managing administrative costs.

The accomplishments of 2010 will advance OPERS' tradition of ongoing strategic planning and will enable the System to position itself positively for the future.

- ***Investing in technology:*** In 2010, OPERS began planning for a four-year pension data system implementation—this system will serve as the infrastructure for all OPERS data systems. We approached this renovation strategically, verifying on a step-by-step basis when new technology was needed and when current technology could be upgraded. This careful analysis will ensure the funds spent on new technology are strategically spent.
- ***Investing in our business:*** Throughout 2010, OPERS continued the Business Process Redesign (BPR) project that was begun in 2009. Designed to bring operational efficiencies to key business operations, executing the BPR under the banner of Our Way Forward will ensure OPERS is moving forward efficiently and cost-effectively. This project is expected to recommend and implement changes to streamline more than 100 business processes. Ultimately, OPERS will be a more efficient operation with improved capacity to enroll members, manage contributions, optimize and deliver benefits, process changes, and better serve members in all aspects of account management. In 2010, multiple quick-hit projects were implemented—best defined as projects that could be implemented without requiring significant technological refinements. These quick hits generated significant cost savings.
- ***Investment allocation implementation:*** In 2009, the OPERS Board approved a new asset allocation plan for the defined benefit fund. The new plan increased or initiated the allocation into alternative investments including private equity, real estate and hedge funds and decreased investment in U.S. equities. Implementation of that strategy was initiated in 2010 and will continue into the future.

  Also in 2010, as part of a cost-savings effort, the state treasurer re-bid and selected new custodians for domestic and international investments; those asset classes were transitioned. Continuing to seek cost savings, OPERS also changed the master record keeper for custody and upgraded the internal systems used to track investments. These accomplishments were undertaken to provide better and more cost-effective services for our investment activities. We anticipate realizing approximately a $3.2 million savings annually.

Investment results

Execution of Board-developed investment policies is one of our most important ongoing initiatives. Investment returns have historically provided two-thirds of OPERS' annual income used to pay benefits.

We are pleased to report the 2010 and 2009 investment results were much stronger than the returns from the 2008 market downturn. As we began a slow recovery in 2009, OPERS' investment returns exceeded 19 percent and 24 percent for the pension and health care portfolios, respectively. For 2010, the pension fund achieved a 13.90 percent return overall for pension and for healthcare. Again, historically, years of high investment returns typically follow economic downturns. Over the past 30 years, which saw three substantial drops in stock market performance, OPERS averaged an 8.99 percent return on investment, further evidence of a successful long-term investment strategy.

OPERS' total portfolio is made up of two main underlying portfolios that fund the pension and the health care benefits. The Defined Benefit Fund earned a 13.98 percent return in 2010, comparing favorably to the 19.09 percent return in 2009 and up significantly from the -27.15 percent return posted in 2008. The Health Care Fund earned a return of 13.53 percent in 2010, and 24.80 percent in 2009—again, significantly better than the -25.77 percent return for 2008. Complete discussion of OPERS' investment returns, activities, asset allocation strategy, and policies governing those activities are more fully explained in the Investment Section, beginning on page 74.

Health care benefits

Although not mandated, for nearly one-half of our 75-year history, OPERS has provided access to health care for retirees. At the direction of our Board, OPERS staff has been diligent in working to preserve the health care benefit in a prudent, fiscally positive manner.

Health care funding progress is measured by solvency period. Based on the latest measurement date (January 1, 2010), OPERS has accumulated funds for a solvency expectation of about 11 years for this discretionary benefit. However, as with pension benefits, we are constantly looking for new ways to improve the solvency period of this fund. We have initiated a new study, Health Care Preservation Plan (HCPP 3.0), to identify strategies and initiatives to strengthen the fund.

Monitoring legislation

While much of the legislative effort in 2010 was devoted to educating legislators and stakeholder groups on the importance of the proposed plan design changes, OPERS continued to monitor other federal and state legislation that could impact the System. Because changes must be approved by both our Board of Trustees and the legislature and with oversight by the Ohio Retirement Study Council, OPERS works collaboratively with lawmakers to ensure the System is well and fairly represented.

2010 Financial highlights

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

  OPERS' 2009 actuarial valuation (most recent valuation) shows a funded status of 75.3 percent. The recovery from the 2008 market downturn continues and the System remains in the 30-year funding window required by law. Compliance with the 30-year funded status requirement could be impacted by the resulting plan design legislation, market conditions and other factors. Because changes in funded status are anticipated and provided for through our planning process, OPERS continues to be in the position of delivering on our promises to members. In 2010, OPERS paid $5.5 billion in pension benefits and health-care coverage costs to more than 179,500 retired Ohioans and their beneficiaries.

  The last actuarial valuation dated December 31, 2009, indicates OPERS' unfunded actuarial liability of $18.9 billion is within the required 30-year amortization window, based on current accounting standards.

- ***Retirement contributions:*** Employer contributions, employee contributions and income from investments provide the reserves needed to finance retirement benefits. Historically, two-thirds of OPERS' revenue, from which benefits are paid, is derived from investment returns. The remaining amount comes from employee and employer contributions. OPERS completed 2010 with a total asset base of $76.5 billion, up from the 2009 figure of $69.5 billion and the 2008 asset base of $59.2 billion.

- ***Expenses:*** Expenses for fiscal year 2010 totaled $5.8 billion, an increase of 7.0 percent over 2009, which totaled $5.5 billion. This increase is primarily due to growth in the number of benefit recipients. In addition, as is the national trend, retiree health-care expenses rose to $1.6 billion in 2010, an increase of 4.9 percent.

- ***Administrative costs,*** including investment expenses totaled $97.0 million, reflected a decrease of $0.9 million, or 0.9%, when compared to fiscal year 2009. Administrative expenses are detailed in the Financial Section on page 70.

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

Internal controls, accounting system and reports

The management of OPERS is responsible for internal accounting controls. These controls are designed to assure the safeguarding of assets and the reliability of financial records. We believe that the internal accounting controls currently in place are adequate to meet the purpose for which they were intended. We also believe the financial statements, supporting schedules and statistical tables to be fairly presented in all material respects.

OPERS uses the accrual basis of accounting to record financial transactions. Expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Interest earned is accrued on a monthly basis. Accounts receivable at year-end, in addition to accrued interest receivable, reflect accrued member and employer charges and investment proceeds due on sales that have not yet settled. Investments are recorded at fair value. Fixed assets are listed at cost less accumulated depreciation. Under our cash management program, receipts are immediately deposited and are recorded as undistributed deposits until they are allocated to member contributions, employer receivables, employer contributions, and investment income.

Professional services

Professional services are provided to OPERS by consultants appointed by the Board of Trustees. Actuarial services are provided by Gabriel, Roeder, Smith & Company; Southfield, Michigan. The investment advisor for all the plans to the Board of Trustees was Mercer Investment Consulting, a Chicago-based firm. The financial records of the System were audited by Clifton Gunderson, Certified Public Accountants; Toledo, Ohio, under contract with the Auditor of the state of Ohio.

Acknowledgments

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

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

Transitioning to 2011

Accomplishments have already been achieved for 2011—and more are targeted. We will continue our outreach efforts and are hopeful for the necessary legislative approval for the Board-approved plan design changes—and, once accomplished, evaluation of the plan to implement the changes and to identify new facets for change will begin. Our goal is to introduce a transition schedule for the revised plan so that we can avoid undue hardship for members while favorably positioning OPERS for the future.

We recognize public employees' services are important—and we honor all public employees by working diligently to propose strategic changes to the OPERS plan design to help ensure future generations will also be recipients of the important services public employees provide. When we are able to drive after a snowstorm, when we ride a bus to work, when a lifeguard teaches children how to swim at a public pool, when a librarian helps with research, when drinking water is tested as pure, or when providing a loved one with long-term care in a state-certified retirement home, we are placing our trust in public employees' abilities to complete their jobs. At OPERS, we're working to provide a secure retirement to those individuals who have dedicated their careers to helping all of us attain and maintain a quality standard of life—not just the public employees of yesterday and today, but those of tomorrow as well. We are working toward that goal by maximizing the longevity of the funds that support OPERS benefits.

Respectfully submitted,

Karen E. Carraher, CPA

Interim Executive Director &
Director—Finance

Blake W. Sherry

Chief Operating Officer

Blake W. Sherry
Chief Operating Officer

Karen E. Carraher, CPA
Interim Executive Director &
Director—Finance

Fiduciary Responsibilities

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

Request for Information

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

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

Awards

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

- ***2009 Certificate of Achievement***—For 27 consecutive years, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OPERS for its Comprehensive Annual Financial Report.
- ***2010 Distinguished Budget Presentation Award***—OPERS was again recognized by GFOA's Distinguished Budget Presentation Award in 2010, representing the eigth consecutive year OPERS has achieved this distinction.
- ***Making Your Tax Dollars Count Award***—Presented to OPERS in 2010 for the 2009 annual report, the award is given by the Auditor of State for excellence in financial reporting. OPERS was commended for demonstrating commitment to careful spending and accurate fiscal recording.
- ***2010 Public Pension Standards Award***—Given to OPERS recognizing the professional standards attained for plan funding and administration.

Certificate of Achievement for Excellence in Financial Reporting

Distinguished Budget Presentation Award

The State of Ohio Making Your Tax Dollars Count Award

Financial Section






Transportation services keep commerce humming and help get Ohioans to work, school and play on a daily basis. Consider the importance of Ohio's transportation system to the local, state and national economy:

- **Ohio ranks third in the nation with 124 paved and lighted general-aviation airports.**
- **Ohio has more than 125,000 miles of roads, one of the largest systems in the nation.**
- **Ohio's public transit systems average 500,000 riders each day.**

How do those roads, runways and rails stay in top-notch condition? Through the efforts of public employees, OPERS members, who provide repair and weather-treatment services.

OPERS

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditors' Report

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

We have audited the accompanying combining statements of fiduciary net assets of the Ohio Public Employees Retirement System (OPERS) as of December 31, 2010 and 2009, and the related combining statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of OPERS' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 OPERS' 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 present fairly, in all material respects, the financial position of OPERS as of December 31, 2010 and 2009 and the changes in its fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Audit Standards*, we have also issued a report dated April 28, 2011, on our consideration of OPERS' internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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 audits.

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Toledo, Ohio 43604
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fax: 419-255-9615
www.cliftoncpa.com

Celebrating 50 Years

Member of HLB International

The management's discussion and analysis and the schedules of funding progress and employer contributions and related notes, as listed on the table of contents, 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory, investment, actuarial, and statistical sections as well as the additional information, including the administrative expenses, and schedules of investment expenses, payments to consultants, and external asset managers' fees, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional information, including the administrative expenses, and schedules of investment expenses, payments to consultants, and external asset managers' fees have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are presented fairly, in all material respects, in relation to the basic financial statements taken as a whole. The introductory, investment, actuarial and statistical sections 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
April 28, 2011

The management of the Ohio Public Employees Retirement System (OPERS) provides this narrative overview of the OPERS financial activities for the years ended December 31, 2010 and 2009. This narrative is intended to supplement the System's financial statements. Information presented here should be considered in conjunction with the financial statements that begin on page 38.

Overview of the Financial Statements

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

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

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

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

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

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

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

The Traditional Plan

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

The Combined Plan

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

The Member-Directed Plan

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

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

Post-employment Health Care Plan

The Post-employment Health Care Plan is a legal plan established under Section 401(h) of the Internal Revenue Code. This plan is pre-funded and holds the portion of employer contributions made to the Traditional and Combined Plans that are set aside for funding retiree health care. The health care portion of the employer contribution rate for the Traditional and Combined Plans is comparable, as the same benefits are provided to participants in both plans. OPERS operates the plan on a self insured basis, assuming both the cost savings of favorable claims experience, and the risk of catastrophic claims.

Eligible retirees are provided with a monthly allowance and may chose from three coverage levels with varying costs. If the cost of the selected coverage is less than the monthly allowance, the excess funds are deposited into a Retiree Medical Account (RMA) in the retiree's name. The retiree may use the funds in the RMA to pay for qualified medical expenses not covered by the plan.

Voluntary Employees' Beneficiary Association (VEBA)

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

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

Combining Statements of Fiduciary Net Assets

The Combining Statements of Fiduciary Net Assets is a point in time snapshot of plan fund balances at fiscal year end. It reports the assets available to pay future benefits to retirees, and any liabilities that are owed as of the statement date. The resulting Net Asset Value (Assets – Liabilities = Net Assets) represents the value of assets held in trust for pension and post-employment health care benefits. (See Combining Statements of Fiduciary Net Assets for years ended December 31, 2010 and 2009 on pages 38-39 of this report.)

Combining Statements of Changes in Fiduciary Net Assets

The Combining Statements of Changes in Fiduciary Net Assets displays the effect of financial transactions that occurred during the fiscal year, where Additions – Deductions = Net Increase (or Net Decrease) in Net Assets. This net increase (or decrease) in net assets reflects the change in the value of Fiduciary Net Assets that occurred between the current and prior year. (See Combining Statements of Changes in Fiduciary Net Assets for years ended December 31, 2010 and 2009 on pages 40-41 of this report)

Notes to the Combining Financial Statements

The Notes to the Combining Financial Statements are an integral part of the financial statements and provide additional information that is essential for a comprehensive understanding of the data provided in the financial statements. These notes describe the accounting and administrative policies under which OPERS operates, and provide additional levels of detail for selected financial statement items. (See Notes to the Combining Financial Statements, December 31, 2010 and 2009 on pages 42-63 of this report.)

The financial statements described above are prepared in compliance with Governmental Accounting Standard Board (GASB) Pronouncements, including the following:

- GASB Statement 50, *Pension Disclosures*, was implemented in 2007. The statement established standards for enhancing footnote disclosures for pension plans consistent with the standards under GASB 43 and 45 for reporting post employment health care benefits. GASB 43 and 45 were implemented in 2006.
- GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, was implemented in 2008. This statement provided authoritative guidance related to the accounting and financial reporting of intangible assets, including internally generated software. Implementation of the statement resulted in the write-off of previously capitalized assets for costs incurred during the preliminary project stage and post-implementation data conversion stage. Asset additions in 2010 and 2009 are in compliance with this pronouncement.
- GASB statement 53, *Accounting and Financial Reporting for Derivative Instruments*, was implemented in 2009. This statement established standards for recognizing, measuring, and disclosing information regarding derivative instruments and transactions.

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

Schedules of Funding Progress

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

For OPERS, the UAAL is being systematically funded over 30 years as of the most recent valuation dated December 31, 2009 valuation. (See Financial Highlights for a discussion of the impact of 2008 market downturn and subsequent recovery.)

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

Schedules of Employer Contributions

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

Similarly, the Schedule of Contributions from Employers and Other Contributing Entities—Health Care (page 67) presents information regarding the value of total annual contributions required to fund health care coverage and the total portion of the employers' contributions applied toward this funding. This schedule is presented in accordance with GASB 43, which OPERS implemented in 2006. Accordingly, information prior to 2006 is not available.

Notes to Required Supplementary Information Schedules

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

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

Administrative Expenses

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

Schedule of Investment Expenses

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

Schedule of Payments to Consultants

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

Schedule of External Asset Managers' Fees

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

Financial Highlights

- The OPERS investment portfolio reported a total return of 13.90% for the year ended December 31, 2010, as compared to a return of 20.06% in 2009 and a return of –26.92% in 2008. The OPERS total portfolio is divided into three sub portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio earned an investment return of 13.98% in 2010 compared to a return of 19.09% in 2009, and –27.15% in 2008. The Health Care portfolio earned an investment return of 13.53% compared to returns of 24.80% and –25.77 in 2009 and 2008 respectively. The Defined Contribution portfolio earned an investment return of 13.74% compared to a return of 26.44% in 2009 and -28.00% in 2008.
- Plan net assets increased by nearly $7.0 billion in 2010 compared to the 2009 values, as the investment markets continue to stabilize and grow from the volatility experienced in 2008. Net income from investing activities totaled $9.3 billion in 2010 compared to income of $12.3 billion in 2009. The 2008 investment loss, combined with steadily increasing benefit payments, resulted in a decrease in plan net assets for the year ended December 31, 2008 of $24.4 billion, or 29.2%, from the System high of $83.6 billion reported for the year ended December 31, 2007. Although the rate of growth has slowed from the market rebound of 2009, as of December 31, 2010 OPERS has recovered nearly 95% of the 2008 market loss. (Refer to Table 1 for a comparative history of changes in plan net assets.)

Changes to Fiduciary Net Assets (Revenues) (for the years ended December 31, 2010, 2009, and 2008) **Table 1**

	2010	2009	2008	Amount Increase/ (Decrease) from 2009 to 2010	Percent Increase/ (Decrease) from 2009 to 2010
Member and Employer Contributions	$3,183,670,479	$3,207,815,205	$3,227,146,468	($24,144,726)	(0.8)%
Contract Receipts and Other Income	352,065,846	296,989,731	253,179,897	55,076,115	18.5
Net Income from Investing Activity	9,268,181,189	12,274,797,785	(22,770,412,901)	(3,006,616,596)	(24.5)
Total Additions	**12,803,917,514**	**15,779,602,721**	**(19,290,086,536)**	**(2,975,685,207)**	**(18.9)**
Benefits and Account Refunds	5,756,114,345	5,372,020,582	4,987,529,205	384,093,763	7.1
Administrative and Other Expenses	81,558,708	83,724,713	81,493,185	(2,166,005)	(2.6)
Total Deductions	**5,837,673,053**	**5,455,745,295**	**5,069,022,390**	**381,927,758**	**7.0**
Net Increase (Decrease) in Net Assets	**6,966,244,461**	**10,323,857,426**	**(24,359,108,926)**	**(3,357,612,965)**	**(32.5)**
Net Assets, Beginning of Year	69,525,376,229	59,201,518,803	83,560,627,729	10,323,857,426	17.4
Net Assets, End of Year	**$76,491,620,690**	**$69,525,376,229**	**$59,201,518,803**	**$6,966,244,461**	**10.0 %**

- The year ended December 31, 2008 marked the most significant market decline experienced by the System in the past 30 years. As of December 31, 2008, OPERS' actuarial accrued liabilities for its defined benefit pension plans exceeded its actuarial value of assets for an unfunded actuarial liability of $18.2 billion. This represented an increase of nearly $15.6 billion from the unfunded actuarial liability of $2.6 billion at December 31, 2007.

  The investment gains experienced in 2009 and 2010 have returned the System to its 2006 net asset levels, but are not expected to materially improve the System's funding status. As of December 31, 2009, the date of the most recent actuarial valuation, OPERS' unfunded actuarial liability for defined benefit pension plans had grown slightly to $18.9 billion. As of the date of this report, the actuarial valuation for the year ended December 31, 2010 is not yet complete, but it is expected that the unfunded actuarial liability will increase to approximately $20.1 billion.

- OPERS' funding objective is to meet long-term pension benefit obligations and, to the extent possible, fund health care coverage. As of December 31, 2009, the date of the latest actuarial valuation, OPERS' funded ratio was 75.3%. In general, this means that for each dollar of future pension liability, OPERS had accumulated more than $0.75 to meet that obligation. This actuarial report indicated that if future activity proceeded according to assumptions, OPERS would accumulate sufficient assets to pay all pension liabilities for active members and retirees within the 30 years required by statute. Despite the investment gains of 2010 and 2009, the funding status of the pension liability remained unchanged from that of the preceding year. As of December 31, 2008, the actuarial valuation also indicated an OPERS' funded ratio of 75.3%, with a funding year requirement of 30 years.

  Though the actuarial valuation for the year ended December 31, 2010 is not complete as of the date of this report, it is expected that the funding ratio will remain at approximately 75%. The actuarial funding years are also expected to remain at 30 years. Refer to Table 2 for a comparative history of OPERS' actuarial liabilities and funding years for pension benefits.

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Funding Years
2009	$76,555	$57,629	$18,926	75.3%	30
2008	73,466	55,315	18,151	75.3	30
2007	69,734	67,151	2,583	96.3	14
2006	66,161	61,296	4,865	92.6	26
2005[#]	62,498	54,473	8,025	87.2	28
2005[#*]	61,146	54,473	6,673	89.1	20
2004	57,604	50,452	7,152	87.6	24

* The amounts reported on this schedule do not include assets or liabilities for post-employment health care.
#* Results from original valuation prior to re-statement after completion of experience study in 2006.
Revised actuarial assuptions based on experience study.

- Fiscal year 2010 marks the fourth year of reporting for OPERS' long-term health care obligation and the corresponding assets set aside to pay that obligation in accordance with GASB 43. As of December 31, 2009, the date of the latest actuarial valuation, OPERS' liability for health care benefits was $31.5 billion and the System had accumulated assets for that obligation of $10.9 billion. OPERS had an unfunded actuarial liability of $20.6 billion, representing an increase of $1.7 billion from the December 31, 2008 valuation. While the funding ratio declined from 36.3% in 2008 to 34.7% in 2009, OPERS remains one of only a handful of retirement systems around the country that pre-funds any portion of health care (the accounting requirements do not mandate pre-funding health care benefits).

However, as noted above, health care coverage is not a statutorily guaranteed benefit, and may be changed to ensure the long-term solvency of the fund and OPERS' ability to provide future benefits. The funding progress of the health care plan is measured in terms of solvency years, or the number of years that funds are projected to be available to pay health care benefits under the current plan structure before the plan would be reduced to a pay-as-you-go basis. The market losses of 2008 reduced the solvency years of the health care fund from 31 years as of December 31, 2007, to 11 years for the years ended December 31, 2008 and 2009. Refer to Table 3 for a comparative history of OPERS' actuarial liabilities and solvency years for health care benefits.

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Solvency Years*
2009	$31,558	$10,936	$20,622	34.7%	11
2008	29,623	10,748	18,875	36.3	11
2007	29,825	12,801	17,024	42.9	31
2006	30,748	12,025	18,723	39.1	27
2005#	31,796	11,070	20,726	34.8	18
2005#*	31,307	11,070	20,237	35.4	17
2004	29,479	10,816	18,663	36.7	18

* Solvency years represent an estimate of the number of years the fund will be able to provide coverage under the intermediate actuarial assumptions.
#* Results from original valuation prior to re-statement after completion of experience study in 2006.
Revised actuarial assuptions based on experience study.

- Revenues (additions to plan net assets) for the year 2010 were $12.8 billion, and include member and employer contributions of nearly $3.1 billion, net income from investment activities of $9.3 billion, and other income totaling nearly $352.1 million. Other income is comprised of purchased service agreements, employer interest and penalty charges, vendor performance guarantees and rebates, Medicare Part D reimbursements, settlements, inter-plan activity, and miscellaneous other income. Inter-plan activity represents transactions between plans that are additions to plan assets. Additions to plan net assets for the year 2009 were $15.8 billion, comprised of $3.2 billion in contribution revenues, $12.3 billion in net income from investment activities, and $297.0 million in other income. Refer to Table 5 for a comparative history of OPERS' Additions to Fiduciary Net Assets.

- Expenses (deductions to plan net assets) increased from nearly $5.5 billion during 2009 to over $5.8 billion in 2010, or 7.0%. The increase relates primarily to pension benefits and health care payments which comprise $5.5 billion of the 2010 expenditures. Refunds of member contributions, including interest and additional payments on withdrawal where required by statute, fluctuate each year, increasing by $10.5 million, or 4.7 %, from 2009 to 2010. Administrative expenses decreased by 6.3% from the prior year, and represent 1.2% of the total expenses. The remaining expenses are comprised of inter-plan activity transactions representing deductions to plan assets. Inter-plan activity for additions and deductions will always be equal, creating a net effect of zero on the Combining Statements of Changes in Fiduciary Net Assets. Refer to Table 6 on page 32 for a comparative history of OPERS' Deductions in Fiduciary Net Assets.

Analysis of Financial Activities

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

Membership (as of December 31, 2010, 2009, 2008) **Table 4**

Member Counts	2010	2009	2008	Increase/ (Decrease) from 2009 to 2010
Active Contributing	356,734	365,229	374,002	(8,495)
Inactive	438,434	416,548	395,445	21,886
Retired Members	173,285	166,695	161,389	6,590
Dependents and Beneficiaries Receiving Benefits	6,280	5,259	5,127	1,021
Total Membership	**974,733**	**953,731**	**935,963**	**21,002**

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

As previously noted, the reserves needed to finance retirement benefits are accumulated primarily through the collection of member and employer contributions, and through investment income (net of investment expense). Revenues for the year ended December 31, 2010, totaled $12.8 billion, of which $9.3 billion resulted from net earnings on investments. Revenues for 2009 totaled nearly $15.8 billion, with net investment income of $12.3 billion. The investment gains of 2009 and 2010 total $21.5 billion compared to the 2008 net investment loss of $22.8 billion. With the exception of 2008, investment income typically represents approximately 65-75% of total revenues.

Total revenues for 2010 decreased by nearly $3.0 billion compared to the prior year. The financial crises of 2008 created an unstable global economy that has gradually been recovering in 2009 and 2010. It's important to put these market swings in the proper perspective. During the past 30 years, OPERS has only experienced negative returns in four years: the market declines of 2008, the post 9-11 recession, and the recession of the early 1980's brought on by the 1979 energy crisis. Despite these economic crises, OPERS achieved an average annual rate of return of nearly 9.0% during this 30 year period, exceeding the annual actuarial funding requirement of 8.0%.

Member and employer contributions for 2010 decreased by $24.1 million compared to 2009, or 0.75%. Member and employer contributions include amounts paid by active members and their employers for future retirement benefits, and amounts paid by retirees towards the cost of OPERS provided health care. Retirement contributions from active members and their employers declined by $41.4 million in 2010, compared to a decrease of $31.0 million in 2009. The market volatility of 2008 resulted in many employers denying or deferring raises in both 2009 and 2010, implementing furlough days, and reducing the number of employees.

Unemployment rates in Ohio reached their highest levels in 23 years in 2009, exceeding 10% by year end. This trend continued at a rate of 10.1% through 2010, with the ratio of employed workers to total population declining by 0.5%. The decline in the number of actively contributing members that began in 2008 continued through 2010 as a weak Ohio economy contributed to layoffs and downsizing by employer units. Actively contributing members declined by 2.33% in 2010, 2.35% in 2009, and 2.14% in 2008. At the same time, the number of inactive members increased by 5.25%, 5.34%, and 8.39% respectively.

In addition, although the employment cost index for Ohio indicates wage increases averaging 2.5% for 2010, the public sector did not experience these trends. Many public employers continued to defer or deny salary increases and instituted furlough programs requiring employees to take unpaid days off. These unpaid leaves result in decreased revenues from both employee and employer contributions for those still actively employed.

Member contributions also include amounts paid by retirees towards the cost of OPERS-provided health care. Retirees share in the cost of providing health care coverage for their spouse and dependents. In 2010, these contributions totaled $111.6 million, compared to $94.4 million in 2009, or an 18.3% increase. This increase reflects the rising cost of health care benefits, an increase in the retiree population, and program design changes that are intended to gradually increase the retiree cost share to approximately 20%. The number of retirees increased nearly 4.0% over 2009, with a corresponding increase of 19.4% in the number of dependent recipients eligible for health care coverage. By comparison, the number of benefit recipients in 2009 increased by a total of 3.3% over 2008 levels.

Contracts and other receipts represent funds received for member purchase of service contracts, employer early retirement incentive programs, vendor rebates and performance guarantees, and funds received from other retirement systems for members with service credit under more than one retirement system. These receipts totaled $268.1 million in 2010, reflecting a 22.3% increase over the $219.2 million earned in 2009. The increase in these revenues reflects the net impact of several programs.

OPERS received $70.6 million from the federal government under the Early Retirement Reinsurance Program, as reimbursement for a portion of the health care claims incurred by retirees under the age of 65. Future receipts under this program are not expected to continue as the federal set aside is nearly exhausted. Additional receipts of $22.0 million were also received in conjunction with the new Medicare Advantage program for retirees over the age of 65. This is a premium-based program administered by an outside vendor rather than the self insured program OPERS operates for the under 65 population. The funds represent a premium rebate based on OPERS actual claims experience compared to the experience history used to set the initial premium rate.

Contracts and other receipts also include funds received from employers for early retirement incentive (ERI) plans. ERI contracts permit employers to downsize their workforce by purchasing service credit for employees who are near retirement in exchange for their agreement to retire immediately. ERI contract revenues were $28.0 million in 2010, compared to $93.1 million in 2009 and $34.6 million in 2008. New ERI contracts initiated in 2009 reflected the need for employers to reduce employee levels quickly in response to the budget implications of the 2008 market declines. The 2010 revenues reflect a return to more typical levels, as employer service levels and staff requirements stabilize.

OPERS also receives funds from other Ohio retirement systems for OPERS members with service under multiple systems. OPERS members who have service with other Ohio retirement systems may elect to have their service consolidated for retirement benefits under a single system. The contributions paid by these members to other systems and a corresponding employer contribution amount determined by statute are transferred to OPERS to fund the future benefit. In 2010, these contribution transfers from other systems totaled $23.2 million, compared to $21.0 million in 2009 and $24.8 million in 2008.

In addition, OPERS retirees and/or their spouses who are receiving retirement benefits from other systems may choose which system will provide their health care coverage. Funds are transferred to the system providing the benefit based on the value of coverage that would have been provided to the member by the other system (known as health care waivers). Effective January 1, 2007, this election was changed to require retirees and their spouses who qualify for retirement under another Ohio retirement system to elect coverage under that system's health care plan. OPERS health care may only be elected as secondary coverage. In 2008, OPERS recorded accrued revenues for historical amounts due from other systems for health care waivers not yet received as of December 31, 2008. This accrual increased revenues from other systems to nearly $18.8 million in 2008. These revenues were $5.2 million in 2009 and $8.6 million in 2010. Receipts will vary based on actual claims experience for those who elected OPERS coverage prior to 2007, but are expected to slowly decline in the future as retirees/spouses receiving benefits under the pre-January 1, 2007 election rules drop from the retirement rolls.

Employers that offer a high-quality prescription drug program for retirees and their dependents are eligible for a federal subsidy under Medicare Part D. The subsidy, which reflects a reimbursement of approximately 25-28% of eligible retiree prescription drug costs, represented over $72.1 million in revenue for OPERS in 2010, compared to $69.1 million in 2009 and $63.3 million in 2008.

Other income represents the gain or loss on disposal of OPERS' fixed assets, cancellation of prior year's warrants, settlement activity, and tenant lease revenue. This activity fluctuates and typically represents approximately 1/10 of 1% of the System's total revenue. Receipts in 2010 totaled $1.4 million compared to $0.8 million in 2009 and $1.6 million in 2008.

Interplan activity represents transfers between the plans to settle up for activity occurring between the plans. This activity includes members changing from one plan to another, in addition to the repayment of initial plan start-up costs. Interplan activity in 2010 resulted in a net inflow of $10.5 million, compared to $7.9 million in 2009 and $7.5 million in 2008. Since this activity represents one plan paying another plan, there is a corresponding interplan expense activity of the same amount in each year. (Refer also to the Deductions from Fiduciary Net Assets discussion below.)

Additions to Fiduciary Net Assets (Revenues) (for the years ended December 31, 2010, 2009, and 2008) Table 5

	2010	2009	2008	Amount Increase/ (Decrease) from 2009 to 2010	Percent Increase/ (Decrease) from 2009 to 2010
Member Contributions	$1,387,327,050	$1,385,175,757	$1,386,561,202	$2,151,293	0.2 %
Employer Contributions	1,796,343,429	1,822,639,448	1,840,585,266	(26,296,019)	(1.4)
Contract and Other Receipts	268,065,136	219,182,666	180,763,502	48,882,470	22.3
Medicare Part D Reimbursements	72,100,529	69,132,772	63,310,194	2,967,757	4.3
Other Miscellaneous Income	1,371,931	794,525	1,635,996	577,406	72.7
Interplan Activity	10,528,250	7,879,768	7,470,205	2,648,482	33.6
Net Income from Investing Activities	9,268,181,189	12,274,797,785	(22,770,412,901)	(3,006,616,596)	(24.5)
Total Additions	**$12,803,917,514**	**$15,779,602,721**	**($19,290,086,536)**	**($2,975,685,207)**	**(18.9)%**

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

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

Expenses for the year ended December 31, 2010 totaled $5.8 billion, an increase of 7.0% over 2009. Expenses for 2009 increased by 7.6% when compared to 2008, from $5.1 billion in 2008 to $5.5 billion in 2009. Pension and post-employment health care benefits paid on behalf of current retirees and their beneficiaries comprise approximately 94% of the expenses reported in each of these years.

Pension benefits increased by $300.4 million over the 2009 level, or 8.2%. This increase reflects the combination of a net growth of 4.4% in the number of retirees and beneficiaries receiving benefits, coupled with changing demographics in the retiree population. Defined benefit pension payments are based on a formula determined by the years of contributing service and the average of the three highest years of earnable salary (or final average salary). Benefit reduction factors are then applied to retirees under the age of 65 who have less than 30 years of service. The final average salaries (FAS) for new retirees in 2010 were 0.9% lower than the FAS of those who retired in 2009 as a result of the wage freezes and furlough days discussed earlier. By comparison, the FAS of new retirees in 2009 represented a 7.1% increase over the 2008 retirements.

The number of new retirees in 2010 also decreased by 2.1% from the number of members who retired in 2009, while the number of new retirees in 2009 represented a 17.3% increase over the 2008 retirements. As the number of new retirees increases as a percentage of the total retiree population, the cost of these pension payments will continue to rise as the percentage of recent retirees with higher final average salaries exceeds the population of benefit recipients who retired years ago when salaries were significantly lower than those paid for comparable positions today. The cost of pension benefits for 2009 and 2008 demonstrate this trend, increasing at a rate of 8.0% each year, despite a 5.1% decrease in the number of new retirees in 2008.

The ongoing increase in the cost of pension benefits also reflects a shift in member demographics. A key element in the pension benefit formula is years of service. As noted above, benefit reduction factors are applied to the benefits of retirees under the age of 65 who have less than 30 years of service. Members between the ages of 60 and 65 are eligible for a retirement benefit with a minimum of 5 years of service, while members under the age of 60 must have a minimum of 25 years of service to qualify for a benefit. In 2010, 41% of the new retirees had 30 or more years of service at retirement, qualifying them for a full benefit. While this is a decline from the 45% experienced in 2009, it continues a trend of members working longer to increase retirement benefits. During the five-year period 2004-2008, members with 30 or more years of service averaged 39% of the new retiree population in each year. As members continue to work longer, the value of their retirement benefit continues to grow through wage increases that affect FAS, in the years of service used to compute the benefit, and in the avoidance of benefit reduction factors.

The increase in health care expenses also reflects the expanding retiree population and the nation-wide trend in health care inflation that continues to be well in excess of general inflation. However, the expenses incurred by OPERS in 2010 also reflect the impact of the combination of significant plan design changes, cost-sharing changes and extensive cost containment efforts. As mentioned previously, 2010 represents the fourth year of implementation for the Health Care Preservation Plan (HCPP). The goal of HCPP was to extend the period of time the health care assets were expected to last (the plan solvency years).

HCPP included significant changes to the health care plan design by linking the amount of health care subsidy to years of service, and allowed for variables in deductibles and cost containment efforts. Cost containment efforts included participation in federally subsidized programs such as the Medicare Part D reimbursements and the Medicare Advantage program. In addition, wellness programs were initiated that provide retirees with financial incentives for healthy lifestyles and participation in programs such as smoking cessation. Based on the relatively low growth in the health care expenses since plan inception in 2006, the plan has been successful. Health care expenses have risen at a fairly consistent rate from $1.4 billion in 2008 to $1.5 billion in 2009 and to $1.6 billion in 2010. At the same time, the number of retirees, eligible dependents and beneficiaries increased by 3.2% in 2008, 3.3% in 2009, and 4.4% in 2010. The 2010 increase in eligible dependents also reflects the federal mandate to provide coverage for dependents up to the age of 26.

The majority of health care expenses are comprised of medical and prescription drug costs, as well as reimbursements to retirees for Medicare Part B premiums. These expenses increased by $75.9 million in 2010 compared to an increase of $106.3 million in 2009. Medical expenses increased by $42.6 million or 4.9%, and prescription drug costs rose by $31.4 million in 2010 or 6.3% over the 2009 levels. Statutorily required Medicare Part B reimbursements increased by $1.9 million. Legislative changes that became effective in 2009 permit the Board to determine the value of Medicare Part B reimbursements above a base threshold. This change effectively permits the Board to establish a cap on these reimbursements, which limited the increases in these expenses to approximately 1.8% for both 2009 and 2010. By comparison, Medicare Part B reimbursements in 2008 were 4.8% higher than in 2007, as the federal premiums continued to rise. The overall breakdown of health care expenses for 2009 and 2008 reflect similar distributions, with medical expenses averaging approximately 59% of the total, followed by prescription drugs at 33%, and Medicare Part B reimbursements and other expenses at approximately 8%.

OPERS participation in the premium based Medicare Advantage program has also resulted in a reduction in the expense for claims incurred but not yet reported (IBNR). At the end of each year OPERS estimates the value of claims incurred but not yet reported, and records an expense necessary to adjust the medical accounts payable liability for the value of these claims. Participation in the Medicare Advantage program is mandatory when a retiree and their spouse reach age 65, and as a premium based program, OPERS does not bear the risk of unreported claims. As the retiree population ages and moves to the Medicare Advantage program, the IBNR reserve also decreases, with a corresponding reduction in expense. In 2010, this adjustment was $6.6 million.

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

Refunds of member accounts are at the discretion of the member, and vary from year to year. In 2010, member elected refunds totaled $233.1 million, compared to $222.6 million in 2009 and $221.3 million in 2008. Though the value of 2010 refunds represents a 4.7% increase over the 2009 level, the number of accounts refunded increased by only 1.1%.

OPERS has consistently managed its Administrative Expense budget with no material variances between planned and actual expenditures in either 2010 or 2009. Administrative expenses, including investment expenses, totaled $97.0 million in 2010 compared to $97.9 million in 2009.

Deductions in Fiduciary Net Assets (Expenses) (for the years ended December 31, 2010, 2009 and 2008) **Table 6**

	2010	2009	2008	Amount Increase/ (Decrease) from 2009 to 2010	Percent Increase/ (Decrease) from 2009 to 2010
Benefits—Pension	$3,961,552,022	$3,661,174,109	$3,388,953,861	$300,377,913	8.2%
Benefits—Health Care	1,561,507,609	1,488,266,219	1,377,274,519	73,241,390	4.9
Refunds	233,054,714	222,580,254	221,300,825	10,474,460	4.7
Administrative Expenses	71,030,458	75,844,945	74,022,980	(4,814,487)	(6.3)
Interplan Activity	10,528,250	7,879,768	7,470,205	2,648,482	33.6
Total Deductions	**$5,837,673,053**	**$5,455,745,295**	**$5,069,022,390**	**$381,927,758**	**7.0%**

Reserves (Refer to Tables 7 and 8)

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

Reserves (as of December 31, 2010, 2009 and 2008) **Table 7**

	2010	2009	2008
Employees' Savings Fund	$12,134,839,989	$11,933,642,333	$11,546,208,967
Employers' Accumulation Fund—Pension/Health Care	22,277,828,145	20,026,006,552	13,503,733,507
Annuity and Pension Reserve Fund	39,927,499,750	35,616,195,176	32,410,382,036
Survivors' Benefit Fund	1,527,374,797	1,472,264,995	1,418,388,692
Defined Contribution Fund—Retirement/Health Care	522,817,214	376,419,373	216,885,601
Income Fund	99,070,651	95,184,666	100,226,117
Expense Fund	2,190,144	5,663,134	5,693,883
Total Fund Balance	**$76,491,620,690**	**$69,525,376,229**	**$59,201,518,803**

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

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

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

As of December 31, 2009, the date of the latest actuarial valuation, OPERS had accumulated sufficient assets to fund 100% of the benefits for retirees and their beneficiaries, and had also provided over 50% of the reserves necessary to fund pensions for active and inactive members based on service credit earned through year-end 2009. As of year-end 2007, prior to the market declines of 2008, OPERS had accumulated 93% of the reserves needed to fund pensions for active and inactive members. The drop in reserves available to fund the future pensions of active and inactive members reflects the investment losses of 2008. Changes in the funding status of a retirement system provide insights into the progress the system is making in building the reserves necessary to meet future pension and health care obligations.

Funding Status

As previously noted, OPERS total net investment income for the year ended December 31, 2010 totaled $9.3 billion, representing a return of 13.9% on the total OPERS portfolio. Net investment income for the defined benefit plans comprised $7.7 billion of this total, with a return of nearly 14.0%. Investment income for the health care plan comprised $1.5 billion of the total, with the defined contribution plans comprising the balance, or $55.0 million. As with all mature retirement systems, OPERS' primary means of funding benefit payments in the future will be through investment income. Ultimately, investment income will provide more than 75% of the funds necessary to pay retirement benefits. Therefore, the long-term rate of investment return is critical to the funding status of the System.

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

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

At December 31, 2009, the date of our latest actuarial evaluation, the actuarial value of net assets set aside to pay defined benefit pension benefits (non-health care assets) was $57.6 billion. The fair value of these defined benefit assets at December 31, 2009, included in the pension plans on the financial statements of OPERS was $57.7 billion. As of December 31, 2009, the actuarial value of assets and the fair value of assets are nearly equal, indicating that the remaining investment losses of 2008 are being absorbed by the market gains of 2009. With a rolling four-year smoothing, the investment gains of 2009 and 2010 will result in the actuarial value of assets at December 31, 2010 being lower than the fair value of assets, making the System appear to be funded at a lower level than the actual market values would indicate.

Reserves By Plan (as of December 31, 2010, 2009, and 2008) Table 8

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

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

	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2008 Total
Employees' Savings Fund	$11,545,651,011		$557,956			$11,546,208,967
Employers' Accumulation Fund—Pension/Health Care	3,832,714,973	$9,596,082,077	74,976,136	($39,679)		13,503,733,507
Annuity and Pension Reserve Fund	32,410,136,478		73,758	171,800		32,410,382,036
Survivors' Benefit Fund	1,418,388,692					1,418,388,692
Defined Contribution Fund—Retirement/Health Care			63,342,635	117,209,900	$36,333,066	216,885,601
Income Fund	100,226,117					100,226,117
Expense Fund	5,693,883					5,693,883
Total Fund Balance	**$49,312,811,154**	**$9,596,082,077**	**$138,950,485**	**$117,342,021**	**$36,333,066**	**$59,201,518,803**

In order to ensure that the funding value of assets and the market value of assets remain within a logical proximity of each other, the OPERS Board of Trustees instituted a policy that prohibits the actuarial funding value from varying by more than 12% from the market value of assets. This policy, instituted in 2001, is known as the Market Value Corridor and ensures that the funding value of assets is neither lower than 88% nor higher than 112% of market value. The unfunded actuarial accrued liability (the amount by which the actuarial value of liabilities exceeds the actuarial value of assets) at year-end 2009 makes the System appear to be funded at a slightly lower level than it actually is at that point in time.

It is important to understand how these smoothing techniques affect funded status when reviewing the actuarial related data contained within this annual report. Based upon our latest actuarial valuation for the year ended December 31, 2009, the System's actuarial value of liabilities for defined pension benefits exceeded its actuarial value of assets by $18.9 billion. Actuarial projections indicate that assuming the underlying assumptions are achieved; the $18.9 billion in unfunded liabilities would be amortized and funded over a 30-year period, which is within generally acceptable funding guidelines. However, based on the actuarial smoothing techniques, OPERS has a $104 million net unrealized gain yet to recognize over the next three years. By comparison, the 2008 actuarial valuation reflected an unfunded actuarial liability of $18.2 and an unrealized loss yet to recognize of $5.9 billion.

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

Other Post-employment Benefits (OPEB)

Beginning in fiscal 2006, the Government Accounting Standards Board (GASB) required retirement systems to estimate their liability for health care benefits similar to the manner in which pension liabilities are estimated. However, unlike pensions, the health care coverage OPERS provides (with the exception of Medicare B reimbursements) are not a guaranteed benefit. As of December 31, 2009, the date of the latest actuarial valuation, OPERS has an estimated liability for future health care of $31.5 billion. OPERS is one of a relatively few retirement systems that has systematically set aside assets to fund health care. As of December 31, 2009, OPERS had $10.9 billion in assets as stated on a funding basis (actuarially smoothed over a four year period in the same manner as pensions), leaving an unfunded liability of $20.6 billion. Simply put, OPERS had accumulated 34.7% of the assets necessary to pay these expenses. Similar to pensions, the market value of the health care assets was $11.4 billion and was greater than the actuarial or funding value of assets of $10.9 billion. By comparison, the health care liability as of December 31, 2008 was $29.6 billion compared to the actuarial value of assets of $10.7 billion, leaving an unfunded liability of $18.9 billion and a funded ratio of 36.3%.

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

Financial Analysis Summary

Net assets may serve over time as a useful indication of OPERS' financial position (Please refer to Table 9). At the close of calendar years 2010 and 2009, the net assets of OPERS totaled $76.5 billion and $69.5 billion respectively, compared to the record high of $83.6 billion in 2007. These net assets are available to meet OPERS' ongoing obligations to plan participants and their beneficiaries, and to the extent possible, OPERS post-employment health care expenses.

Net Assets (as of December 31, 2010, 2009 and 2008) **Table 9**

	2010	2009	2008	Amount Increase/ (Decrease) from 2009 to 2010	Percent Increase/ (Decrease) from 2009 to 2010
Current and Other Assets	$1,437,930,409	$1,976,438,032	$1,016,437,950	($538,507,623)	(27.2)%
Cash and Investments at Fair Value	85,566,292,039	78,540,512,304	66,384,749,035	7,025,779,735	8.9
Capital Assets	112,130,055	113,508,936	117,521,350	(1,378,881)	(1.2)
Total Assets	87,116,352,503	80,630,459,272	67,518,708,335	6,485,893,231	8.0
Total Liabilities	10,624,731,813	11,105,083,043	8,317,189,532	(480,351,230)	(4.3)
Net Assets, End of Year	**76,491,620,690**	**69,525,376,229**	**59,201,518,803**	**6,966,244,461**	**10.0**
Net Assets, Beginning of Year	69,525,376,229	59,201,518,803	83,560,627,729	10,323,857,426	17.4
Net Increase in Net Assets	**$6,966,244,461**	**$10,323,857,426**	**($24,359,108,926)**	**($3,357,612,965)**	**(32.5)%**

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

Capital Assets

As of December 31, 2010, OPERS' investment in capital assets totaled $112.1 million, net of accumulated depreciation and amortization. This investment in capital assets includes equipment, furniture, information technology systems, and the home office complex.

OPERS invested $7.7 million in capital asset additions during 2010, compared to an investment of $6.3 million in 2009. The majority of these capital expenditures relate to the development of information technology systems necessary to support ongoing operations. The most significant projects included system oriented architecture infrastructure upgrades, $3.4 million; implementation of investment software, $1.2 million; enhancements for the health care preservation plan project, $0.8 million; the final average salary module, $0.7 million; and disaster recovery/business continuity systems, $0.6 million.

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

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Combining Statements of Fiduciary Net Assets (as of December 31, 2010 and 2009)

	2010				
	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association
Assets:					
Cash and Short-Term Investments	**$3,331,124,467**	**$310,859,956**	**$7,840,924**	**$1,351,601**	**$3,628,331**
Receivables:					
Members' and Employers'	219,011,123	62,635,516	5,287,338	5,652,331	1,387,638
Retirement Incentive Plan	35,254,781	2,183,860			
Vendor and Other	530,346	133,916,383			
Investment Sales Proceeds	538,750,216	135,342,122	1,169,029	4,019	680,236
Accrued Interest and Dividends	201,041,979	49,049,361	436,239	1,500	253,839
Due From Other Plans	44,870,942				
Total Receivables	**1,039,459,387**	**383,127,242**	**6,892,606**	**5,657,850**	**2,321,713**
Investments, at fair value:					
Global Bonds	16,109,368,262	4,355,743,585	73,765,120	74,468,038	16,517,502
Domestic Equities	19,026,731,906	3,960,117,840	121,263,194	134,755,026	24,023,518
Real Estate	5,080,220,992		11,023,524	37,896	6,414,385
Private Equities	3,414,263,784	45,999,889	7,408,579	25,468	4,310,915
International Equities	16,342,454,858	3,649,437,854	90,176,846	92,215,873	20,634,299
Total Investments	**59,973,039,802**	**12,011,299,168**	**303,637,263**	**301,502,301**	**71,900,619**
Collateral on Loaned Securities	**7,708,958,738**	**1,517,578,594**	**15,196,825**	**40,463**	**8,332,987**
Capital Assets:					
Land	3,069,419	665,394			
Building and Building Improvements	91,904,122	19,641,200			
Furniture and Equipment	53,942,809	22,850,746	1,112,194	1,462,142	1,747,573
Total Capital Assets	148,916,350	43,157,340	1,112,194	1,462,142	1,747,573
Accumulated Depreciation	(63,760,375)	(16,294,444)	(1,077,444)	(1,423,480)	(1,709,801)
Net Capital Assets	**85,155,975**	**26,862,896**	**34,750**	**38,662**	**37,772**
Prepaid Expenses and Other Assets	**471,611**				
TOTAL ASSETS	**72,138,209,980**	**14,249,727,856**	**333,602,368**	**308,590,877**	**86,221,422**
Liabilities:					
Undistributed Deposits	1,632,149	80,073			
Medical Benefits Payable	31,862	142,952,643			9,320
Investment Commitments Payable	899,118,485	253,257,695	1,950,989	6,707	1,135,244
Accounts Payable and Other Liabilities	13,463,225				
Accounts Payable RMA Claims		16,114,872			
Due To Other Plans			15,303,775	29,445,369	121,798
Obligations Under Securities Lending	7,708,958,738	1,517,578,594	15,196,825	40,463	8,332,987
TOTAL LIABILITIES	**8,623,204,459**	**1,929,983,877**	**32,451,589**	**29,492,539**	**9,599,349**
Net Assets Held in Trust for Pension and Post-employment Health Care Benefits	**$63,515,005,521**	**$12,319,743,979**	**$301,150,779**	**$279,098,338**	**$76,622,073**

See Notes to Combining Financial Statements, beginning on page 42.
An unaudited Schedule of Funding Progress is presented on pages 64-65.

Combining Statements of Fiduciary Net Assets (continued)

	2009					
2010 Total All Plans	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2009 Total All Plans
$3,654,805,279	**$1,652,107,085**	**$82,384,335**	**$3,716,643**	**$2,322,907**	**$2,007,102**	**$1,742,538,072**
293,973,946	203,311,933	70,351,872	4,411,664	4,832,717	1,256,032	284,164,218
37,438,641	49,493,438	3,185,825				52,679,263
134,446,729	561,723	49,921,976				50,483,699
675,945,622	429,058,518	884,914,266	1,423,066	962,241	490,314	1,316,848,405
250,782,918	183,969,257	37,732,716	424,282	106,958	210,234	222,443,447
44,870,942	49,582,710					49,582,710
1,437,458,798	**915,977,579**	**1,046,106,655**	**6,259,012**	**5,901,916**	**1,956,580**	**1,976,201,742**
20,629,862,507	13,738,789,635	3,746,406,051	49,623,346	53,310,186	7,700,053	17,595,829,271
23,266,891,484	23,415,898,204	3,806,887,666	105,569,884	98,394,583	26,758,930	27,453,509,267
5,097,696,797	3,683,320,569		7,200,347	13,383	4,209,179	3,694,743,478
3,472,008,635	2,470,937,233	39,341,186	4,830,317	8,978	2,823,707	2,517,941,421
20,194,919,730	12,432,867,926	2,974,380,740	66,547,377	69,496,898	14,207,879	15,557,500,820
72,661,379,153	**55,741,813,567**	**10,567,015,643**	**233,771,271**	**221,224,028**	**55,699,748**	**66,819,524,257**
9,250,107,607	**9,653,891,069**	**299,502,780**	**16,765,205**	**30,222**	**8,260,699**	**9,978,449,975**
3,734,813	3,069,419	665,394				3,734,813
111,545,322	91,992,503	19,660,159				111,652,662
81,115,464	48,874,755	20,582,082	1,078,717	1,424,708	1,733,479	73,693,741
196,395,599	143,936,677	40,907,635	1,078,717	1,424,708	1,733,479	189,081,216
(84,265,544)	(57,873,324)	(13,530,325)	(1,076,785)	(1,422,414)	(1,669,432)	(75,572,280)
112,130,055	**86,063,353**	**27,377,310**	**1,932**	**2,294**	**64,047**	**113,508,936**
471,611	**236,290**					**236,290**
87,116,352,503	**68,050,088,943**	**12,022,386,723**	**260,514,063**	**229,481,367**	**67,988,176**	**80,630,459,272**
1,712,222	2,216,054	52,974				2,269,028
142,993,825	6,950,608	134,007,772			1,487	140,959,867
1,155,469,120	749,608,796	163,153,464	1,942,496	787,160	856,629	916,348,545
13,463,225	6,998,459					6,998,459
16,114,872		10,474,459				10,474,459
44,870,942			18,421,565	28,075,915	3,085,230	49,582,710
9,250,107,607	9,653,891,069	299,502,780	16,765,205	30,222	8,260,699	9,978,449,975
10,624,731,813	**10,419,664,986**	**607,191,449**	**37,129,266**	**28,893,297**	**12,204,045**	**11,105,083,043**
$76,491,620,690	**$57,630,423,957**	**$11,415,195,274**	**$223,384,797**	**$200,588,070**	**$55,784,131**	**$69,525,376,229**

Combining Statements of Changes in Fiduciary Net Assets (for the years ended December 31, 2010 and 2009)

	2010				
	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association
Additions:					
Members' Contributions	$1,217,388,746	$111,638,313	$27,272,707	$31,027,284	
Employers' Contributions	1,097,711,440	628,685,237	26,432,761	29,527,197	$13,986,794
Contract and Other Receipts	113,080,115	154,130,632	384,947	462,075	7,367
Medicare Part D Reimbursements		72,100,529			
Other Income, Net	763,943	605,275	1,267	1,108	338
Interplan Activity	10,501,974				26,276
Total Non-investment Income	**2,439,446,218**	**967,159,986**	**54,091,682**	**61,017,664**	**14,020,775**
Income from Investing Activities:					
Net Appreciation in Fair Value	5,647,283,276	1,240,024,373	31,547,336	33,529,986	6,104,389
Bond Interest	626,323,717	137,927,458	1,790,218	914,915	677,020
Dividends	612,165,204	134,809,505	1,419,066	351,582	661,715
Real Estate Operating Income, net	300,704,695		592,784	1,576	325,044
International Income	221,032	48,675	436	1	239
Other Investment Income	579,191,143	3,778,346	1,141,809	3,101	626,072
External Asset Management Fees	(117,120,121)	(10,904,604)	(384,978)	(262,515)	(126,600)
Net Investment Income	**7,648,768,946**	**1,505,683,753**	**36,106,671**	**34,538,646**	**8,267,879**
From Securities Lending Activity:					
Security Lending Income	72,317,399	14,236,338	142,561	379	78,171
Security Lending Expenses	(21,639,683)	(4,259,969)	(42,659)	(113)	(23,391)
Net Security Lending Income	50,677,716	9,976,369	99,902	266	54,780
Unrealized Loss					
Net Income/(Loss) from Securities Lending	**50,677,716**	**9,976,369**	**99,902**	**266**	**54,780**
Investment Administrative Expenses	**(20,909,950)**	**(4,495,158)**	**(235,472)**	**(315,427)**	**(37,732)**
Net Income from Investing Activity	**7,678,536,712**	**1,511,164,964**	**35,971,101**	**34,223,485**	**8,284,927**
TOTAL ADDITIONS	**10,117,982,930**	**2,478,324,950**	**90,062,783**	**95,241,149**	**22,305,702**
Deductions:					
Benefits	3,961,217,461	1,560,993,277	128,366	206,195	514,332
Refunds of Contributions	219,808,143		3,540,043	9,706,528	
Administrative Expenses	52,375,762	12,782,968	2,584,673	2,435,285	851,770
Interplan Activity			6,043,719	4,382,873	101,658
TOTAL DEDUCTIONS	**4,233,401,366**	**1,573,776,245**	**12,296,801**	**16,730,881**	**1,467,760**
Net Increase	5,884,581,564	904,548,705	77,765,982	78,510,268	20,837,942
Net Assets Held in Trust for Pension and Post-employment Health Care Benefits:					
Balance, Beginning of Year	57,630,423,957	11,415,195,274	223,384,797	200,588,070	55,784,131
Balance, End of Year	**$63,515,005,521**	**$12,319,743,979**	**$301,150,779**	**$279,098,338**	**$76,622,073**

See Notes to Combining Financial Statements, beginning on page 42.
An unaudited Schedule of Funding Progress is presented on pages 64-65.

Combining Statements of Changes in Fiduciary Net Assets (continued)

	2009					
2010 Total All Plans	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2009 Total All Plans
$1,387,327,050	$1,236,966,262	$94,370,543	$26,096,068	$27,742,884		$1,385,175,757
1,796,343,429	1,019,582,360	740,817,891	23,397,299	26,356,764	$12,485,134	1,822,639,448
268,065,136	160,232,136	58,649,547	124,823	173,832	2,328	219,182,666
72,100,529		69,132,772				69,132,772
1,371,931	140,494	654,031				794,525
10,528,250	7,839,790				39,978	7,879,768
3,535,736,325	**2,424,761,042**	**963,624,784**	**49,618,190**	**54,273,480**	**12,527,440**	**3,504,804,936**
6,958,489,360	8,958,294,554	2,081,098,064	41,356,531	40,946,399	7,665,560	11,129,361,108
767,633,328	667,145,486	152,358,418	1,640,807	766,903	570,872	822,482,486
749,407,072	588,890,367	134,487,014	1,990,363	1,536,607	503,910	727,408,261
301,624,099	(357,389,882)		(620,655)	(1,118)	(305,816)	(358,317,471)
270,383	231,831	52,944	404		198	285,377
584,740,471	110,806,780	661,628	192,430	347	94,817	111,756,002
(128,798,818)	(107,025,189)	(7,709,148)	(334,015)	(247,870)	(91,581)	(115,407,803)
9,233,365,895	**9,860,953,947**	**2,360,948,920**	**44,225,865**	**43,001,268**	**8,437,960**	**12,317,567,960**
86,774,848	75,320,295	2,336,740	130,803	236	64,451	77,852,525
(25,965,815)	(18,142,779)	(562,862)	(31,507)	(57)	(15,525)	(18,752,730)
60,809,033	57,177,516	1,773,878	99,296	179	48,926	59,099,795
	(77,234,663)	(2,396,132)	(134,128)	(242)	(66,088)	(79,831,253)
60,809,033	**(20,057,147)**	**(622,254)**	**(34,832)**	**(63)**	**(17,162)**	**(20,731,458)**
(25,993,739)	**(17,918,047)**	**(3,771,803)**	**(156,426)**	**(165,877)**	**(26,564)**	**(22,038,717)**
9,268,181,189	**9,822,978,753**	**2,356,554,863**	**44,034,607**	**42,835,328**	**8,394,234**	**12,274,797,785**
12,803,917,514	**12,247,739,795**	**3,320,179,647**	**93,652,797**	**97,108,808**	**20,921,674**	**15,779,602,721**
5,523,059,631	3,661,076,709	1,488,032,855	35,566	61,834	233,364	5,149,440,328
233,054,714	212,209,227		2,905,883	7,465,144		222,580,254
71,030,458	56,805,048	13,033,595	2,638,279	2,514,665	853,358	75,844,945
10,528,250	36,008		3,638,757	3,821,116	383,887	7,879,768
5,837,673,053	**3,930,126,992**	**1,501,066,450**	**9,218,485**	**13,862,759**	**1,470,609**	**5,455,745,295**
6,966,244,461	8,317,612,803	1,819,113,197	84,434,312	83,246,049	19,451,065	10,323,857,426
69,525,376,229	49,312,811,154	9,596,082,077	138,950,485	117,342,021	36,333,066	59,201,518,803
$76,491,620,690	**$57,630,423,957**	**$11,415,195,274**	**$223,384,797**	**$200,588,070**	**$55,784,131**	**$69,525,376,229**

1. Description of OPERS

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

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

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

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

The Board of Trustees appoints the executive director, an actuary, and other consultants necessary for the transaction of business. The Board of Trustees meets monthly and receives no compensation, but is reimbursed for necessary expenses.

Employer, employee and retiree data as of December 31, 2010 and 2009 follows:

Employer, Employee and Retiree Data (as of December 31, 2010 and 2009)

Year	2010	2009
Employer Units		
State group	269	270
Local government group	3,189	3,207
Law enforcement and public safety group	241	237
Employees, members and retirees—pension		
Traditional Plan retirees and beneficiaries currently receiving benefits	179,513	171,927
Combined Plan and Member-Directed Plan retirees and beneficiaries currently receiving benefits	52	28
Traditional Plan and Combined Plan terminated employees not yet receiving benefits	31,487	30,675
Employees, members and retirees—post-employment health care		
Retirees and beneficiaries currently receiving benefits—OPEB (Traditional and Combined Plan)	217,334	213,220
Retirees and beneficiaries currently receiving benefits—VEBA (Member-Directed Plan)	1,577	1,260
Traditional Plan and Combined Plan terminated employees not yet receiving benefits	14,262	13,940
Active employees (all plans)		
State group	123,965	121,518
Local government group	224,802	235,588
Law enforcement group	7,845	8,029
Public safety	122	94

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

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

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

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

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

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

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

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

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

- ***Other Benefits***—Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit. A death benefit of $500-$2,500, determined by number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined plans. Death benefits are not available to beneficiaries of Member-Directed Plan participants.

- ***Money Purchase Annuity***—OPERS' age-and-service retirees who become re-employed in an OPERS-covered position must contribute to the System. All re-employed retirees are required to contribute toward a money purchase annuity. The money purchase annuity calculation is based on the accumulated contributions of the retiree for the period of re-employment, and an amount of the employer contributions determined by the Board of Trustees. Upon termination of service, the member can elect to receive a lump-sum payout or a monthly annuity.

- ***Refunds***—Members who have terminated service in OPERS-covered employment may file an application for refund of their account. The ORC requires a three-month waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's rights and benefits in OPERS.

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

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

Member and employer contribution rates, as a percent of covered payroll, were the same across all three plans for the year ended December 31, 2010. Within the Traditional Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age normal actuarial funding method. This formula determines the amount of contributions necessary to fund: (1) the current service cost, which represents the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time. The annual employer contributions reported for the Traditional Plan for 2010 and 2009 were $1,097,711,440 and $1,019,582,360, respectively. Employer contributions for the Combined Plan for 2010 and 2009 were $26,432,761 and $23,397,299 respectively. Employers satisfied 100% of the contribution requirements.

The following table displays the employee and employer contribution rates as a percent of covered payroll for each division for 2010, 2009, and 2008. Based upon the recommendation of the System's actuary, a portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional plan employer contributions allocated to health care was 5.5% for January 1 through February 28, 2010, and 5.0% from March 1 through December 31, 2010, as compared to 7.0% for January 1 through March 31, 2009, and 5.5% from April 1 through December 31, 2009. The portion of Combined plan employer contributions allocated to health care was 4.73% for January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010, as compared to 5.90% for January 1 through March 31, 2009, and 4.73% from April 1 through December 31, 2009. The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for both 2010 and 2009 was 4.5%.

Board of Trustees–Approved Contribution Rates–All Plans

	Employee Rate			Employer Rate		
	2010	2009	2008	2010	2009	2008
State division	10.00%	10.00%	10.00%	14.00%	14.00%	14.00%
Local government division	10.00	10.00	10.00	14.00	14.00	14.00
Law enforcement division	11.10	10.10	10.10	17.87	17.63	17.40
Public safety division	10.50	10.10	10.10	17.87	17.63	17.40

The 2010 employee and employer contribution rates for the state and local divisions are currently set at the maximums authorized by the Ohio Revised Code of 10% and 14% respectively. The authorized maximum employer contribution rate for public safety and law enforcement employers is 18.1%. The employee public safety rate is determined by the Board and has no maximum rate established by the Ohio Revised Code. The employee rate for law enforcement members is also determined by the Board, but is limited by the Ohio Revised Code to not more than 2% greater than the public safety rate.

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

As of December 31, 2009, the date of the last actuarial study, the funding period was 30 years. The funding period for the actuarial study performed for the year ended December 31, 2008, was also 30 years.

d. Commitments and Contingencies—OPERS has committed to fund various private equity and closed-end real estate investments totaling approximately $5.7 billion and $2.7 billion at December 31, 2010 and December 31, 2009, respectively. The expected funding dates for these commitments extend through 2015.

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

2. Summary of Significant Accounting Policies

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

a. Basis of Accounting—The financial statements are prepared using the accrual basis of accounting under which deductions are recorded when the liability is incurred. Pension benefit payments are due the first day of the month following the retirement of a member, and the first of each month thereafter. Refunds, for any member who makes a written application to withdraw their contributions, are payable three months after the member's termination of OPERS-covered employment. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Additions to the plans consist of contributions (member and employer), health care reimbursements, other contract receipts, interplan activities, net investment income, and other miscellaneous income. Contributions are recorded in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements. Accordingly, both member and employer contributions for the years ended December 31, 2010 and 2009 include year-end accruals based upon estimates derived from subsequent payment activity and historical payment patterns. Member and employer contributions, which are based on members' salaries, are due 30 days after the month in which salaries are earned. Health care reimbursements are recognized when they become measurable and due OPERS based on contractual requirements. Therefore, health care reimbursements contain estimates based on information received from health care vendors and other sources. Plan changes, settlement activity and other interplan activity are recorded as an addition or deduction, based on the nature of the transaction, when the transactions occur. Investment purchases and sales are recorded as of their trade date.

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

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

GASB Statement 50, *Pension Disclosures*, established the standards for enhancing footnote disclosures for pension plans consistent with standards under GASB Statements 43 and 45. GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, provides authoritative guidance related to the accounting and financial reporting of intangible assets, including internally developed software. GASB Statement 51 was early implemented for the year ended December 31, 2008.

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

b. **Investments**—OPERS is authorized by ORC Section 145.11 to invest under a prudent person standard and does so through an investment policy established by the Board of Trustees. The prudent person standard requires the Board of Trustees, “To discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries and defraying reasonable expenses of administering the System; with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.”

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

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

Net appreciation (depreciation) in the fair value of investment assets is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less purchases of investments at cost, plus sales of investments at fair value. Commissions paid to brokers are considered a part of the investment asset cost and are, therefore, not reported as expenses of the System. Brokerage commissions for 2010 and 2009 were $27,223,399 and $27,109,337 respectively. Investment administrative expenses consist of custodial banking fees and those expenses directly related to OPERS' internal investment operations, and include a proportional amount of overhead that is allocated based on either the ratio of OPERS' Investment Division square footage to total office square footage or investment personnel to total OPERS personnel, as appropriate.

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

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

Straight-line Method of Computing Depreciation

	Years
Buildings and building improvements	50
Furniture and equipment	3-10
Computer Software	3-8

The table below is a schedule of the capital asset account balances as of December 31, 2009, and changes to those account balances during the year ended December 31, 2010.

Capital Asset Account Balances

	Land	Building and Building Improvements	Furniture, Fixtures, and Equipment	Total Capital Assets
Cost:				
Balances December 31, 2009	$3,734,813	$111,652,662	$73,693,741	$189,081,216
Additions			7,680,277	7,680,277
Write-offs		(107,340)	(258,554)	(365,894)
Balances December 31, 2010	3,734,813	111,545,322	81,115,464	196,395,599
Accumulated Depreciation:				
Balances December 31, 2009		18,023,179	57,549,101	75,572,280
Depreciation Expense		2,335,953	6,378,149	8,714,102
Write-offs		(18,736)	(2,102)	(20,838)
Balances December 31, 2010		20,340,396	63,925,148	84,265,544
Net Capital Assets December 31, 2010	**$3,734,813**	**$91,204,926**	**$17,190,316**	**$112,130,055**

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

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

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

Traditional Plan

- ***The Employees' Savings Fund***—represents members' contributions held in trust pending their refund or transfer to a benefit disbursement fund. Upon an employee's refund or retirement, such employee's account is credited with an amount of interest (statutory interest) on the employee's contributions based on a Board of Trustees approved rate in effect, which can range from 1% to 4%. Employees eligible for a refund also receive additional funds from the Employers' Accumulation Fund, if qualified. The ORC Chapter 145 requires statutory interest to be compounded annually.
- ***The Employers' Accumulation Fund***—is used to accumulate employers' contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve Fund as members retire or become eligible for disability benefits, and to the Survivors' Benefit Fund for benefits due dependents of deceased members.
- ***The Employers' Accumulation Health Care Fund***—is used to accumulate employers' contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve and Survivors' Benefit Funds for health care coverage paid for retirees and dependents of deceased members.
- ***The Annuity and Pension Reserve Fund***—is the fund from which retirement allowances that do not exceed the IRC 415(b) limitations and health care coverage are paid. This reserve was fully funded according to the latest actuarial study dated December 31, 2009. Accordingly, sufficient assets are available in this fund to pay the vested pension benefits of all retirees and beneficiaries as of the valuation date.
- ***The Survivors' Benefit Fund***—is the fund from which benefits due dependents of deceased members of the System that do not exceed the IRC 415(b) limitations are paid. This fund also was fully funded in relation to vested pension benefits as of December 31, 2009.
- ***Qualified Excess Benefit Arrangement (QEBA)***—is the fund from which annuity, disability and survivors' benefits are paid when the recipient exceeds the IRC 415(b) limits. This reserve is funded by employer contributions on an as-needed basis; therefore, it is fully funded.
- ***The Income Fund***—is the fund credited with all investment earnings and miscellaneous income. Annually, the balance in this fund is transferred to other funds to aid in the funding of future benefit payments and administrative expenses.
- ***The Expense Fund***—provides for the payment of administrative expenses with the necessary monies allocated to it from the Income Fund.

Member-Directed Plan

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

Combined Plan

- ***The Defined Contribution Fund***—represents members' contributions held in trust pending their refund or commencement of benefit payments. Members self-direct the investment of these funds.
- ***The Employees' Savings Fund***—represents members' deposits for the purchase of service credit held in trust pending their refund or transfer to the Annuity and Pension Reserve or Survivors' Benefit Funds. Upon an employee's refund or retirement, such employee's accounts are credited with an amount of interest (statutory interest) on the employee's deposits based on a rate of 1%.
- ***The Employers' Accumulation Fund***—is used to accumulate employers' contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve Fund as members retire. Disability and survivor benefits are funded by transfers to Traditional Plan funds, which pay such benefits.
- ***The Employers' Accumulation Health Care Fund***—is used to accumulate employers' contributions to be used in providing health care coverage to retirees and dependents of deceased members.
- ***The Annuity and Pension Reserve Fund***—is the fund from which retirement allowances and health-care coverage are paid. This reserve was fully funded according to the latest actuarial study dated December 31, 2009.
- ***Qualified Excess Benefit Arrangement (QEBA)***—is the fund from which annuity benefits exceeding the IRC 415(b) limits are paid for the defined benefit portion of the Combined Plan. As of December 31, 2010, there were no benefits being paid out of the fund to Combined Plan participants.

- ***The Income Fund***—is the fund credited with all investment earnings and miscellaneous income. The balance in this fund is transferred to other funds to the credit of the member account and to aid in the funding of future benefit payments and administrative expenses.
- ***The Expense Fund***—provides for the payment of administrative expenses with the necessary monies allocated to it from the Income Fund.

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

Statutory and IRC Fund balances at December 31, 2010 and 2009 are as follows:

Statutory and IRC Fund Balances (as of December 31, 2010 and 2009)

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

For Year Ended December 31, 2009	Traditional Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	VEBA	Total
Employees' Savings Fund	$11,932,873,455		$768,977	($99)		$11,933,642,333
Employers' Accumulation Fund	8,508,596,858	$11,415,195,274	102,108,811	105,609		20,026,006,552
Annuity & Pension Reserve Fund	35,615,840,849		251,905	102,422		35,616,195,176
Survivors' Benefit Fund	1,472,264,995					1,472,264,995
Defined Contribution Fund			120,255,104	200,380,138	$55,784,131	376,419,373
Income Fund	95,184,666					95,184,666
Expense Fund	5,663,134					5,663,134
Total	**$57,630,423,957**	**$11,415,195,274**	**$223,384,797**	**$200,588,070**	**$55,784,131**	**$69,525,376,229**

g. **Risk Management**—OPERS is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; and court challenges to fiduciary decisions. To cover these risks OPERS maintains commercial insurance and holds fidelity bonds on employees. There were no reductions in coverage nor have there been any settlements exceeding insurance coverage for the past three years. As required by state law, OPERS is registered and insured through the state of Ohio Bureau of Workers' Compensation for injuries to employees. OPERS is self-insured for employee health care coverage. The only outstanding liabilities at the end of 2010 and 2009 were related to the employee health care coverage (see Note 7).

h. **Reclassifications**—Certain 2009 balances have been reclassified to conform with the current-year presentation.

3. Cash and Investments

A summary of cash and short-term securities and investments held at December 31, 2010 and 2009 is as follows:

Summary of Cash and Short-term Securities and Investments (as of December 31, 2010 and 2009)

	2010 Fair Value	2009 Fair Value
Cash and Short Short-Term Investments:		
Cash	$92,200,671	$28,420,420
Short-Term Securities:		
Commercial Paper	1,223,066,395	611,781,530
U.S. Treasury Obligations	462,187,861	154,241,956
Agency Discount Notes	49,989,395	19,993,800
Repurchase Agreements	500,000,000	
Corporate Bonds	66,784,659	67,999,859
Short-term Investment Funds (STIF)	1,260,576,298	860,100,507
Total Short-Term Securities	$3,562,604,608	$1,714,117,652
Total Cash & Short-Term Investments	**$3,654,805,279**	**$1,742,538,072**
Investments:		
Global Bonds:		
U.S. Corporate Bonds	$7,705,247,599	$5,803,060,011
Non-U.S. Notes/Bonds	2,562,362,473	2,057,102,873
U.S. Government and Agencies	6,788,045,580	6,708,199,352
U.S. Mortgage Backed	3,574,206,855	3,027,467,035
Total Global Bonds	$20,629,862,507	$17,595,829,271
Domestic Equities	$23,266,891,484	$27,453,509,267
Real Estate	5,097,696,797	3,694,743,478
Private Equities	3,472,008,635	2,517,941,421
International Equities	20,194,919,730	15,557,500,820
Total Investments Before Collateral on Loaned Securities	**$72,661,379,153**	**$66,819,524,257**
Collateral on Loaned Securities:		
Cash	$9,250,107,607	$9,978,449,975
Total Collateral on Loaned Securities	**$9,250,107,607**	**$9,978,449,975**
Total Investments Including Collateral on Loaned Securities	**$81,911,486,760**	**$76,797,974,232**

a. **Custodial Credit Risk, Deposits**—Custodial credit risk for deposits is risk that, in the event of the failure of a depository financial institution, OPERS will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. At December 31, 2010, the carrying amounts of OPERS' non-investment cash deposits totaled $16,817,666 and the corresponding bank balance totaled $25,610,013 of which $25,360,013 was uninsured and uncollateralized. Deposits held in the investment-related bank account were neither insured nor collateralized for amounts in excess of FDIC insurance limits. As of December 31, 2010, the carrying amounts of OPERS' investment related bank accounts totaled $75,782,239 of which $70,951,504 were neither insured nor collateralized. OPERS has no formal policy specific to custodial credit risk. These assets are under the custody of the Treasurer of the state of Ohio.

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

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

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

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

The following table presents the credit quality ratings and effective durations of OPERS' global bond assets, including short-term investments as of December 31, 2010.

Average Credit Quality and Exposure Levels of Guaranteed Securities

Fixed Income Security Type	Fair Value	Percent of All Fixed Income Assets	Weighted Average Duration to Maturity (years)	AAA	AA
Commercial Paper	$1,223,066,395	5.1%	0.01	$1,085,580,392	$137,486,003
Short Term—Other	66,784,659	0.3	0.86	15,000,000	
Money Market/STIF	1,260,576,298	5.2	0.01	1,260,576,298	
Repurchase Agreements	500,000,000	2.1	0.01	300,000,000	200,000,000
Corporate Bonds	6,586,454,276	27.2	6.11	283,499,016	450,004,776
Municipal Bonds	230,617,296	1.0	11.61	24,540,451	99,748,216
Asset Backed Securities	740,520,979	3.1	3.97	126,264,673	84,305,654
Mortages	713,205,376	2.9	2.54	420,299,414	89,832,273
Non-U.S. Corporate Bonds	1,626,944,338	6.7	4.69	428,002,177	223,290,200
Non-U.S. MBS and ABS	41,651,399	0.2	2.93	309,395	13,413,227
Non-U.S. Government	893,766,736	3.7	6.20	140,367,830	49,863,056
Commingled Long-Term Global Funds	253,108,381	1.0	0.00		
Agency Mortgages	2,759,079,322	11.4	3.70	2,759,079,322	
Agency Bonds	999,787,293	4.1	1.48	999,787,293	
Agency Discount Note	49,989,395	0.2	0.52	49,989,395	
Total Non-Government Guaranteed	**$17,945,552,143**	**74.2%**		**$7,893,295,656**	**$1,347,943,405**
U.S. Treasury Notes	$2,939,625,639	12.2%	2.97	$2,939,625,639	
U.S. Treasury Bonds	1,691,386,890	7.0	13.03	1,691,386,890	
U.S. Treasury Inflation Protected	1,153,714,582	4.8	5.11	1,153,714,582	
U.S. Treasury Discount Notes	462,187,861	1.9	0.18	462,187,861	
Total Global Bonds and Short-Term Securities	**$24,192,467,115**	**100.0%**	**4.53**	**$14,140,210,628**	**$1,347,943,405**

e. **Concentration of Credit Risk**—Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of December 31, 2010, OPERS' portfolio has no single issuer exposure that comprises 5% or more of the overall portfolio. Therefore, there is no concentration of credit risk.

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

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

A	BBB	BB	B	CCC	CC	C	D	Not Rated
$51,784,659								
1,490,352,108	$1,400,378,053	$929,917,075	$1,519,241,004	$451,983,064	$4,839,468			$56,239,712
106,328,629								
74,302,735	41,781,481	28,131,191	140,260,232	135,840,426	44,359,249	$5,482,996	$59,791,917	425
39,737,927	26,606,440	24,565,196	4,787,179	38,294,701	3,862,643	29,799,415	17,047,744	18,372,444
257,763,761	356,067,929	76,339,078	202,193,407	64,027,690	185,822	6,975,000		12,099,274
	4,084,899	4,875,322	7,153,250	11,812,500	937	1,369		500
166,354,190	332,616,996	136,077,298	34,965,449					33,521,917
								253,108,381
$2,186,624,009	**$2,161,535,798**	**$1,199,905,160**	**$1,908,600,521**	**$701,958,381**	**$53,248,119**	**$42,258,780**	**$76,839,661**	**$373,342,653**
$2,186,624,009	**$2,161,535,798**	**$1,199,905,160**	**$1,908,600,521**	**$701,958,381**	**$53,248,119**	**$42,258,780**	**$76,839,661**	**$373,342,653**

OPERS' exposure to foreign currency risk in U.S. dollars as of December 31, 2010 is as follows:

Exposure to Foreign Currency Risk in U.S. Dollars (as of December 31, 2010)

Currency	Cash	Forwards	Global Bonds	International Equities	Real Estate	Private Equities
Argentine Peso	$18,791		$2,050,651			
Australian Dollar	2,770,367	$31,762,515		$296,464,026		
Brazilian Real	1,267,472	24,688,676	63,424,594	188,770,144		
British Pound Sterling	3,223,078	(67,498,026)		1,706,575,803	($4,037,135)	$51,490,945
Canadian Dollar	473,255	69,418,034		263,847,331		
Chilean Peso		2,682,997				
Chinese Yuan Renminbi		33,764,374				
Colombian Peso		(553,836)	23,634,245			
Czech Koruna	324	514,624		14,507,173		
Danish Krone	807,223			55,285,446		
Egyptian Pound	3,346	732,269	4,700,157	2,058,899		
Euro	24,531,188	(29,542,577)	3,797,150	1,878,987,548	106,630,408	367,136,067
Hong Kong Dollar	5,127,782			715,370,314		
Hungarian Forint	113,479	(286,750)	7,231,374	10,099,590		
Indian Rupee	2,559,517	13,000,626		107,925,663		
Indonesian Rupiah	344,769	3,704,803	40,498,092	44,040,739		
Isreaeli Shekel	331,195	4,731,332	1,012,438	34,795,256		
Japanese Yen	10,050,754	(106,887,391)		1,820,893,291		
Malaysian Ringgit	1,225,775	4,320,034	32,087,206	75,543,234		
Mexican Peso	1,648,188	13,000,998	43,243,399	53,302,695		
Moroccan Dirham		231,222				
New Zealand Dollar	265,373			6,087,267		
Norwegian Krone	303,117	4,534,551		25,710,810		
Peruvian New Sol		1,145,322	465,111			
Philippine Peso	(26,745)	1,757,912	11,950,809	12,248,015		
Polish Zolty	672,467	5,023,508	20,234,743	40,809,233		
Russian Ruble		9,348,490	9,142,799			
Singapore Dollar	3,097,151	3,194,913		93,269,400		
South African Rand	2,180,645	17,721,941	20,642,236	83,220,966		
South Korean Won	253,847	20,687,353	10,989,385	336,357,033		
Swedish Krona	1,848,728	18,514,956		130,398,464		
Swiss Franc	3,250,933	38,573,989		376,557,513		
Taiwan Dollar	4,818,181	16,947,519		170,684,600		
Thailand Baht	214,781	2,693,891	10,351,843	86,153,255		
Turkish Lira	902,796	(9,227,209)	29,328,003	77,241,656		
Uruguay Peso			17,015,580			
Total	**$72,277,777**	**$128,701,060**	**$351,799,815**	**$8,707,205,364**	**$102,593,273**	**$418,627,012**

g. Securities Lending—OPERS maintains a securities lending program. OPERS uses its discretion to determine the type and amount of securities lent under the program. Under this program securities are loaned to brokers. In return, OPERS receives cash collateral and agrees to return the collateral for the same securities in the future. Cash collateral from securities loaned is, simultaneous to the loan, reinvested in repurchase agreements (repos) and short-term securities. Securities loaned are collateralized at a minimum of 102% of the market value of loaned U.S. securities and 105% of the market value of loaned international securities. Collateral is marked-to-market daily. OPERS does not have the ability to pledge or sell collateral securities absent a broker default. If the market value of the collateral held falls below the required levels, additional collateral is provided. In 2009, OPERS injected $79.8 million into the securities lending program so that the fair value of reinvested cash collateral equaled the liability for collateral held.

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

As of December 31, 2009, the fair value of securities on loan was $9,669,288,909. Associated collateral totaling $9,978,449,975 was comprised of cash.

Net security lending income/(loss) is composed of four components: gross income, broker rebates, agent fees and unrealized gain/(loss) on collateral. Gross income is equal to earnings on cash collateral received in a security lending transaction. A broker rebate is the cost of using that cash collateral. Agent fees represent the fees paid to the agent for administering the lending program. Unrealized gain/(loss) results from the change in fair value of the reinvested cash collateral. Net security lending income is equal to gross income less broker rebates, agent fees, and unrealized loss on collateral. Security lending income for 2010 and 2009 was recorded on a cash basis, which approximated accrual basis.

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

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

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

Fair Values of Forward-Currency and Hedged Contracts (as of December 31, 2010 and 2009)

	2010	2009
Forward-currency purchases	$467,931,699	$148,190,879
Forward-currency sales	343,874,964	206,832,609
Unrealized gain	4,011,938	1,259,414

- ***Futures Contracts***—OPERS enters into various futures contracts to manage exposure to changes in foreign equity and currency markets and to take advantage of movements on an opportunistic basis. A stock index future is a futures contract that uses a stock index as its base, and which is settled by cash or delivery of the underlying stocks in the index. Financial futures represent an off-balance sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts; however, the realized and unrealized gains and losses on futures are recorded in the Combining Statement of Changes in Fiduciary Net Assets. Futures contracts differ from forward contracts by their standardization, exchange trading, margin requirements, and daily settlement (marking to market). Risk associated with stock index futures contracts includes adverse movements in the underlying stock index. The following table shows the futures positions held by OPERS as of December 31, 2010 and 2009.

Futures Positions Held (as of December 31, 2010 and 2009)

	2010		2009	
Futures Contracts	Number of Contracts	Contract Principal	Number of Contracts	Contract Principal
Equity Index Futures purchased long	37,345	$2,453,271,150	25,015	$1,458,950,565
U.S. Treasury Futures purchased long	340	3,963,589		
Euro Currency Futures purchased long	10	2,476,250		
Euro Currency Futures purchased short	(10)	(2,469,500)		

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

4. Vacation and Sick Leave

As of December 31, 2010 and 2009, $6,473,491 and $6,561,898, respectively, were accrued for unused vacation and sick leave for OPERS' employees. Employees who resign or retire are entitled to full compensation for all earned but unused vacation leave. Unused sick leave pay is forfeited upon termination. However, employees who retire with more than 10 years of service with OPERS are entitled to receive payment for a percentage of their unused sick leave.

5. Deferred Compensation Plan

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

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

6. Schedule of Required Contributions

All employees of OPERS are eligible for membership in the benefit plans of the System. The annual required pension and health care contributions for OPERS' employees for the years ended December 31, 2010, 2009 and 2008 are as follows:

Annual Required Pension and Health Care Contributions

	Pension		Health Care	
Year Ended	Annual Required Contribution	Percent Contributed	Annual Required Contribution	Percent Contributed
2010	$3,576,061	100%	$2,029,142	100%
2009	3,225,327	100	2,320,470	100
2008	2,673,093	100	2,673,093	100

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

7. Self-insured Employee Health Care

OPERS is self-insured under a professionally administered plan for general health, hospitalization, and prescription drug employee benefits. OPERS maintained specific stop-loss coverage per employee for medical benefits in the amount of $250,000 for both 2010 and 2009. OPERS has a lifetime maximum coverage per employee for medical benefits in the amount of $2,500,000.

Employees share in the cost of coverage by payroll deductions which are netted against the claims cost. Employee deductions and vendor rebates totaled $629,823 in 2010 and $739,774 in 2009. The summary of changes in incurred but not reported claims for the years ended December 31, 2010 and 2009 follows:

Employee Health Insurance

	2010	2009
Balance January 1	$10,608	$22,166
Claims Incurred	4,819,299	5,239,131
Claims Paid	(4,813,487)	(5,250,689)
Balance December 31	**$16,420**	**$10,608**

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

8. Pension and Health Care Plans

The funded status of the Pension and Health Care plans as of December 31, 2009, the most recent actuarial valuation date, is as follows:

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

Plan	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
Pension Total:	$76,555,021	$57,629,418	$18,925,603	75%	$12,548,000	151%
Traditional Plan	76,407,061	57,519,360	18,887,701	75	12,290,000	154
Combined Plan	147,707	109,852	37,855	74	258,000	15
Member-Directed Plan	253	206	47	81	N/A	N/A
Health Care	31,558,000	$10,936,000	20,622,000	35	12,548,000	164

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

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

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

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

Actuarial Information	Pension (Traditional and Combined plans)	Health Care
Valuation date	December 31, 2009	December 31, 2009
Actuarial cost method	Individual entry age	Individual entry age
Amortization method	Level percentage of pay, open	Level percentage of pay, open
Amortization period:		30 years
Traditional Plan	30 years	
Combined Plan	4 years	
Asset valuation method	4-year, smoothed market - 12% corridor	4-year, smoothed market - 12% corridor
Actuarial assumptions:		
Investment rate of return	8.00%	6.50%
Projected salary increases	4.5%-10.3% (includes wage inflation at 4.0%)	4.5%-10.3% (includes wage inflation at 4.0%)
Health care cost trend rate	N/A	7.0% initial, 4.0% ultimate

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as of % of Active Member Payroll
2009	$76,555	$57,629	$18,926	75%	$12,548	151%
2008	73,466	55,315	18,151	75	12,801	142
2007	69,734	67,151	2,583	96	12,583	21
2006	66,161	61,296	4,865	93	12,175	40
2005***	62,498	54,473	8,025	87	11,807	68
2005**	61,146	54,473	6,673	89	11,807	57
2004	57,604	50,452	7,152	88	11,454	62

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

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as of % of Active Member Payroll
2009	$76,407	$57,519	$18,888	75%	$12,290	154%
2008	73,346	55,230	18,116	75	12,546	144
2007	69,639	67,067	2,572	96	12,347	21
2006	66,089	61,235	4,854	93	11,971	41
2005***	62,447	54,433	8,014	87	11,633	69
2005**	61,099	54,433	6,666	89	11,633	57
2004	57,573	50,430	7,143	88	11,313	63

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

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

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

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

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as of % of Active Member Payroll
2009	$148	$110	$38	74%	$258	15%
2008	120	85	35	71	255	14
2007	95	84	11	88	236	5
2006	72	61	11	85	205	5
2005***	51	40	11	78	174	6
2005**	47	40	7	85	174	4
2004	31	22	9	71	141	6

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

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

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as of % of Active Member Payroll
2009	$253	$206	$47	81%	N/A	N/A
2008	166	148	18	89	N/A	N/A

* Participants in the Member- Directed plan do not have access to post-employment health care. Instead, a portion of the employer contributions are deposited into an individual account in a Voluntary Employees' Beneficiary Association (VEBA).
** Plan inception January 1, 2003. Actuarial data for annuitized accounts is not available prior to 2008.

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as of % of Active Member Payroll
2009	$31,558	$10,936	$20,622	35%	$12,548	164%
2008	29,623	10,748	18,875	36	12,801	147
2007	29,825	12,801	17,024	43	12,584	135
2006	30,748	12,025	18,723	39	12,175	154
2005**	31,796	11,070	20,726	35	11,806	176
2005*	31,307	11,070	20,237	35	11,806	171
2004	29,479	10,816	18,663	37	11,454	163

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

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

Schedule of Employer Contributions* — Traditional and Combined Plans

Year Ended December 31	Annual Required Contributions	% Contributed
2010	$1,124,144,201	100%
2009	1,042,979,659	100
2008	913,046,745	100
2007	1,071,049,868	100
2006	1,110,687,879	100
2005	1,122,388,137	100

Schedule of Employer Contributions* — Traditional Plan

Year Ended December 31	Annual Required Contributions	% Contributed
2010	$1,097,711,440	100%
2009	1,019,582,360	100
2008	892,693,746	100
2007	1,051,808,289	100
2006	1,092,998,459	100
2005	1,106,755,953	100

Schedule of Employer Contributions* — Combined Plan

Year Ended December 31	Annual Required Contributions	% Contributed
2010	$26,432,761	100%
2009	23,397,299	100
2008	20,352,999	100
2007	19,241,579	100
2006	17,689,419	100
2005	15,632,184	100

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

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

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

Schedule of Contributions from Employers and Other Contributing Entities				Post-employment Health Care
Year Ended December 31	Annual Required Contributions	% Contributed by Employers#	Federal Subsidy	Total % Contributed
2010	$1,650,917,533	38.08%	$72,100,529	42.45%
2009	1,698,928,499	43.61	69,132,772	47.67
2008	1,855,720,690	48.04	63,310,194	51.46
2007	2,068,922,571	33.64	59,075,120	36.49
2006***	1,990,561,830	27.06	58,987,181	30.01

*** GASB 43 was implemented in 2006.

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

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

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

Description of Schedule of Funding Progress

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

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

Actuarial Assumptions and Methods

Defined Benefit Pension Plans:

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

  As of December 31, 2009, the date of the last actuarial study, the funding period was 30 years for Traditional Plan and four years for the Combined Plan.

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

- ***Significant Actuarial Assumptions***—Employed by the actuary for funding purposes as of December 31, 2009, the date of the latest actuarial study, and 2008 include:

  - ***Investment Return***—An investment return rate of 8% compounded annually, for all members, retirees, and beneficiaries was assumed for the years 2009 and 2008.

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

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

Multiple Decrement Tables:

- ***Mortality***—The rates used for retiree allowances in the 2009 and 2008 valuations were 110% of RP-2000 mortality table for males, and 100% of RP-2000 mortality table for females with 15 years of projected mortality improvements. The rates used for disability allowances were the RP-2000 mortality table for disabled lives, setback four years for males and set-forward four years for females. OPERS changed the mortality tables for the December 31, 2006 actuarial valuation based on the results of an experience study.
- ***Disability***—Projections for active employees are based on OPERS' experience.
- ***Withdrawal***—Projections for active employees are based on OPERS' experience.

Post-employment Health Care Coverage:

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

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

Significant Actuarial Assumptions—Assumptions used by the actuary for funding purposes as of December 31, 2009, the date of the latest actuarial study, and for 2008 include:

- ***Investment Return***— An investment return rate of 6.5% compounded annually, for all members, retirees, and beneficiaries for the years 2009 and 2008.
- ***Salary Scale***—The active member payroll was assumed to increase 4% annually, which is the portion of the individual pay increase assumption attributable to inflation and overall productivity. Also assumed were additional projected salary increases ranging from .50% to 6.30% per year depending on age, attributable to seniority and merit.
- ***Benefit Payments***—Health-care expenses are assumed to increase at the projected wage inflation rate of 4% plus an additional factor ranging from .5% to 3.0% for the next six years. In subsequent years, (seven and beyond), health care costs were assumed to increase at the projected wage inflation rate.

Multiple Decrement Tables:

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

Administrative Expenses (for the years ended December 31, 2010 and 2009)

	2010	2009
Personnel Expenses:		
Wages and Salaries	$40,254,659	$39,915,131
Retirement Contributions—OPERS	5,439,369	5,418,410
Retirement Contibutions—Medicare	541,023	530,044
Employee Insurance	5,578,745	6,108,813
Other Personnel Expense	197,410	542,110
Purchased Services and Supplies:		
Professional expenses:		
Audit Services	317,202	288,616
Actuarial Services	605,614	793,413
Consulting Services	1,443,515	1,700,639
Investment & Financial Services	6,925,268	6,489,109
Legal & Investigation Services	2,263,986	1,129,207
Medical Examinations	1,804,296	2,012,552
Retirement Study Council	280,688	270,272
Custodial & Banking Fees	4,122,570	4,308,200
Information Technology	8,963,564	8,024,651
Communications	2,254,495	2,828,828
Office Supplies & Equipment	790,198	975,707
Education—Member & Staff	1,819,469	1,851,054
Other Miscellaneous	3,733	38,214
Facility Expenses	4,410,942	4,822,048
Subtotal Operating Expenses	**88,016,746**	**88,047,018**
Depreciation Expense:		
Building	2,335,953	2,336,419
Furniture & Equipment	6,378,149	7,500,225
Gain/Loss for Fixed Asset Disposal	293,349	
Subtotal Depreciation	**9,007,451**	**9,836,644**
Total Administrative Expenses	**97,024,197**	**97,883,662**
Investment Expenses	(25,993,739)	(22,038,717)
Net Administrative Expenses	**$71,030,458**	**$75,844,945**

Schedule of Investment Expenses (for the years ended December 31, 2010 and 2009)

	2010	2009
Investment Staff Expense	$11,159,311	$9,793,809
Investment Services	11,888,698	10,931,213
Investment Legal Services*	1,859,135	381,025
Allocation of Administrative Expenses (See Note 2b to Financial Statements)	1,086,595	932,670
Total Investment Expenses*	**$25,993,739**	**$22,038,717**

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

OPERS incurred expenses with the following investment consultants during 2010:

Schedule of Payments To Consultants

Cogent Partners LP	$15,000
Hamilton Lane Advisors LLC	165,557
Mercer Investment Consulting	616,669
Morningstar Inc.	44,200
Strategic Capital Management AG	400,000
The Townsend Group	325,000
Total	**$1,566,426**

Schedule of External Asset Managers' Fees (for the years ended December 31, 2010 and 2009)

	2010	2009
Global Bonds	$9,468,414	$3,577,899
Domestic Equities	8,151,830	7,374,971
International Equities	36,236,425	29,357,927
Real Estate	39,717,633	36,451,377
Private Equities	35,224,516	38,645,629
Total	**$128,798,818**	**$115,407,803**

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Investment Section






Safe drinking water is a valuable commodity. Ohio has rivers and streams within its boundaries and is bordered by a great lake and the mighty Ohio River. However, availability of water does not mean safe drinking water. Approximately 90 percent of Ohioans receive water for daily use from one of the more than 6,000 public water systems—and 99 percent of those public water systems are funded and monitored by local governments. Safe drinking water is a necessity for healthy living, and local governments help ensure drinking water is available whenever, wherever it is wanted.

OPERS

Dear Members of the OPERS Board of Trustees:

It is a privilege to present to you the Investment Section of the *Comprehensive Annual Financial Report* for the year ending December 31, 2010.

The Year in Review

Calendar year 2010 continued the recovery started in 2009 from the U.S. financial system's near collapse in 2008. Central banks around the world, led by the U.S. Federal Reserve, continued to provide monetary stimulus and maintain interest rates at unprecedented low levels, utilizing a second round of quantitative easing to keep the U.S. recovery on track. The real economy faced head-winds in 2010, with unemployment remaining at high levels, commodities pushing higher and the housing recovery not yet in sight.

Europe faced its own debt crisis in 2010, with concerns that Portugal, Ireland, Greece and Spain would be unable to re-finance their national debt. Emerging market countries were not spared as their public equity markets over-heated and inflation rose markedly.

Market Performance

Both public and private equity markets, along with real estate, continued their recovery started in 2009, coming off the lows from the 2008 financial crisis. By design, the Ohio Public Employees Retirement System maintains a diversified asset allocation and was well positioned to take advantage of the continuing recovery of the financial markets in 2010.

- The broad-based Russell 3000 equity index increased approximately 16.9% in 2010. The international equity markets, as measured by the MSCI All Country World Index (excluding the United States), finished up 11.2% for the calendar year 2010.
- The domestic fixed income markets, as evidenced by the Barclays U.S. Universal Index, finished the year up 7.2%.

Investment Results

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

- The Defined Benefit Portfolio returned 13.98% for 2010 with strong outperformance in many asset classes. The Defined Benefit Portfolio outperformed its target policy benchmark by 91 basis points.
- The Health Care Fund returned 13.53% during 2010 and outperformed its customized benchmark of 12.88% for the year by 65 basis points largely due to manager outperformance and asset allocation activities.
- The Defined Contribution Portfolio had positive performance for 2010. Of the 16 investment options, eight outperformed their respective benchmarks.

The Investment Portfolio

In 2009, the Board established a new asset allocation for each of the Defined Benefit and Health Care Plans. In 2010, the transition to these new investment target allocations was undertaken along with a complete review of each Plan's Investment Policies. These new target allocations are designed to improve the projected level of future investment returns at acceptable levels of risk to better meet future pension and health care benefits for our members. All public market securities were transitioned to their new targeted allocation in 2010. The private markets will be transitioned over the next few years as market opportunities present themselves.

Looking Ahead

At some point in the future, the Central Banks around the world will have to reverse their stimulus programs to normalize their policies. While this process will begin soon, it may not end quickly. There has been much economic uncertainty in the financial markets as the world continues to recover from the 2008 financial crisis and this uncertainty will continue into 2011. Nonetheless, the investment portfolios of the Ohio Public Employees Retirement System are well positioned to meet the challenges that lay ahead of us in 2011 and beyond.

Respectfully,

John C. Lane
Chief Investment Officer

Board Investment and Fiduciary Duties

(A) The members of the public employees retirement board shall be the trustees of the funds created by section 145.23 of the Revised Code. The board shall have full power to invest the funds. The board and other fiduciaries shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the public employees retirement system; with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

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

OPERS

MERCER

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www.mercer.com

March 31, 2011

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

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

Investment Results

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

Investment Policies

OPERS investment policies can be accessed online at https://www.opers.org/investments/inv-policies.shtml and are organized as follows: Part I – Funds; Part II – Asset Class Policies; Part III – External Manager Public Policies and Part IV – Investment Related Policies.

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

Internal Compliance

The dynamic augmentation and ongoing review of the compliance function is considered to be best practice within the investment industry. While serving as OPERS generalist investment consultant, Mercer has witnessed Staff's consistent and ongoing efforts to improve the effectiveness of their internal compliance procedures; most recently through organizational modifications to improve the efficiency in accountability for both the compliance and risk

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March 31, 2011
Board of Trustees
Ohio Public Employees Retirement System

management functions. Mercer also believes that the Investment Division's support of the CFA® Institute's Code of Ethics and Standards of Professional Conduct as well as the guidelines and procedures that are set forth in the OPERS Code of Ethics and OPERS Personal Trading Policies are consistent with industry best practice for investment professionals.

Prudent Oversight

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

Sincerely,

Brian Birnbaum, CFA
Partner

Kweku Obed, CFA, CAIA
Principal

Introduction

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

The Investment Summary

OPERS' Total Investment Summary (page 80), relates to the System-wide investments and includes the assets of all three portfolios (DB, HC and DC). The balance of information in this Investment Section is organized as follows: OPERS' DB portfolio investments (pages 87-89) relates exclusively to the DB investments; OPERS' HC portfolio investments (pages 90-92) relates exclusively to the HC investments; OPERS' DC portfolio investments (pages 93-95) relates exclusively to the DC investments. The Investment Objectives and Policies (pages 97-100) provide information on System-wide policies.

A complete listing of assets held at December 31, 2010, is available from OPERS upon request. All returns presented throughout the Investment Section are net of external manager fees, overdraft charges, debit interest, registration expenses and stamp duties and taxes spent on foreign securities. In addition, the securities lending money market returns are net of custodial fees, transfer agent expenses and professional fees.

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

Performance results and market values for the real estate and private equities asset classes are typically reported on a quarter lag basis, adjusted for cash flow activity during the fourth quarter. If any significant market gains or losses occur in the fourth quarter, these asset classes are adjusted for financial reporting purposes to reflect the estimated market value at year end. The investment results reported for these asset classes in the Investment Section reflect this practice. The table below displays the comparative market values of investment assets consistent with the presentation in the financial statements on pages 38-39.

Total Investment Summary (as of December 31, 2010 and 2009)

	2010		2009	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
Investments:				
Global Bonds:				
U.S. Corporate Bonds	$7,705,247,599	10.10%	$5,803,060,011	8.46%
Non-U.S. Notes Bonds	2,562,362,473	3.36	2,057,102,873	3.00
U.S. Government and Agencies	6,788,045,580	8.89	6,708,199,352	9.79
U.S. Mortgage Backed	3,574,206,855	4.68	3,027,467,035	4.42
Total Global Bonds	**20,629,862,507**	**27.03**	**17,595,829,271**	**25.67**
Domestic Equities	23,266,891,484	30.49	27,453,509,267	40.04
Real Estate	5,097,696,797	6.68	3,694,743,478	5.39
Private Equities	3,472,008,635	4.55	2,517,941,421	3.67
International Equities	20,194,919,730	26.46	15,557,500,820	22.69
Total Long-term Investments	**72,661,379,153**	**95.21**	**66,819,524,257**	**97.46**
Cash and Short-term Investments:				
Cash	92,200,671	0.12	28,420,420	0.04
Short-term Securities:				
Commercial Paper	1,223,066,395	1.60	611,781,530	0.89
U.S.Treasury Obligations	462,187,861	0.61	154,241,956	0.23
Agency Discount Notes	49,989,395	0.07	19,993,800	0.03
Repurchase Agreements	500,000,000	0.66		
Corporate Bonds	66,784,659	0.09	67,999,859	0.10
Short-term Investment Funds(STIF)	1,260,576,298	1.64	860,100,507	1.25
Total Cash and Short-term Investments	**3,654,805,279**	**4.79**	**1,742,538,072**	**2.54**
Total Cash and Investments	**$76,316,184,432**	**100.00%**	**$68,562,062,329**	**100.00%**

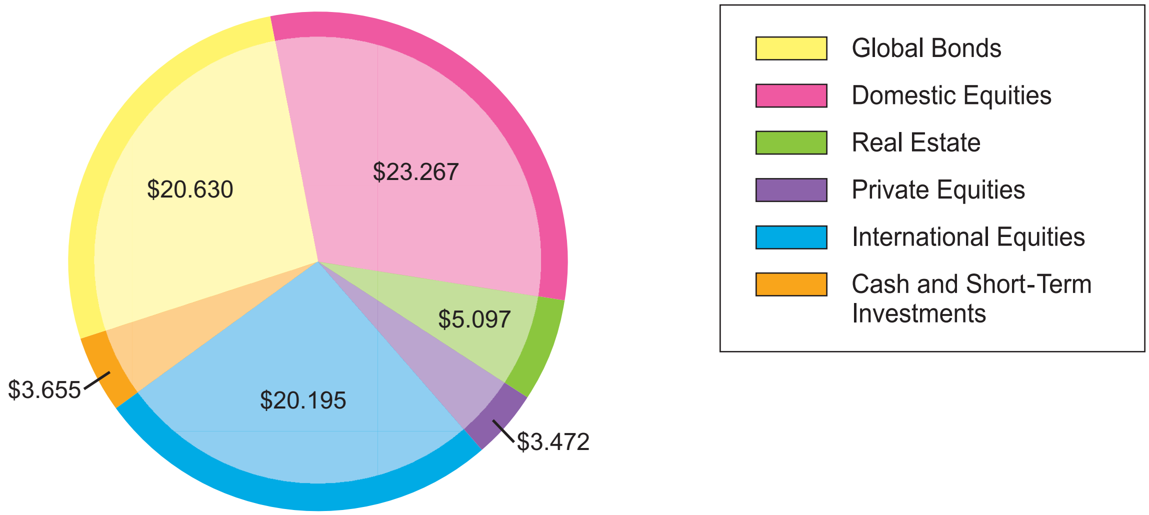
The following table reflects the breakdown of the total investment portfolio into the three component portfolios— the Defined Benefit, Health Care, and the Defined Contribution portfolios.

Total Investment Summary by Portfolio* (as of December 31, 2010)

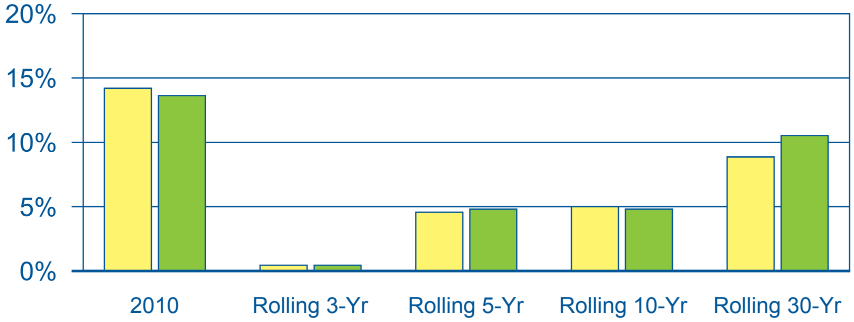
	Defined Benefit	Health Care	Defined Contribution	Total
Global Bonds	$16,154,642,305	$4,355,743,585	$119,476,617	$20,629,862,507
Domestic Equities	19,092,183,281	3,960,117,840	214,590,363	23,266,891,484
Real Estate	5,097,696,797			5,097,696,797
Private Equities	3,426,008,746	45,999,889		3,472,008,635
International Equities	16,398,672,402	3,649,437,854	146,809,474	20,194,919,730
Cash and Short-term Investments	3,342,133,049	310,859,956	1,812,274	3,654,805,279
Total	**$63,511,336,580**	**$12,322,159,124**	**$482,688,728**	**$76,316,184,432**

* Assets summarized on performance basis.

Total Investment Summary (as of December 31, 2010) ($ in billions)



Total Investment Returns—Annual Rates of Return*



	2010	Rolling 3-Yr	Rolling 5-Yr	Rolling 10-Yr	Rolling 30-Yr
OPERS' Return	13.90%	0.03%	4.45%	5.00%	8.99%
Policy Benchmark Return	13.04%	0.06%	4.53%	4.86%	10.31%

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

Historical Investment Returns

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

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

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

Largest Equity Holdings (by fair value)* (as of December 31, 2010)

Description	Shares	Fair Value
Exxon Mobil Corporation	7,844,372	$573,580,481
Apple Incorporated	1,530,888	493,803,233
Microsoft Corporation	12,765,498	356,412,704
Chevron Corporation	3,492,114	318,655,403
General Electric Company	16,754,311	306,436,348
Procter & Gamble Company	4,623,769	297,447,060
International Business Machines Corporation	1,871,223	274,620,687
Johnson & Johnson Company	4,433,825	274,232,076
JPMorgan Chase & Company	6,414,504	272,103,260
AT&T Incorporated	8,887,461	261,113,604
Total	**68,617,965**	**$3,428,404,856**

Largest Bond Holdings (by fair value)* (as of December 31, 2010)

Description	Coupon	Maturity	Rating	Par Value	Fair Value
U.S. Treasury Note	0.375%	8/31/2012	AAA	$419,457,000	$418,693,592
U.S. Treasury Note	2.375	2/28/2015	AAA	322,165,000	332,010,362
U.S. Treasury Note	2.500	3/31/2015	AAA	266,530,000	275,890,536
U.S. Treasury Note	1.250	8/31/2015	AAA	253,289,000	246,331,146
U.S. Treasury Note	0.375	10/31/2012	AAA	200,000,000	199,393,998
U.S. Treasury Note	2.000	11/30/2013	AAA	188,990,000	194,567,102
U.S. Treasury Bond	4.250	11/15/2040	AAA	179,658,000	176,767,301
U.S. Treasury Bond	6.125	11/15/2027	AAA	136,000,000	170,837,767
U.S. Treasury Bond	3.875	8/15/2040	AAA	183,234,000	168,826,312
U.S. Treasury Inflation Index Note	3.500	1/15/2011	AAA	130,000,000	163,566,102
Total				**$2,279,323,000**	**$2,346,884,218**

*A complete list of assets held at December 31, 2010, is available from OPERS upon request.

U.S. Equity Commissions (for the year ended December 31, 2010)

Brokerage Firm	U.S. Equity Commissions Paid	Shares Traded	Average Commission Per Share
UBS Securities LLC	$2,267,722	178,039,310	$0.013
Cowen & Company LLC	1,535,938	19,395,494	0.079
Barclays Capital Inc.	1,364,166	35,490,800	0.038
JPMorgan Securities LLC	1,284,849	59,142,400	0.022
Deutsche Bank Securities Inc.	1,246,197	51,334,755	0.024
Credit Suisse Securities (USA) LLC	1,042,489	60,490,121	0.017
Investment Technology Group Inc.	1,021,177	74,600,853	0.014
Citigroup Global Markets Inc.	915,384	38,114,715	0.024
Merrill Lynch, Pierce, Fenner & Smith	850,276	31,675,318	0.027
Morgan Stanley Co. Inc.	695,278	36,004,505	0.019
Goldman Sachs & Co.	636,359	28,962,533	0.022
Liquidnet Inc.	364,083	23,012,323	0.016
Pershing LLC	350,640	13,203,574	0.027
Jefferies & Co.	315,942	13,039,086	0.024
Sanford C. Bernstein Co. LLC	236,700	9,773,371	0.024
Simmons & Co. International	210,764	7,025,460	0.030
Raymond James & Assoc. Inc.	141,354	4,976,501	0.028
Sandler, O'Neill & Partners LP	128,301	4,760,027	0.027
Stifel Nicolaus & Co. Inc.	115,532	3,920,299	0.029
Leerink Swann LLC	101,714	3,389,848	0.030
Robert W. Baird & Co.	101,077	3,406,609	0.030
Miller Tabak & Co. LLC	92,160	3,067,057	0.030
National Financial Services Corp.	88,493	3,873,563	0.023
BTIG LLC	83,333	3,162,552	0.026
Green Street Advisors Inc.	74,038	2,987,925	0.025
Sterne, Agee & Leach Inc.	72,902	2,415,034	0.030
ISI Capital LLC	72,573	2,419,112	0.030
Thomas Weisel Partners	61,347	2,045,212	0.030
Wells Fargo Securities LLC	43,073	1,768,211	0.024
Cantor Fitzgerald & Co.	42,636	3,843,359	0.011
Pacific American Securities LLC	42,027	2,022,921	0.021
Keybanc Capital Markets Inc.	40,099	1,715,364	0.023
Instinet LLC	37,928	2,565,572	0.015
MF Global Inc.	34,829	1,544,954	0.023
Oppenheimer & Co. Inc.	33,297	1,178,786	0.028
Piper Jaffray & Co.	32,452	1,287,077	0.025
Cabrera Capital Markets LLC	25,738	1,068,359	0.024
Knight Capital Markets LLC	25,509	1,086,895	0.023
Keefe Bruyette & Woods Inc.	24,588	814,130	0.030
BNY Convergex Execution Solutions LLC	24,294	1,776,764	0.014
William Blair & Co. LLC	23,674	703,355	0.034
Loop Capital Markets LLC	20,867	1,588,302	0.013
Other Commissions less than $20,000	213,185	7,471,688	0.029
Total U.S. Equity Commissions	**$16,134,984**	**750,164,094**	**$0.022**

Non-U.S. Equity Commissions (for the year ended December 31, 2010)

Brokerage Firm	Non-U.S. Equity Commissions Paid	Proceeds	Percent of Proceeds
Credit Suisse Asset Management Securities Inc.	$916,971	$1,025,855,336	0.09%
Deutsche Bank Securities Inc.	888,493	512,045,174	0.17
UBS Securities LLC	768,814	716,972,687	0.11
Merrill Lynch, Pierce, Fenner & Smith	766,039	803,451,235	0.10
JPMorgan Securities LLC	742,991	615,351,673	0.12
Morgan Stanley Co. Inc.	631,362	526,805,624	0.12
Citigroup Global Markets Inc.	619,863	514,148,573	0.12
Goldman Sachs & Co.	616,951	550,011,803	0.11
Nomura Securities International Inc.	579,885	502,712,556	0.12
Instinet LLC	406,495	480,226,908	0.08
HSBC Securities (USA) Inc.	401,786	350,377,174	0.11
Macquarie Securities	361,955	282,549,870	0.13
Credit Agricole	291,426	213,157,580	0.14
Barclays Bank PLC	175,778	166,675,528	0.11
RBS Securities Inc.	161,292	169,240,110	0.10
Cowen And Company LLC	148,914	179,182,279	0.08
BNP Paribas	147,550	111,193,171	0.13
Investment Technology Group Inc.	140,589	259,695,710	0.05
China International Capital Corp.	117,308	58,596,189	0.20
Exane SA	93,775	78,691,357	0.12
Daiwa Capital Markets America Inc.	87,614	65,035,403	0.13
Jefferies & Co.	83,050	87,801,896	0.09
Mizuho Securities USA Inc.	61,634	47,571,015	0.13
Liquidnet Inc.	58,719	96,896,559	0.06
Pershing LLC	57,525	61,394,956	0.09
Raymond James & Associates Inc.	52,995	26,536,463	0.20
Main First Bank	50,150	42,426,068	0.12
Redburn Partners (USA) LP	48,810	39,909,440	0.12
Bunting Warburg Inc.	43,159	21,827,205	0.20
Samsung Securities Co.	37,522	16,659,728	0.23
Brockhouse & Cooper Inc.	30,507	39,962,097	0.08
BTIG LLC	26,582	36,224,543	0.07
ING Financial Markets LLC	25,873	18,415,093	0.14
Citation Financial Group LP	24,907	23,910,820	0.10
Hoare Govett Securities Ltd, London	23,961	15,897,640	0.15
Evolution Beeson Gregory Ltd.	23,644	30,459,604	0.08
Sanford C. Bernstein Co. LLC	23,463	28,037,852	0.08
Singer Capital Markets Limited	22,038	14,676,174	0.15
Other Commissions less than $20,000	200,424	174,380,913	0.11
Total Non-U.S. Equity Commissions	**$9,960,814**	**$9,004,964,006**	**0.11%**

Futures Commissions (for the year ended December 31, 2010)

Brokerage Firm	Futures Commissions Paid	Contracts	Average Commission Per Contract
Goldman, Sachs & Co.	$1,115,203	357,654	$3.12
JPMorgan Securities LLC	12,261	5,081	$2.41
Credit Suisse Securities (USA) LLC	137	65	$2.11
Total Futures Commissions	**$1,127,601**	**362,800**	**$3.11**

Total U.S. Equity, Non-U.S. Equity and Futures Commissions	**$27,223,399**	**N/A**	**N/A**

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

Schedule of Fees to External Asset Managers (for the year ended December 31, 2010)

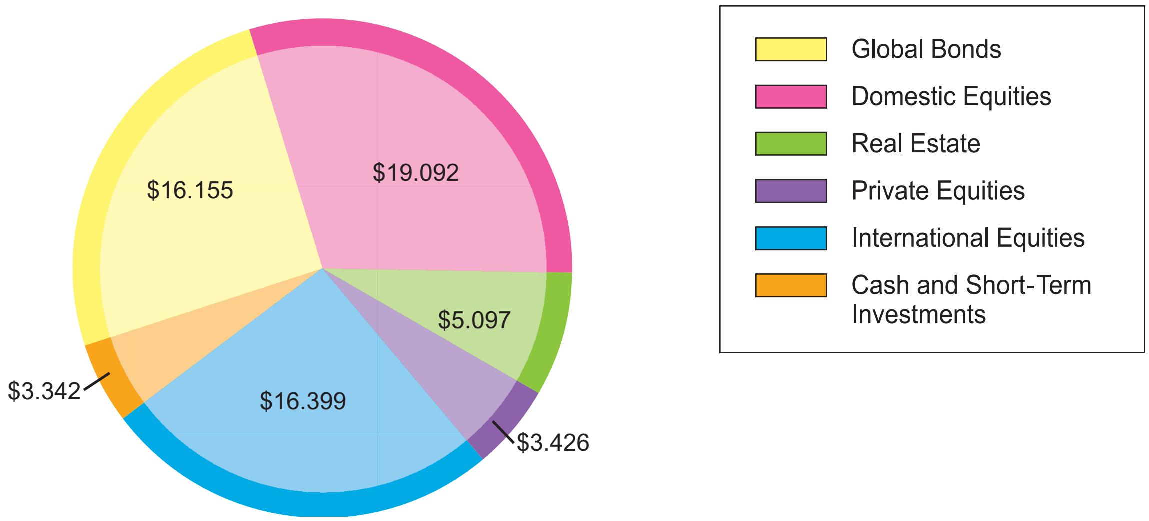
	Defined Benefit	Health Care	Defined Contribution	Total
Global Bonds	$6,292,386	$2,999,343	$176,685	$9,468,414
Domestic Equities	6,937,459	1,131,161	83,210	8,151,830
International Equities	29,443,985	6,636,337	156,103	36,236,425
Real Estate	39,717,633			39,717,633
Private Equities	35,086,753	137,763		35,224,516
Total Fees	**$117,478,216**	**$10,904,604**	**$415,998**	**$128,798,818**

Schedule of External Asset Managers (for the year ended December 31, 2010)

U.S. Equity Managers	Non-U.S. Equity Managers	Bond Managers
BlackRock	Acadian	AFL-CIO Housing Investment Trust
Invesco	AllianceBernstein	Capital Guardian
Leading Edge	Baring	Fort Washington
Piedmont	BlackRock	Goode Investment Management
PIMCO	Brandes	Invesco
Progress	JPMorgan	JPMorgan
Pyramis	Lazard	Logan Circle Partners
	LSV	Neuberger Berman
	T. Rowe Price	Post Advisory Group
	TT International	Stone Harbor
	Walter Scott	Wellington Management

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

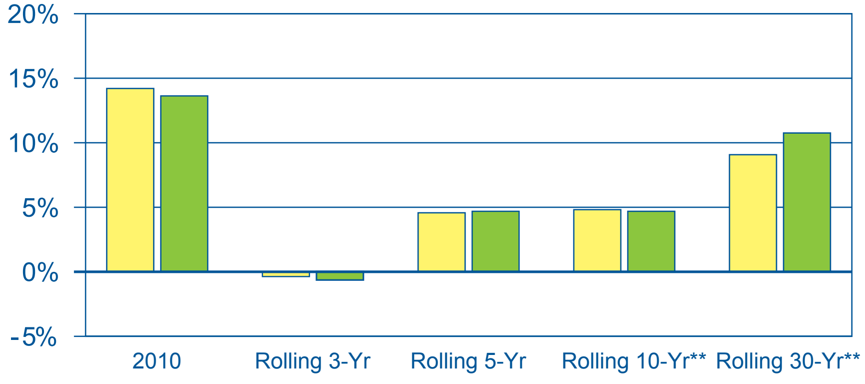
Defined Benefit Portfolio Asset Allocation (as of December 31, 2010) ($ in billions)



Investment Returns

The OPERS DB portfolio returned 13.98% in 2010. The overall portfolio return is compared to a composite benchmark return that could be achieved by a portfolio that is passively invested in the broad market, with percentage weights allocated to each asset class as specified in OPERS' Statement of Investment Objectives and Policies. The return of the policy benchmark for 2010 was 13.07%.

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



	2010	Rolling 3-Yr	Rolling 5-Yr	Rolling 10-Yr**	Rolling 30-Yr**
OPERS' Defined Benefit Portfolio	13.98%	-0.37%	4.38%	4.98%	8.98%
Policy Benchmark Return	13.07%	-0.33%	4.39%	4.80%	10.29%

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

** The Health Care portfolio was segregated from the Defined Benefit portfolio in 2005, thus the 10-year and 30-year rolling return information reflects both the Defined Benefit and Health Care portfolios.

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

Schedule of Investment Results—Defined Benefit Portfolio (for the year ended December 31, 2010)

	2010	Rolling 3-Year	Rolling 5-Year
Total Defined Benefit Portfolio	**13.98%**	**(0.37)%**	**4.38%**
Total Defined Benefit Portfolio Benchmark [1]	**13.07**	**(0.33)**	**4.39**
U.S. Equity Composite	16.69	(2.27)	2.44
U.S. Equity Composite Benchmark	16.93	(2.01)	2.74
Non-U.S. Equity Composite	12.32	(5.01)	4.85
Non-U.S. Equity Composite Benchmark	11.15	(5.03)	4.82
Core Fixed Composite	7.73	N/A	N/A
Core Fixed Composite Benchmark	6.54	N/A	N/A
Long Bonds Composite	10.40	6.80	N/A
Long Bonds Composite Benchmark	10.16	6.78	N/A
High Yield Composite	13.79	N/A	N/A
High Yield Composite Benchmark	15.12	N/A	N/A
Liquidity Composite	0.33	N/A	N/A
Liquidity Composite Benchmark	0.13	N/A	N/A
Private Equity Composite	21.20	0.66	9.06
Private Equity Composite Benchmark	14.21	(3.79)	3.97
Real Estate Composite	8.48	N/A	N/A
Real Estate Composite Benchmark	5.83	N/A	N/A
Hedge Fund/Opportunistic Composite	26.08	6.50	N/A
Hedge Fund/Opportunistic Composite Benchmark	4.30	5.48	N/A
Cash Equivalents Composite	0.52	(1.54)	1.16
Cash Equivalents Composite Benchmark	0.13	0.79	2.43
Stable Value	3.61	3.49	3.89
Stable Value Composite Benchmark	0.13	0.79	2.43

Footnotes for Schedule of Investment Results—Defined Benefit Portfolio

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

Historical Asset Class Target Allocations—Defined Benefit Portfolio

Asset Class	2010	2009	2008	2007	2006
U.S. Equity	35.5%	42.4%	43.4%	45.4%	45.6%
Opportunistic	1.3	0.6	0.2	0.1	0.0
Core Bonds (Universal Bonds pre-2010)	12.4	14.0	14.4	16.2	24.6
Stable Value	0.0	0.0	0.0	0.0	0.0
Long Duration Bond	5.6	10.0	9.6	8.6	0.0
Non-U.S. Equity	24.5	20.0	20.0	20.0	20.0
Real Estate	8.5	8.0	8.0	7.2	7.5
Private Equity	5.2	5.0	4.4	2.5	1.3
High Yield	5.0	N/A	N/A	N/A	N/A
Cash Equivalents	2.0	0.0	0.0	0.0	1.0
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

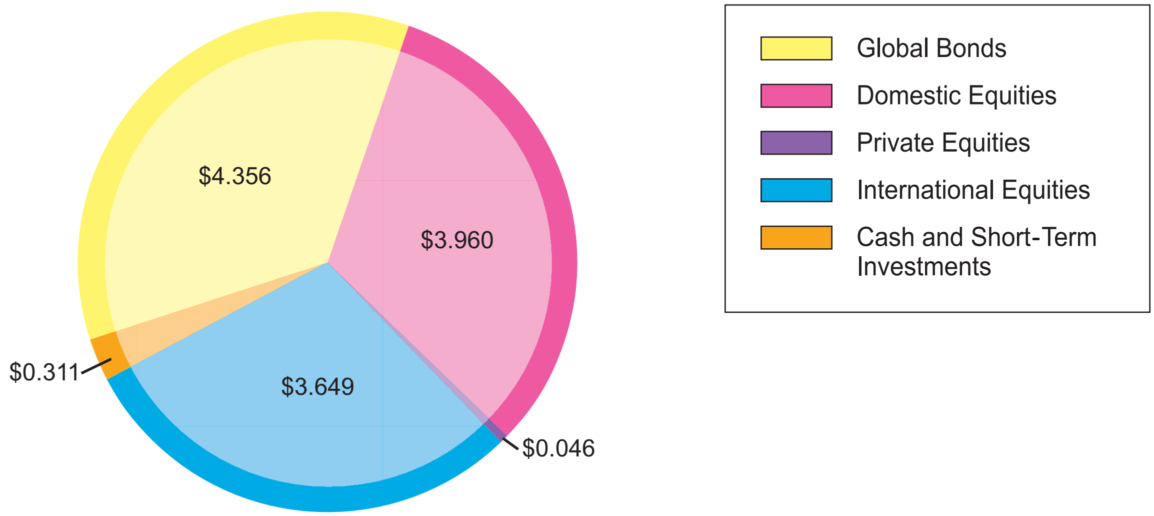
Historical Asset Class Composite Benchmark Indices—Defined Benefit Portfolio

Asset Class Composite Benchmarks	12/31/2010 -12/31/2008	12/31/2007	12/31/2006
U.S. Equity	Russell 3000 [2]	Russell 3000	Russell 3000
Opportunistic	LIBOR (2 month lag) + 4% [3]	LIBOR (2 month lag) + 4%	LIBOR (2 month lag) + 4%
Core Bond (formerly Universal)	Barclays U.S. Aggregate Bond Index [4]	Barclays Universal	Barclays Universal
Stable Value	90-day U.S. Treasury Bill [5]	90-day U.S. Treasury Bill	90-day U.S. Treasury Bill
Long Duration Bond	Barclays U.S. Long Government/Credit Bond [6]	Barclays U.S. Long Government/Credit Bond	N/A
Non-U.S. Equity	MSCI ACWI x U.S. (net) [7]	MSCI ACWI x U.S. (net)	MSCI ACWI x US (net)
Private Real Estate	NCRIEF Property Index (quarter lag) [8]	NCREIF Property Index	NCREIF Property Index
REITS	DJ U.S. Select REIT TR [9]	DJ Wilshire RESI	DJ Wilshire RESI (Full Cap)
Private Equity	Russell 3000 (quarter lag) + 3% [2]	Russell 3000 (quarter lag) + 3%	Russell 3000 (qtr lag) + 3%
Cash Equivalents	90-day U.S. Treasury Bill [5]	90-day U.S. Treasury Bill	90-day U.S. Treasury Bill

The footnotes below provide definitions for the 12/31/2010 asset class composite benchmark indices.

[2] **Russell 3000 Stock Index**—A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.
[3] **LIBOR Index**—London Interbank Offered Rate (LIBOR) is the rate of interest at which banks offer to lend money to one another in the wholesale money markets in London. This index is a standard financial index used in U.S. capital markets.
[4] **Barclays U.S. Aggregate Bond Index**— A market cap weighted broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.
[5] **90-day U.S. Treasury Bill Index**—The 90-day Treasury Bill return as measured by Barclays.
[6] **Barclays U.S. Long Government/Credit Bond Index**—The long component of the Barclays U.S. Government/Credit Index, a widely recognized index that features a blend of U.S. Treasury, government-sponsored (U.S. Agency and supranational), mortgage, and corporate securities limited to a maturity of more than ten years.
[7] **MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)**—A capitalization-weighted index of stocks representing 47 developed and emerging country markets, excluding the U.S. market.
[8] **NCREIF Property Index (NPI)**—Appraisal-based valuations of privately owned commercial real estate that consists of both equity and leveraged properties, reported on an unleveraged basis. Prior to 1/1/2006, 100 basis points were deducted annually.
[9] **DJ U.S. Select REIT TR**—The Dow Jones U.S. Select Real Estate Securities Index (RESI) represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded in the U.S. Prior to 7/1/2007, OPERS used the DJ RESI full market capitalization. Prior to 1/1/2006, 20 bps were deducted annually.

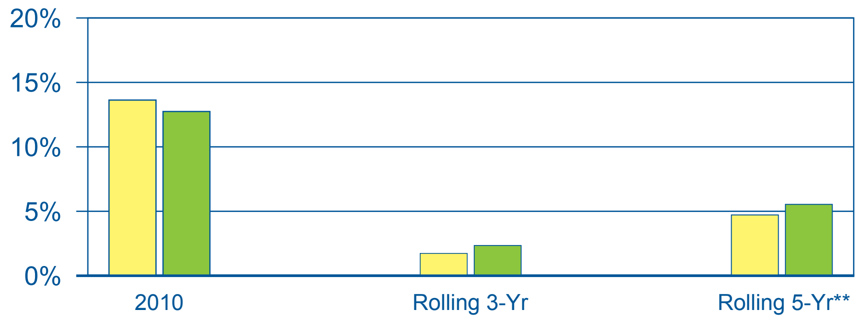
Health Care Portfolio Asset Allocation (as of December 31, 2010) ($ in billions)



Investment Returns

The OPERS Health Care portfolio returned 13.53% in 2010. The overall portfolio return is compared to a composite benchmark return that could be achieved by a portfolio that is passively invested in the broad market, with percentage weights allocated to each asset class as specified in OPERS' Statement of Investment Objectives and Policies. The return of the policy benchmark for 2010 was 12.88%.

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



	2010	Rolling 3-Yr	Rolling 5-Yr**
OPERS' Health Care Portfolio	13.53%	1.69%	4.86%
Policy Benchmark Return	12.88%	2.04%	5.17%

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

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

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

Schedule of Investment Results—Health Care Portfolio[1] (for the year ended December 31, 2010)

	2010	Rolling 3-Year	Rolling 5-Year
Total Health Care Portfolio	**13.53%**	**1.69%**	**4.86%**
Total Health Care Portfolio Benchmark	**12.88**	**2.04**	**5.17**
U.S. Equity Composite	16.70	(2.26)	2.44
U.S. Equity Composite Benchmark	16.93	(2.01)	2.74
Non-U.S. Equity Composite	12.34	(5.01)	4.88
Non-U.S. Equity Composite Benchmark	11.15	(5.03)	4.82
Core Fixed Composite	7.74	N/A	N/A
Core Fixed Composite Benchmark	6.54	N/A	N/A
TIPS Composite	6.59	5.22	5.55
TIPS Composite Benchmark	6.31	4.97	5.33
High Yield Composite	13.79	N/A	N/A
High Yield Composite Benchmark	15.12	N/A	N/A
Emerging Market Debt Composite	14.59	9.23	N/A
Emerging High Yield Composite Benchmark	13.92	10.38	N/A
Liquidity Composite	0.31	N/A	N/A
Liquidity Composite Benchmark	0.13	N/A	N/A
Private Equity Composite	(5.40)	N/A	N/A
Private Equity Composite Benchmark	14.21	N/A	N/A
REIT Composite	29.51	0.25	2.48
REIT Composite Benchmark	28.47	(0.09)	2.16
Hedge Fund/Opportunistic Composite	26.08	N/A	N/A
Hedge Fund/Opportunistic Composite Benchmark	4.30	N/A	N/A
Commodities Composite	6.80	N/A	N/A
Commodities Composite Benchmark	9.03	N/A	N/A
Cash Equivalents Composite	0.57	1.17	2.83
Cash Equivalents Composite Benchmark	0.13	0.79	2.43

Footnotes for Schedule of Investment Results—Health Care Portfolio

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

Historical Asset Class Target Allocations—Health Care Portfolio

Asset Class	2010	2009	2008	2007	2006*
U.S. Equity	30.2%	28.4%	29.0%	30.0%	34.7%
Commodities	1.0	N/A	N/A	N/A	N/A
Opportunistic	1.3	1.0	0.0	0.0	0.0
Core Bond (previously Universal)	21.5	10.0	10.3	15.0	16.8
TIPS	3.5	20.0	20.2	20.0	15.4
Short Duration Bond	0.0	10.0	11.5	15.0	11.6
High Yield	2.0	N/A	N/A	N/A	N/A
Non-U.S. Equity	27.3	24.5	23.0	15.0	16.8
Emerging Market Debt	5.0	N/A	N/A	N/A	N/A
REITS	6.0	6.0	6.0	5.0	4.7
Cash Equivalents	2.0	0.0	0.0	0.0	0.0
Private Equity	0.2	0.1	0.0	0.0	0.0
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

*Average target allocations that reflect monthly adjustments during the implementation of the Health Care portfolio.

Historical Asset Class Composite Benchmark Indices—Health Care Portfolio

Asset Class Composite Benchmarks	Asset Class Composite Benchmark Indices
U.S. Equity	Russell 3000[2]
Core Bonds	Barclays U.S. Aggregate[3]
TIPS	Barclays U.S. TIPS[4]
Non-U.S. Equity	MSCI ACWI x U.S.[5]
Private Equity	Russell 3000 (quarter lag) + 3%[2]
REITS	DJ U.S. Select REIT TR[6]
Opportunistic	LIBOR (2 month lag) + 4%[7]
Cash Equivalents	90-day U.S. Treasury Bill[8]

The footnotes below provide definitions for the asset class composite benchmark indices.

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

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

[4] **Barclays U.S. TIPS Index**—This index consists of Inflation-protection securities issued by the U.S. Treasury.

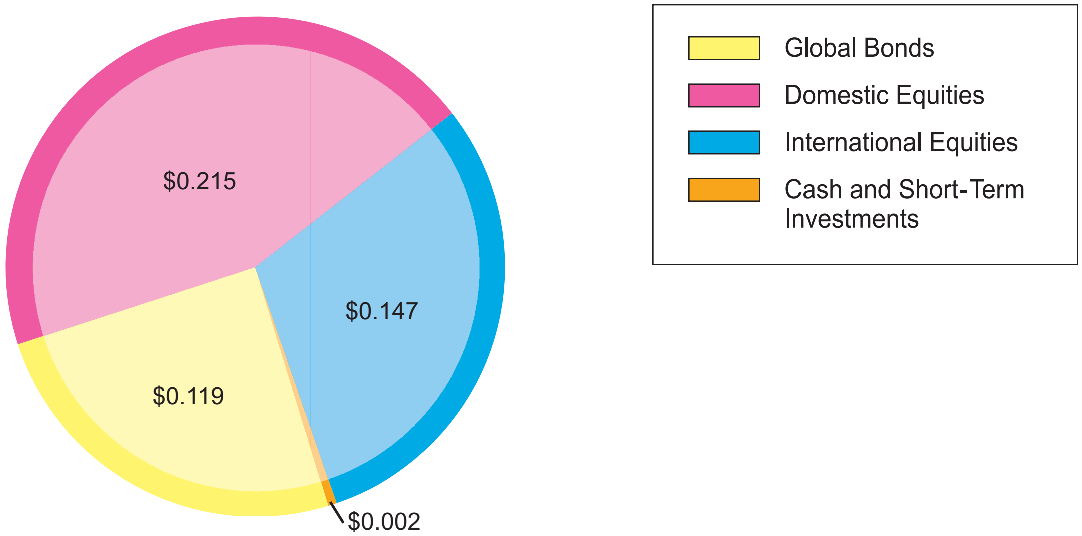
[5] **MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)**—A capitalization-weighted index of stocks representing 47 developed and emerging country markets, excluding the U.S. market.

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

[7] **LIBOR Index**—London Interbank Offered Rate (LIBOR) is the rate of interest at which banks offer to lend money to one another in the wholesale money markets in London. This index is a standard financial index used in U.S. capital markets.

[8] **90-day U.S. Treasury Bill**—The 90-day Treasury Bill return as measured by Barclays.

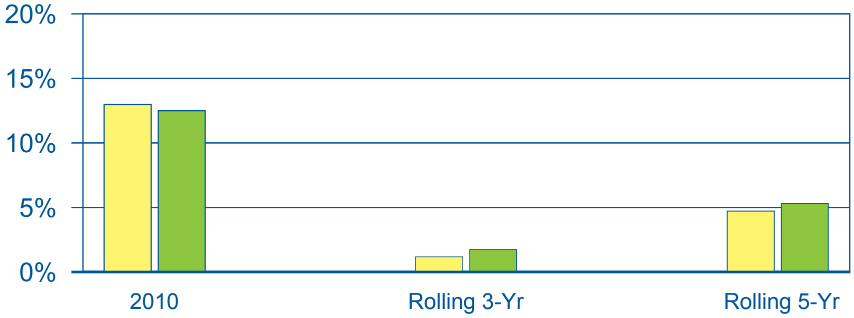
Defined Contribution Portfolio Asset Allocation (as of December 31, 2010) ($ in billions)



Investment Returns

The OPERS Defined Contribution portfolio returned 13.74 % in 2010. The portfolio composite is derived from the individual investment option returns and their actual year-end market values. Members may not invest in this portfolio composite but may invest in the individual investment options as they choose. The returns for the OPERS investment options and their respective indices are shown on the following page.

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



	2010	Rolling 3-Yr	Rolling 5-Yr
OPERS' Defined Contribution Portfolio	13.74%	1.17%	4.35%
Policy Benchmark Return	13.48%	1.82%	5.10%

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

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

Schedule of Investment Results—Defined Contribution Portfolio (for the year ended December 31, 2010)

	2010	Rolling 3-Year	Rolling 5-Year
Target Payout Fund	8.34%	2.50%	4.56%
Target Payout Fund[1]	7.10	1.89	4.44
Target 2015 Fund	10.61	(1.35)	3.43
Target 2015 Fund Index[2]	10.49	0.66	4.97
Target 2020 Fund	12.59	(1.97)	3.50
Target 2020 Fund Index[3]	12.47	(0.12)	4.94
Target 2025 Fund	13.87	(2.18)	3.58
Target 2025 Fund Index[4]	14.19	(0.59)	4.86
Target 2030 Fund	14.10	(2.45)	3.50
Target 2030 Fund Index[5]	14.38	(0.91)	4.75
Target 2035 Fund	14.31	(2.64)	3.45
Target 2035 Fund Index[6]	14.60	(1.09)	4.71
Target 2040 Fund	14.41	(2.91)	3.40
Target 2040 Fund Index[7]	14.65	(1.34)	4.66
Target 2045 Fund	14.56	(3.24)	3.27
Target 2045 Fund Index[8]	14.83	(1.67)	4.54
Target 2050 Fund	14.55	(3.23)	3.29
Target 2050 Fund Index[9]	14.83	(1.67)	4.54
Target 2055 Fund	N/A	N/A	N/A
Target 2055 Fund Index[10]	N/A	N/A	N/A
Stable Value Index Portfolio	3.68	3.63	3.96
ML 3-Month Treasury Bill[11]	0.13	0.79	2.43
Bond Index Portfolio	8.35	6.50	5.69
Barclays Universal Index[12]	7.16	6.02	5.91
Stock Index Portfolio	17.00	(1.92)	2.80
Russell 3000 Stock Index[13]	16.93	(2.02)	2.74
Large Cap Index Portfolio	16.60	(2.38)	1.40
Russell 1000 Stock Index[14]	16.10	(2.38)	2.59
Small Cap Index Portfolio	27.05	2.54	3.71
Russell 2000 Stock Index[15]	26.85	2.22	4.47
Non-U.S. Stock Index Portfolio	10.78	(8.34)	2.48
MSCI ACWI x U.S.[16]	11.15	(5.03)	4.83

Footnotes for Schedule of Investment Results—Defined Contribution Portfolio

[1] **Target Payout Fund Index**—40% ML 3-Month U.S. Treasury, 30% Barclays Universal, 8% Russell 3000, 3% Russell 1000, 4% Russell 2000 and 15% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)
[2] **Target 2015 Fund Index**—23% ML 3-Month U.S. Treasury, 23% Barclays Universal, 14% Russell 3000, 6% Russell 1000, 8% Russell 2000 and 26% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)
[3] **Target 2020 Fund Index**—11% ML 3-Month U.S. Treasury, 20% Barclays Universal, 17% Russell 3000, 7% Russell 1000, 10% Russell 2000 and 35% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)
[4] **Target 2025 Fund Index**—0% ML 3-Month U.S. Treasury, 20% Barclays Universal, 20% Russell 3000, 8% Russell 1000, 12% Russell 2000 and 40% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)
[5] **Target 2030 Fund Index**—0% ML 3-Month U.S. Treasury, 17% Barclays Universal, 21% Russell 3000, 9% Russell 1000, 12% Russell 2000 and 41% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)
[6] **Target 2035 Fund Index**—0% ML 3-Month U.S. Treasury, 15% Barclays Universal, 22% Russell 3000, 8% Russell 1000, 13% Russell 2000 and 42% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)
[7] **Target 2040 Fund Index**—0% ML 3-Month U.S. Treasury, 13% Barclays Universal, 22% Russell 3000, 8% Russell 1000, 13% Russell 2000 and 44% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)
[8] **Target 2045 Fund Index**—0% ML 3-Month U.S. Treasury, 10% Barclays Universal, 23% Russell 3000, 9% Russell 1000, 13% Russell 2000 and 45% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)
[9] **Target 2050 Fund Index**—0% ML 3-Month U.S. Treasury, 10% Barclays Universal, 23% Russell 3000, 9% Russell 1000, 13% Russell 2000 and 45% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)
[10] **Target 2055 Fund Index**—0% ML 3-Month U.S. Treasury, 10% Barclays Universal, 23% Russell 3000, 9% Russell 1000, 13% Russell 2000 and 45% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)
[11] **ML 3-Month Treasury Bill**—The 3-Month Treasury Bill return as measured by Merrill Lynch.
[12] **Barclays Universal Index**—A market-value-weighted index consisting of the Barclays corporate, government and mortgage-backed indices. This index is the broadest available measure of the aggregate U.S. fixed income market.
[13] **Russell 3000 Stock Index**—A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.
[14] **Russell 1000 Stock Index**—A capitalization-weighted stock index consisting of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.
[15] **Russell 2000 Stock Index**—A capitalization-weighted stock index consisting of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.
[16] **MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.)**—A capitalization-weighted index of stocks representing 47 developed and emerging country markets, excluding the U.S. market.

Ohio Investments

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

The 10 largest indirect investments, measured as the market value of our investment in the securities of 10 companies with the largest employment presence in the state, totaled approximately $1.3 billion. Employment presence is measured by the number of persons employed at a business located in Ohio, as defined by the Office of Strategic Research, Ohio Department of Development. Firms with the largest employment presence in Ohio employed approximately 205,000 people in Ohio.

Top Ohio Holdings (for the year ended December 31, 2010)

Direct		Indirect		
Largest Firms Headquartered In Ohio	Fair Value	Firms With Largest Employment Presence	Ohio Employment Estimated Headcount	Fair Value
Procter & Gamble Co.	$297,447,060	Wal-Mart Stores Inc.	51,780	$162,042,932
Eaton Corp.	29,681,524	Kroger Co.	39,000	19,912,832
Parker Hannifin Corp.	27,012,073	JPMorgan Chase & Co.	18,500	272,103,260
American Electric Power Co.	23,028,135	Honda Motor Co.	14,000	67,222,007
Kroger Co.	19,912,832	PNC Financial Services Group	14,000	53,540,103
Cardinal Health Inc.	18,537,098	Sears Holdings Corp.	14,000	4,541,894
Progressive Corp.	18,081,779	Procter & Gamble Co.	13,800	297,447,060
Macy's Inc.	17,251,969	United Parcel Service Inc.	13,800	71,028,603
FirstEnergy Corp.	15,322,541	General Electric	13,000	306,436,348
Goodyear Tire & Rubber	3,904,018	Bob Evans Farms	13,000	879,406
Total	**$470,179,029**	**Total**	**204,880**	**$1,255,154,445**

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

The OPERS Board of Trustees reviews all policies and approves changes or additions as appropriate. The Investment staff fulfills the mandates and obligations described in the policies and recommends changes to the OPERS Board of Trustees, as appropriate. The following policies reflect those in place for the 2010 fiscal year.

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

The purpose of OPERS' policies is to provide a broad strategic framework for managing portfolios. Portfolio-related policies are summarized below. Approved OPERS Board of Trustees asset class policies are summarized beginning on page 101 and are posted on the OPERS website, www.OPERS.org, where they can be viewed in their entirety.

Defined Benefit Investment Policies

Investment Objective

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

Asset Allocation and Performance Objectives

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

Defined Benefit Asset Allocation

Asset Class	Target Allocation	Range	Market Index
U.S. Equity	25%	+/- 5%	Russell 3000 Stock Index
Non-U.S. Equity	25	+/- 5	MSCI All Country World Index Ex-U.S.
Global Bonds:			
Liquidity	2	+/- 2	91 day U.S. Treasury Bills
Core Fixed	18	+/- 6	Barclays U.S. Aggregate Bond Index
High Yield	5	+/- 3	Barclays U.S. High Yield Index
Real Estate	10	0 to 14	NCREIF Property Index
Private Equity/Infrastructure	10	0 to 14	Russell 3000 Stock Index + 300 basis points
Hedge Funds	3	0 to 5	3 Month LIBOR + 4 percentage points
Opportunistic Fund	2	0 to 3	Market Weight of underlying portfolio benchmarks
Total	**100%**		

Rebalancing

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

The OPERS Board of Trustees establishes the asset allocation targets and ranges and reviews them annually. The OPERS Board of Trustees will review, at least annually, the investment policy and asset allocation target and ranges in conjunction with the actuarial assessment of the solvency of the fund.

Health Care Investment Policies

Investment Objective

The primary objective of the Health Care portfolio is to secure health care benefits for eligible members, which is provided as a discretionary benefit. The assets of the Health Care portfolio shall be invested with the objectives of a) preservation of capital and b) maintaining a reasonable solvency period as defined by the OPERS Board of Trustees from time to time.

Asset Allocation and Performance Objectives

The approved OPERS Board of Trustees asset allocation establishes a framework for OPERS that has a high likelihood of realizing OPERS' long term investment objective. The Health Care portfolio's performance objective is to exceed the OPERS performance benchmark net of investment expenses. The following table lists the asset allocation and performance benchmarks for each asset class.

Health Care Asset Allocation

Asset Class	Target Allocation	Range	Market Index
U.S. Equity	27.5%	+/- 5.5%	Russell 3000 Stock Index
Non-U.S. Equity	27.5	+/- 5.5	MSCI All Country World Index Ex-U.S.
Global Bonds:			
Liquidity	2.0	+/- 2.0	91 day U.S. Treasury Bills
TIPS	3.5	+/- 1.5	Barclays U.S. TIPS Index
Core Fixed	21.5	+/- 6.5	Barclays U.S. Aggregate Bond Index
High Yield	2.0	+/- 2	Barclays U.S. High Yield Index
Emerging Market Debt	5.0	+/- 4.0	Custom Benchmark*
REITS	6.0	+/- 4.0	Dow Jones U.S. Select Real Estate Securities Index Total Return
Commodities	1.0	+/- 1.0	Standard & Poor's-Goldman Sachs Commodity Index Total Return
Hedge Funds	2.4	0 to 5	3 Month LIBOR + 4 percentage points
Opportunistic	1.6	0 to 3	Market weight of underlying portfolio benchmarks
Total	**100%**		

*50/50 mix of the JPMorgan Emerging Markets Bond Index Global & the JPMorgan Government Bond Index-Emerging Markets Global Diversified.

Rebalancing

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

The OPERS Board of Trustees establishes the asset allocation targets and ranges and reviews them annually. The OPERS Board of Trustees will review, at least annually, the investment policy and asset allocation target and ranges in conjunction with the actuarial assessment of the solvency of the fund.

Defined Contribution Investment Policies

Investment Objective

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

Asset Allocation

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

- **OPERS Target Date Funds**

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

Defined Contribution Asset Allocation

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

Defined Contribution Asset Allocation (continued)

	OPERS Target Date Funds									
	2035		2040		2045		2050		2055	
Fund	Target	Range	Target	Range	Target	Range	Target	Range	Target	Range
Stable Value	0.0%	+/-0.0%	0.0%	+/-0%	0.0%	+/-0.0%	0.0%	+/-0.0%	0.0%	+/-0.0%
Bond	8.0	+/-2.3	7.0	+/-2.2	5.0	+/-2.1	5.0	+/-2.1	5.0	+/-2.1
TIPS	0.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.0
Long-Duration Bond	8.0	+/-1.3	6.0	+/-1.3	5.0	+/-1.2	5.0	+/-1.2	5.0	+/-1.2
Large Cap	23.0	+/-2.1	24.0	+/-2.2	25.0	+/-2.3	25.0	+/-2.3	25.0	+/-2.3
Small Cap	19.0	+/-2.7	20.0	+/-2.7	20.0	+/-2.8	20.0	+/-2.8	20.0	+/-2.8
Non-U.S. Stock	42.0	+/-2.9	43.0	+/-3.0	45.0	+/-3.1	45.0	+/-3.1	45.0	+/-3.1

OPERS Funds

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

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

OPERS Self-Directed Brokerage Account

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

- Only designated mutual funds can be purchased through the window.
- Maximum of 50% of a member's portfolio is allowed to be invested through the brokerage window, though the Plan will not rebalance the brokerage investments should they grow to exceed 50% of participant's assets.
- Account minimum of $5,000 is required before a participant can use the window.
- The annual cost of the window is borne by the participant using the window.

Rebalancing

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

Performance Objectives and Risk Management

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

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

Global Bonds

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

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

Domestic Equities

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

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

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

Real Estate

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

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

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

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

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

Private Equities

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

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

International Equities

The Non-U.S. Equity program is expected to outperform the Morgan Stanley Capital International All Country World Index excluding U.S. (ACWI x U.S.) with a tracking error not to exceed 300 basis points.

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

Active managers within the ACWI x U.S. category are permitted to invest in emerging markets on an opportunistic or tactical basis up to a prescribed limit. The Non-U.S. Equity program includes strategic allocations to small cap stocks and emerging markets with a target of 3% and 5% through dedicated active managers, respectively. The allocation to growth and value styles through dedicated active managers should be within a range of plus or minus 5% of their weights in the ACWI x U.S. benchmark.

Cash Management

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

Derivatives

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

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

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

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

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

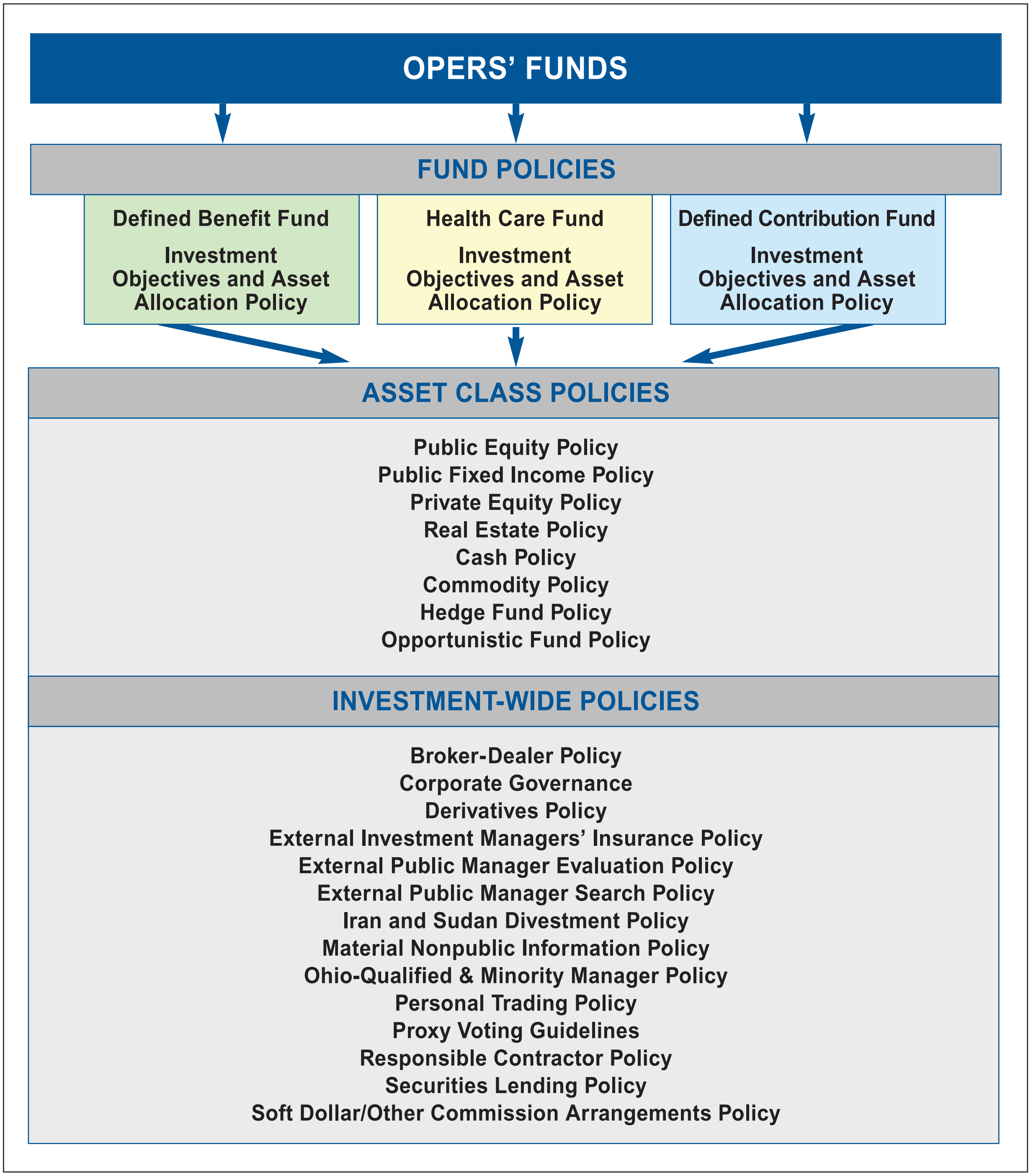
Securities Lending

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

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

Structure and Relationship of Investment Policies

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



Actuarial Section






With more than 248 public library systems and 490 public library branches, Ohio frequently ranks in the top five states in the nation for resident access to public libraries. Public libraries provide critical educational, business and recreational services free of charge. Librarians and administrators are, of course, the people who keep these massive systems updated, available and accessible to every man, woman and child in the state. Employees of public libraries are OPERS members—supporting the educational, creative, commercial and recreational goals of all Ohioans.

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April 4, 2011

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

Dear Board Members:

The basic financial objective of the Ohio Public Employees Retirement System (OPERS) is to establish and receive contributions which:

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

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of December 31, 2009.

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

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

Actuarial Section

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

Financial Section

Schedule of Funding Progress

The Retirement Board
April 4, 2011
Page 2

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

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed four-year period.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions comply with the requirements of the Governmental Accounting Standards Board Statement No. 25 and Statement No. 43, and meet the parameters set by GASB Statement No. 43 for the disclosures presented in the financial section. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The December 31, 2009 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2001-2005 period.

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

Based upon the results of the December 31, 2009 valuations, we are pleased to report to the Board that with respect to pension benefits, the Public Employees Retirement System of Ohio is meeting its basic financial objective and continues in sound condition in accordance with actuarial principles of level percent of payroll financing. However, continued recovery in the investment markets is very important to OPERS and most other retirement plans in the country.

Respectfully submitted,

Brian B. Murphy, FSA, MAAA

Mita D. Drazilov, ASA, MAAA

BBM/MDD:mdd

Gabriel Roeder Smith & Company

Summary of Assumptions

The actuarial information presented in the *2010 Comprehensive Annual Financial Report* is based on the System's most current actuarial valuation data of December 31, 2009.

Following an experience study and based on the recommendation of the actuary, the Board of Trustees approved and adopted the following methods and assumptions in 2006. These methods and assumptions apply to both the Traditional Plan and the Combined Plan.

Funding Method

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

Economic Assumptions

The following economic assumptions were used by the actuary:

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

Individual Employee Pay Increases

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

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

Percent Separating Within Next Year—Withdrawal from Employment

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

Percent Separating Within Next Year—Death or Disability

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

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

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

Assets Valuation Method

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

Valuation Data

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

Decrement Assumptions

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

- ***Mortality***—The tables used in evaluating age-and-service and survivor benefit allowances to be paid were 110% of rates in the RP-2000 mortality table for males and 100% of the rates in the RP-2000 tables for females with 15 years of projected mortality improvements. The mortality rates used in evaluating disability allowances were the RP-2000 mortality table for disabled lives, set back four years for males and set forward four years for females.
- ***Retirement***—Probabilities of age-and-service retirement applicable to members eligible to retire are as shown in the schedules on pages 111-112.

Percent of Eligible Active Members Retiring Within Next Year

With Unreduced Age-and-Service Retirement Benefits

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

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

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

Percent of Eligible Active Members Retiring Within Next Year

With Reduced Age-and-Service Retirement Benefits

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

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

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

Average Defined Benefits Paid OPERS Retirees — Traditional Plan

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

Average Defined Benefits Paid OPERS Retirees — Combined Plan*

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

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

Actuarial Valuation Data

The following tables display the actuarial valuation data for the active and retired members of the Traditional Plan, and the defined benefit component of the Combined Plan and Member-Directed Plan:

Actuarial Valuation Data — Traditional Plan

Valuation Year	Active Members				Retired Lives		
	Number	Annual Payroll ($ millions)	Average Pay	Percent Increase in Average Pay	Number*	Annual Allowance ($ millions)	Average Allowance
2009	341,777	$12,288	$35,953	0.29%	174,637	$3,576	$20,477
2008	349,969	12,546	35,849	3.87	169,000	3,300	19,525
2007	357,743	12,347	34,514	2.76	163,505	3,063	18,731
2006	356,430	11,971	33,586	2.12	159,039	2,852	17,934
2005	353,708	11,633	32,890	2.00	153,935	2,645	17,186
2004	350,835	11,313	32,246	2.08	149,296	2,443	16,365

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

Actuarial Valuation Data — Combined Plan

Valuation Year	Active Members				Retired Lives		
	Number	Annual Payroll ($ millions)	Average Pay	Percent Increase in Average Pay	Number*	Annual Allowance ($ millions)	Average Allowance
2009	6,335	$259	$40,884	2.91%	8	$0	$1,635
2008	6,419	255	39,726	6.60	7	0	1,260
2007	6,333	236	37,265	4.12	2	0	1,693
2006	5,700	204	35,789	4.82	1	0	1,505
2005	5,096	174	34,144	7.99			
2004	4,452	141	31,618	3.68			

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

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

Actuarial Valuation Data — Purchased Annuities

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

* Number represents an individual count of retirees and beneficiaries.

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

The tables below display the changes in the retiree population that occurred each year within the Traditional Plan and Combined Plan. The Annual Allowances in the Rolls at End of the Year and the Average Annual Allowances represent the value of pension payments for the retiree population on the rolls at December 31, 2010.

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

Year Ended	Added to Rolls		Removed From Rolls		Rolls at End of Year		Percentage Increase in Annual Allowances	Average Annual Allowances
	Number*	Annual Allowances	Number*	Annual Allowances	Number*	Annual Allowances		
2010	10,607	$278,758,820	4,041	$59,271,884	173,235	$3,824,710,874	8.0%	$22,078
2009	10,839	289,793,503	5,542	78,808,830	166,669	3,541,886,599	8.6	21,251
2008	9,240	225,548,983	4,124	56,416,940	161,372	3,261,996,219	7.4	20,214
2007	9,733	230,401,061	5,576	82,605,482	156,256	3,035,847,045	7.9	19,429
2006	8,969	204,875,766	3,973	55,836,612	152,099	2,813,495,205	7.3	18,498
2005	9,394	217,934,811	5,047	65,360,194	147,103	2,621,820,175	9.1	17,823

* Represents a count of the retired members' accounts under which either the member or the member's beneficiaries are receiving benefits.

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

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

* Represents a count of the retired members' accounts under which either the member or the member's beneficiaries are receiving benefits.

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

The OPERS funding objective is to pay for retirement benefits through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the System will pay all promised benefits when due—the ultimate test of financial soundness.

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

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

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

Accrued Pension Liabilities ($ in millions) — Traditional Plan

Valuation Year	Aggregate Accrued Liabilities for			Valuation Assets *	Portions of Accrued Liabilities Covered by Reported Assets		
	(1) Member Contributions	(2) Retirees and Beneficiaries	(3) Active/Inactive Members (Employer-Financed Portion)		(1)	(2)	(3)
2009	$11,933	$38,577	$25,897	$57,519	100%	100%	27%
2008	11,546	35,485	26,315	55,230	100	100	31
2007	10,785	32,923	25,930	67,067	100	100	90
2006	10,374	30,636	25,078	61,235	100	100	81
2005***	9,810	28,373	24,264	54,433	100	100	67
2005**	9,810	27,925	23,364	54,433	100	100	71
2004	9,340	25,697	22,536	50,430	100	100	68

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

Accrued Pension Liabilities ($ in millions) — Combined Plan

Valuation Year	Aggregate Accrued Liabilities for			Valuation Assets *	Portions of Accrued Liabilities Covered by Reported Assets		
	(1) Member Contributions	(2) Retirees and Beneficiaries	(3) Active/Inactive Members (Employer-Financed Portion)		(1)	(2)	(3)
2009	$1	$0	$147	$110	100%	100%	74%
2008	1	0	119	85	100	100	71
2007	0	0	95	84	100	100	89
2006	N/A	0	72	61	N/A	100	84
2005***	N/A	N/A	51	40	N/A	N/A	78
2005**	N/A	N/A	47	40	N/A	N/A	85
2004	N/A	N/A	31	22	N/A	N/A	71

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

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

Analysis of Financial Experience				Traditional Plan
	Gain (or Loss) For Year ($ in millions)			
Type of Activity	2009	2008	2007	2006
Age-and-Service Retirements If members retire at older ages than assumed, there is a gain. If younger ages, a loss.	($27.5)	$10.1	($30.6)	($32.1)
Disability Retirements If Disability claims are less than assumed, there is a gain. If more claims, a loss.	74.0	39.1	36.7	3.0
Death-In-Service Annuities If survivor claims are less than assumed, there is a gain. If more claims, a loss.	34.6	31.7	29.5	14.3
Other Separations If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	(58.9)	(27.9)	(129.0)	(134.4)
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	1,141.8	220.2	202.4	373.3
Investment Return If there is greater investment return than assumed, there is a gain. If less return, a loss.	(620.5)	(15,813.5)	1,979.3	3,332.2
Gain (or Loss) During Year From Financial Experience	**$543.5**	**($15,540.3)**	**$2,088.3**	**$3,556.3**

Analysis of Financial Experience				Combined Plan
	Gain (or Loss) For Year ($ in millions)			
Type of Activity	2009	2008	2007	2006
Age-and-Service Retirements If members retire at older ages than assumed, there is a gain. If younger ages, a loss.	($0.12)	($0.06)	($0.03)	($0.01)
Disability Retirements If Disability claims are less than assumed, there is a gain. If more claims, a loss.	2.07	1.94	1.12	0.89
Death-In-Service Annuities If survivor claims are less than assumed, there is a gain. If more claims, a loss.	0.53	0.05	0.21	0.14
Other Separations If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	7.56	1.98	1.08	(3.15)
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	(3.35)	(0.21)	0.22	0.15
Investment Return If there is greater investment return than assumed, there is a gain. If less return, a loss.	(3.25)	(23.83)	(0.10)	(0.09)
Gain (or Loss) During Year From Financial Experience	**$3.44**	**($20.13)**	**$2.50**	**($2.07)**

Actual vs. Recommended Contribution Rates

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

Statistical Section






When an emergency occurs, Ohio residents call 911 for help. Most 911 dispatchers who answer those frantic calls are public employees, OPERS members, trained to provide assistance when emergencies strike. Training for 911 dispatchers is regulated by the Ohio Revised Code to ensure dispatchers are not only trained initially, each is trained on an ongoing basis—providing security for all Ohioans.

OPERS

Overview

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

The schedules and graphs beginning on page 119 show financial trend information about the growth of OPERS' assets for the past 10 years. These schedules provide detailed information about the trends of key sources of additions and deductions to the System's assets, and assist in providing a context framing how OPERS' financial position has changed over time. The financial trend schedules presented are:

- Net Assets by Plan,
- Statutory Fund Balances by Plan,
- Changes in Fiduciary Net Assets,
- Benefits by Type, and
- Refunds by Type.

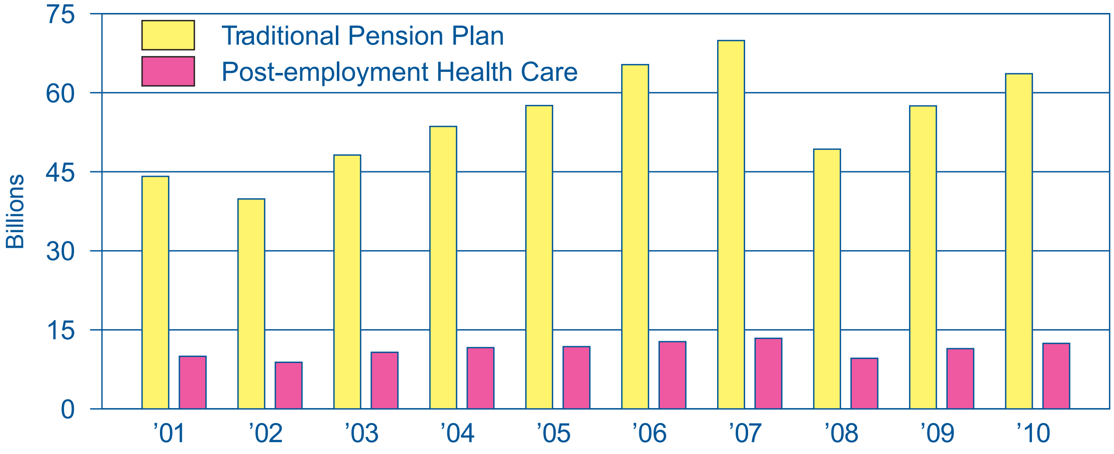
The schedules on page 132 compare the pension assets accumulated to cover the projected pension liabilities that are ultimately due at retirement for each of the defined benefit plans and the corresponding funded ratio. The schedule on page 133 displays similar information for OPERS' health care assets and projected liabilities. The Health Care Solvency schedule shows the estimated number of years for which assets are available to cover the projected liabilities. OPERS' target is to maintain a rolling 20-40 years of available solvency. Refer to Schedules of Pension and Health Care Assets vs. Liabilities.

The schedules beginning on page 130 show demographic, economic, and operating information. The demographic and economic information is designed to assist in understanding the environment in which OPERS operates. The operating information is intended to provide contextual information about OPERS' operations to assist in assessing the System's economic condition. The demographic, economic, and operating information presented include:

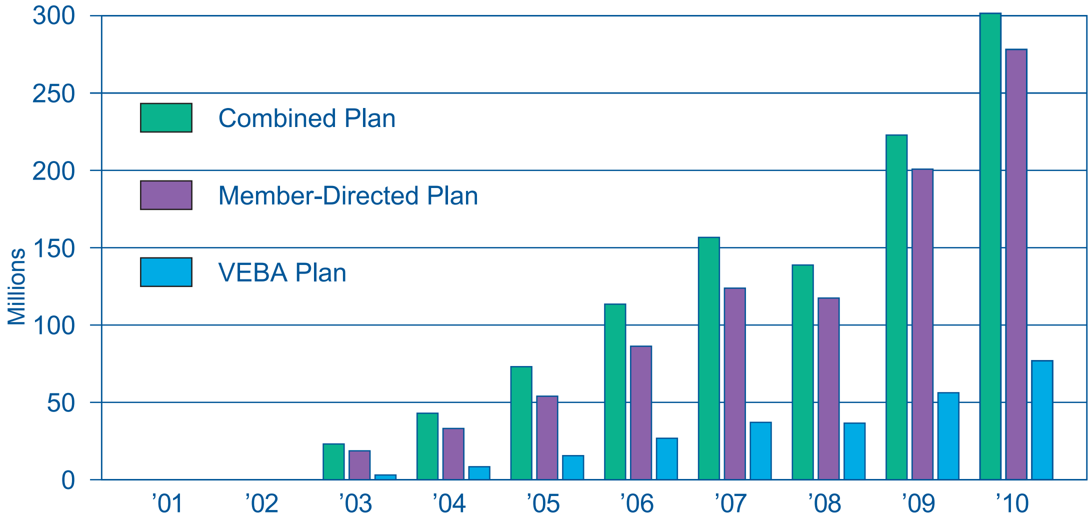
- Number of Refund Payments by Plan,
- Number of Benefit Recipients by Category,
- Number of Covered Lives by Category,
- Schedule of Benefit Recipients by Benefit Type and Amount,
- Number of New Pension Benefit Recipients,
- Schedule of Average Benefit Payments (Traditional and Combined Plans),
- Member Count by Plan,
- OPERS' Financial Impact by County,
- Distribution of Benefit Recipients by Location,
- Contribution Rates,
- Number of Employer Units, and
- Principal Participating Employers.

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

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



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



Net Assets by Plan (last 10 fiscal years)

Year	Traditional Plan	Post-employment Health Care	Combined Plan*	Member-Directed Plan*	VEBA Plan*	Total Net Assets
2010	$63,515,005,521	$12,319,743,979	$301,150,779	$279,098,338	$76,622,073	$76,491,620,690
2009	57,630,423,957	11,415,195,274	223,384,797	200,588,070	55,784,131	69,525,376,229
2008	49,312,811,154	9,596,082,077	138,950,485	117,342,021	36,333,066	59,201,518,803
2007	69,959,641,078	13,282,947,482	156,864,566	123,946,918	37,227,685	83,560,627,729
2006	65,297,352,893	12,838,059,079	113,999,034	86,524,882	25,331,889	78,361,267,777
2005	57,662,214,741	11,845,713,012	72,499,607	54,502,026	15,377,190	69,650,306,576
2004	53,554,315,210	11,609,113,358	43,463,455	33,579,873	7,978,960	65,248,450,856
2003	48,239,335,328	10,813,803,449	22,890,488	18,464,414	3,181,305	59,097,674,984
2002	39,100,014,979	8,886,282,086	N/A	N/A	N/A	47,986,297,065
2001	44,036,346,352	9,936,383,994	N/A	N/A	N/A	53,972,730,346

* Plans commenced January 1, 2003.

Statutory Fund Balance by Plan (last 10 fiscal years)

Year	2010	2009	2008	2007
All Plans				
Employees' Savings Fund	$12,134,839,989	$11,933,642,333	$11,546,208,967	$10,815,159,012
Employers' Accumulation Fund—Pension/Health Care	22,277,828,145	20,026,006,552	13,503,733,507	40,336,757,059
Annuity and Pension Reserve Fund	39,927,499,750	35,616,195,176	32,410,382,036	30,699,027,425
Survivors' Benefit Fund	1,527,374,797	1,472,264,995	1,418,388,692	1,373,512,884
Defined Contribution Fund—Retirement/Health Care	522,817,214	376,419,373	216,885,601	234,047,349
Income Fund	99,070,651	95,184,666	100,226,117	99,627,634
Expense Fund	2,190,144	5,663,134	5,693,883	2,496,366
Total Fund Balance	**$76,491,620,690**	**$69,525,376,229**	**$59,201,518,803**	**$83,560,627,729**
Traditional Plan				
Employees' Savings Fund	$12,133,856,642	$11,932,873,455	$11,545,651,011	$10,814,646,533
Employers' Accumulation Fund—Pension	9,826,123,016	8,508,596,858	3,832,714,973	26,970,418,583
Annuity and Pension Reserve Fund	39,926,390,271	35,615,840,849	32,410,136,478	30,698,939,078
Survivors' Benefit Fund	1,527,374,797	1,472,264,995	1,418,388,692	1,373,512,884
Income Fund	99,070,651	95,184,666	100,226,117	99,627,634
Expense Fund	2,190,144	5,663,134	5,693,883	2,496,366
Total Fund Balance	**$63,515,005,521**	**$57,630,423,957**	**$49,312,811,154**	**$69,959,641,078**
Post-employment Health Care				
Employers' Accumulation Fund—Health Care	$12,319,743,979	$11,415,195,274	$9,596,082,077	$13,282,947,482
Total Fund Balance	**$12,319,743,979**	**$11,415,195,274**	**$9,596,082,077**	**$13,282,947,482**
Combined Plan*				
Employees' Savings Fund	$975,589	$768,977	$557,956	$512,479
Employers' Accumulation Fund—Pension	131,980,123	102,108,811	74,976,136	83,391,067
Annuity and Pension Reserve Fund	644,239	251,905	73,758	60,804
Defined Contribution Fund—Retirement	167,550,828	120,255,104	63,342,635	72,900,216
Total Fund Balance	**$301,150,779**	**$223,384,797**	**$138,950,485**	**$156,864,566**
Member-Directed Plan*				
Employees' Savings Fund	$7,758	($99)		
Employers' Accumulation Fund—Pension	(18,973)	105,609	($39,679)	($73)
Annuity and Pension Reserve Fund	465,240	102,422	171,800	27,543
Defined Contribution Fund—Retirement	278,644,313	200,380,138	117,209,900	123,919,448
Total Fund Balance	**$279,098,338**	**$200,588,070**	**$117,342,021**	**$123,946,918**
VEBA Plan*				
Defined Contribution Fund—Health Care	$76,622,073	$55,784,131	$36,333,066	$37,227,685
Total Fund Balance	**$76,622,073**	**$55,784,131**	**$36,333,066**	**$37,227,685**

* Plans commenced January 1, 2003.

Statutory Fund Balance by Plan (continued)

2006	2005	2004	2003	2002	2001
$10,374,480,725	$9,810,364,125	$9,339,927,737	$8,896,964,040	$8,513,859,664	$7,991,271,196
38,641,822,117	33,061,020,982	30,921,433,439	27,368,711,915	18,979,364,269	27,435,948,587
27,770,522,547	25,377,301,101	23,663,435,434	21,562,826,137	19,305,720,320	17,438,484,109
1,313,109,826	1,209,472,794	1,171,933,656	1,143,463,941	1,096,358,667	1,027,255,264
165,336,652	102,223,154	62,970,790	35,826,751		
95,995,910	87,484,700	84,749,285	89,838,868	86,024,578	77,946,292
	2,439,720	4,000,515	43,332	4,969,567	1,824,898
$78,361,267,777	**$69,650,306,576**	**$65,248,450,856**	**$59,097,674,984**	**$47,986,297,065**	**$53,972,730,346**
$10,374,152,385	$9,810,182,770	$9,339,889,114	$8,896,961,910	$8,513,859,664	$7,991,271,196
25,743,571,669	21,175,333,656	19,290,307,206	16,546,201,140	10,093,082,183	17,499,564,593
27,770,523,103	25,377,301,101	23,663,435,434	21,562,826,137	19,305,720,320	17,438,484,109
1,313,109,826	1,209,472,794	1,171,933,656	1,143,463,941	1,096,358,667	1,027,255,264
95,995,910	87,484,700	84,749,285	89,838,868	86,024,578	77,946,292
	2,439,720	4,000,515	43,332	4,969,567	1,824,898
$65,297,352,893	**$57,662,214,741**	**$53,554,315,210**	**$48,239,335,328**	**$39,100,014,979**	**$44,036,346,352**
$12,838,059,079	$11,845,713,012	$11,609,113,358	$10,813,803,449	$8,886,282,086	$9,936,383,994
$12,838,059,079	**$11,845,713,012**	**$11,609,113,358**	**$10,813,803,449**	**$8,886,282,086**	**$9,936,383,994**
$328,340	$181,355	$38,623	$2,130		
60,191,369	39,974,314	22,012,875	8,707,326		
(556)					
53,479,881	32,343,938	21,411,957	14,181,032		
$113,999,034	**$72,499,607**	**$43,463,455**	**$22,890,488**		
$86,524,882	$54,502,026	$33,579,873	$18,464,414		
$86,524,882	**$54,502,026**	**$33,579,873**	**$18,464,414**		
$25,331,889	$15,377,190	$7,978,960	$3,181,305		
$25,331,889	**$15,377,190**	**$7,978,960**	**$3,181,305**		

Changes in Fiduciary Net Assets (last 10 fiscal years)

Year	2010	2009**	2008	2007
All Plans				
Additions:				
Members' Contributions	$1,387,327,050	$1,385,175,757	$1,386,561,202	$1,306,544,058
Employers' Contributions	1,796,343,429	1,822,639,448	1,840,585,266	1,798,305,461
Contracts and Other Receipts	268,065,136	219,182,666	180,763,502	151,494,844
Medicare Part D Reimbursements	72,100,529	69,132,772	63,310,194	59,075,120
Net Income (Loss) from Investing Activity	9,268,181,189	12,274,797,785	(22,770,412,901)	6,594,053,702
Other Income, Net	1,371,931	794,525	1,635,996	110,559
Interplan Activity	10,528,250	7,879,768	7,470,205	5,730,846
Total Additions	12,803,917,514	15,779,602,721	(19,290,086,536)	9,915,314,590
Deductions:				
Pension Benefits	3,961,552,022	3,661,174,109	3,388,953,861	3,136,995,197
Health Care Benefits	1,561,507,609	1,488,266,219	1,377,274,519	1,282,829,856
Refunds of Contributions	233,054,714	222,580,254	221,300,825	221,092,748
Administrative Expenses	71,030,458	75,844,945	74,022,980	69,305,991
Interplan Activity	10,528,250	7,879,768	7,470,205	5,730,846
Total Deductions	5,837,673,053	5,455,745,295	5,069,022,390	4,715,954,638
Net Increase (Decrease)	6,966,244,461	10,323,857,426	(24,359,108,926)	5,199,359,952
Net Assets Held in Trust, Beginning of Year	69,525,376,229	59,201,518,803	83,560,627,729	78,361,267,777
Net Assets Held in Trust, End of Year	**$76,491,620,690**	**$69,525,376,229**	**$59,201,518,803**	**$83,560,627,729**
Traditional Plan				
Additions:				
Members' Contributions	$1,217,388,746	$1,236,966,262	$1,253,053,822	$1,183,959,051
Employers' Contributions	1,097,711,440	1,019,582,360	892,693,746	1,051,808,289
Contracts and Other Receipts	113,080,115	160,232,136	113,351,117	105,157,859
Net Income (Loss) from Investing Activity	7,678,536,712	9,822,978,753	(19,258,540,437)	5,717,111,026
Other Income, Net	763,943	140,494	1,021,007	40,061
Interplan Activity	10,501,974	7,839,790	7,289,779	4,969,740
Total Addition	10,117,982,930	12,247,739,795	(16,991,130,966)	8,063,046,026
Deductions:				
Pension Benefits	3,961,217,461	3,661,076,709	3,388,862,796	3,136,978,910
Refunds of Contributions	219,808,143	212,209,227	212,802,651	213,007,451
Administrative Expenses	52,375,762	56,805,048	53,853,085	50,053,260
Interplan Activity		36,008	180,426	718,220
Total Deductions	4,233,401,366	3,930,126,992	3,655,698,958	3,400,757,841
Net Increase (Decrease)	5,884,581,564	8,317,612,803	(20,646,829,924)	4,662,288,185
Net Assets Held in Trust, Beginning of Year	57,630,423,957	49,312,811,154	69,959,641,078	65,297,352,893
Net Assets Held in Trust, End of Year	**$63,515,005,521**	**$57,630,423,957**	**$49,312,811,154**	**$69,959,641,078**
Post-employment Health Care				
Additions:				
Members' Contributions	$111,638,313	$94,370,543	$82,695,255	$79,198,959
Employers' Contributions	628,685,237	740,817,891	891,561,073	695,967,837
Contracts and Other Receipts	154,130,632	58,649,547	66,343,542	45,534,017
Medicare Part D Reimbursements	72,100,529	69,132,772	63,310,194	59,075,120
Net Income (Loss) from Investing Activity	1,511,164,964	2,356,554,863	(3,400,647,342)	858,614,433
Other Income, Net	605,275	654,031	614,989	70,498
Total Additions	2,478,324,950	3,320,179,647	(2,296,122,289)	1,738,460,864
Deductions:				
Health Care Benefits	1,560,993,277	1,488,032,855	1,377,146,173	1,282,776,044
Administrative Expenses	12,782,968	13,033,595	13,596,943	10,796,417
Total Deductions	1,573,776,245	1,501,066,450	1,390,743,116	1,293,572,461
Net Increase (Decrease)	904,548,705	1,819,113,197	(3,686,865,405)	444,888,403
Net Assets Held in Trust, Beginning of Year	11,415,195,274	9,596,082,077	13,282,947,482	12,838,059,079
Net Assets Held in Trust, End of Year	**$12,319,743,979**	**$11,415,195,274**	**$9,596,082,077**	**$13,282,947,482**

* Additions restated in 2004-2006 to delineate contracts and other receipts; years prior to 2004 are not restated.
** 2009 restated for reclassification of Alternative Retirement Plan contribution accrual.

Changes in Fiduciary Net Assets (continued)

2006*	2005*	2004*	2003	2002	2001
$1,171,079,333	$1,055,269,202	$1,038,288,958	$1,023,198,026	$1,094,343,553	$931,050,640
1,673,479,701	1,599,401,084	1,547,265,013	1,626,775,196	1,683,021,503	1,408,392,987
216,390,457	120,057,761	139,473,863	200,272		
58,987,181					
10,028,554,662	5,740,076,574	7,192,406,571	11,868,086,473	(5,684,965,700)	(2,717,806,094)
1,501,275	980,539	(107,798)	411,093	623,421	664,919
5,286,335	2,457,816	3,510,475	29,392,751		
13,155,278,944	**8,518,242,976**	**9,920,837,082**	**14,548,063,811**	**(2,906,977,223)**	**(377,697,548)**
2,906,859,113	2,679,084,743	2,454,131,826	2,236,477,663	2,060,130,216	1,880,704,941
1,231,882,888	1,152,943,718	1,040,949,675	907,769,092	776,006,852	693,484,110
235,136,633	220,236,000	209,777,972	193,209,598	187,051,815	262,681,258
65,152,774	61,664,979	61,691,260	69,836,790	56,267,175	40,081,348
5,286,335	2,457,816	3,510,475	29,392,751		
4,444,317,743	4,116,387,256	3,770,061,208	3,436,685,894	3,079,456,058	2,876,951,657
8,710,961,201	4,401,855,720	6,150,775,874	11,111,377,917	(5,986,433,281)	(3,254,649,205)
69,650,306,576	65,248,450,856	59,097,674,982	47,986,297,065	53,972,730,346	57,227,379,551
$78,361,267,777	**$69,650,306,576**	**$65,248,450,856**	**$59,097,674,982**	**$47,986,297,065**	**$53,972,730,346**
$1,065,862,778	$965,977,835	$958,095,802	$1,006,863,812	$1,094,343,553	$931,050,640
1,092,998,459	1,106,755,953	1,057,429,880	1,026,594,837	1,109,983,205	977,289,237
122,076,019	112,227,300	118,205,826			
8,529,935,923	4,860,636,257	5,886,688,477	9,603,775,739	(4,841,899,792)	(1,954,230,267)
194,492	432,175	(107,798)	411,093	623,421	664,919
4,520,387	1,593,458	3,510,475	8,754,777		
10,815,588,058	7,047,622,978	8,023,822,662	11,646,400,258	(2,636,949,613)	(45,225,471)
2,906,857,436	2,679,084,743	2,454,131,826	2,236,477,663	2,060,130,216	1,880,704,941
228,034,617	215,398,602	207,121,141	192,768,335	187,051,815	262,681,258
44,854,241	44,375,744	47,589,813	57,195,937	52,199,729	36,992,160
703,612	864,358		20,637,974		
3,180,449,906	2,939,723,447	2,708,842,780	2,507,079,909	2,299,381,760	2,180,378,359
7,635,138,152	4,107,899,531	5,314,979,882	9,139,320,349	(4,936,331,373)	(2,225,603,830)
57,662,214,741	53,554,315,210	48,239,335,328	39,100,014,979	44,036,346,352	46,261,950,182
$65,297,352,893	**$57,662,214,741**	**$53,554,315,210**	**$48,239,335,328**	**$39,100,014,979**	**$44,036,346,352**
$71,718,182	$63,408,347	$58,975,931			
538,312,995	457,325,506	461,788,996	$579,904,361	$573,038,298	$431,103,750
93,724,104	7,234,092	20,897,027			
58,987,181					
1,471,059,831	868,900,661	1,297,291,883	2,258,066,075	(843,065,908)	(763,575,827)
1,306,783	548,364				
2,235,109,076	1,397,416,970	1,838,953,837	2,837,970,436	(270,027,610)	(332,472,077)
1,231,870,038	1,152,941,961	1,040,949,675	907,769,092	776,006,852	693,484,110
10,892,971	7,875,355	2,694,253	2,679,981	4,067,446	3,089,188
1,242,763,009	1,160,817,316	1,043,643,928	910,449,073	780,074,298	696,573,298
992,346,067	236,599,654	795,309,909	1,927,521,363	(1,050,101,908)	(1,029,045,375)
11,845,713,012	11,609,113,358	10,813,803,449	8,886,282,086	9,936,383,994	10,965,429,369
$12,838,059,079	**$11,845,713,012**	**$11,609,113,358**	**$10,813,803,449**	**$8,886,282,086**	**$9,936,383,994**

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

Year	2010	2009	2008	2007
Combined Plan *				
Additions:				
Members' Contributions	$27,272,707	$26,096,068	$25,123,220	$21,907,704
Employers' Contributions	26,432,761	23,397,299	20,352,999	19,241,579
Contracts and Other Receipts	384,947	124,823	844,005	347,280
Net Income (Loss) from Investing Activity	35,971,101	44,034,607	(53,571,566)	9,866,238
Other Income, Net	1,267			
Interplan Activity			68,857	411,764
Total Additions	90,062,783	93,652,797	(7,182,485)	51,774,565
Deductions:				
Pension Benefits	128,366	35,566	11,911	5,451
Refunds of Contributions	3,540,043	2,905,883	3,623,723	2,707,630
Administrative Expenses	2,584,673	2,638,279	2,990,092	3,890,828
Interplan Activity	6,043,719	3,638,757	4,105,870	2,305,124
Total Deductions	12,296,801	9,218,485	10,731,596	8,909,033
Net Increase (Decrease)	77,765,982	84,434,312	(17,914,081)	42,865,532
Net Assets Held in Trust, Beginning of Year	223,384,797	138,950,485	156,864,566	113,999,034
Net Assets Held in Trust, End of Year	**$301,150,779**	**$223,384,797**	**$138,950,485**	**$156,864,566**
Member-Directed Plan *				
Additions:				
Members' Contributions	$31,027,284	$27,742,884	$25,688,905	$21,478,344
Employers' Contributions	29,527,197	26,356,764	24,411,834	21,048,014
Contracts and Other Receipts	462,075	173,832	223,485	453,716
Net Income (Loss) from Investing Activity	34,223,485	42,835,328	(46,084,400)	5,860,816
Other Income, Net	1,108			
Interplan Activity			55,277	278,478
Total Additions	95,241,149	97,108,808	4,295,101	49,119,368
Deductions:				
Pension Benefits	206,195	61,834	79,154	10,836
Refunds of Contributions	9,706,528	7,465,144	4,874,451	5,377,667
Administrative Expenses	2,435,285	2,514,665	2,762,484	3,601,327
Interplan Activity	4,382,873	3,821,116	3,183,909	2,707,502
Total Deductions	16,730,881	13,862,759	10,899,998	11,697,332
Net Increase (Decrease)	78,510,268	83,246,049	(6,604,897)	37,422,036
Net Assets Held in Trust, Beginning of Year	200,588,070	117,342,021	123,946,918	86,524,882
Net Assets Held in Trust, End of Year	**$279,098,338**	**$200,588,070**	**$117,342,021**	**$123,946,918**
VEBA Plan *				
Additions:				
Employers' Contributions	$13,986,794	$12,485,134	$11,565,614	$10,239,742
Contracts and Other Receipts	7,367	2,328	1,353	1,972
Net Income (Loss) from Investing Activity	8,284,927	8,394,234	(11,569,156)	2,601,189
Other Income, Net	338			
Interplan Activity	26,276	39,978	56,292	70,864
Total Additions	22,305,702	20,921,674	54,103	12,913,767
Deductions:				
Health Care Benefits	514,332	233,364	128,346	53,812
Administrative Expenses	851,770	853,358	820,376	964,159
Interplan Activity	101,658	383,887		
Total Deductions	1,467,760	1,470,609	948,722	1,017,971
Net Increase (Decrease)	20,837,942	19,451,065	(894,619)	11,895,796
Net Assets Held in Trust, Beginning of Year	55,784,131	36,333,066	37,227,685	25,331,889
Net Assets Held in Trust, End of Year	**$76,622,073**	**$55,784,131**	**$36,333,066**	**$37,227,685**

* Plans commenced January 1, 2003.

Changes in Fiduciary Net Assets (continued)

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

Benefits by Type (last 10 fiscal years)

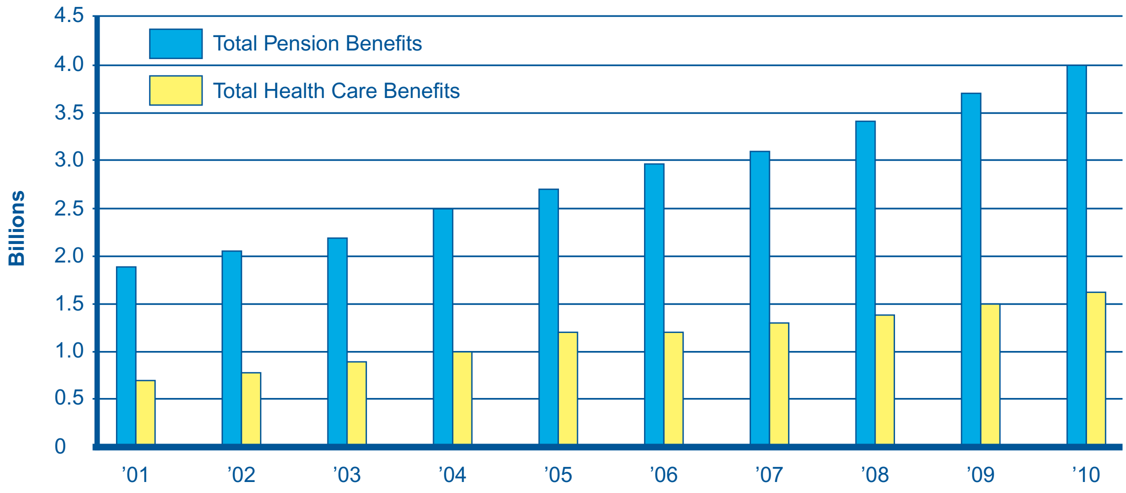
Year	2010	2009	2008	2007
All Plans				
Pension Benefits:				
Annuities	$3,218,966,120	$2,955,939,060	$2,704,884,589	$2,471,644,840
Disabilities	556,074,897	529,948,352	509,082,328	500,045,797
Other Systems/Death/QEBA	26,785,331	20,803,990	25,216,043	21,293,226
Survivors	159,725,674	154,482,707	149,770,901	144,011,334
Total Pension Benefits	**$3,961,552,022**	**$3,661,174,109**	**$3,388,953,861**	**$3,136,995,197**
Health Care Benefits:				
Medicare Part B (statutorily required)	$107,770,173	$105,854,803	$103,934,337	$99,175,973
Medical	921,017,794	878,094,392	827,264,256	745,106,671
Pending Medical Claims****	(6,558,334)	-	-	4,121,292
Prescription Drug	526,054,523	494,674,419	441,059,097	431,405,495
Allowance Payment to RMA**	13,223,453	9,642,605	5,016,829	3,020,425
Total Health Care Benefits	**$1,561,507,609**	**$1,488,266,219**	**$1,377,274,519**	**$1,282,829,856**
Total Pension and Health Care Benefits	**$5,523,059,631**	**$5,149,440,328**	**$4,766,228,380**	**$4,419,825,053**
Traditional Plan				
Pension Benefits:				
Annuities	$3,218,631,560	$2,955,841,660	$2,704,793,524	$2,471,628,553
Disabilities	556,074,897	529,948,352	509,082,328	500,045,797
Other Systems	18,490,323	13,014,368	17,565,698	13,929,119
Survivors	159,725,674	154,482,707	149,770,901	144,011,334
Death	7,248,345	7,124,887	6,998,605	6,891,186
QEBA***	1,046,663	664,735	651,740	472,921
Total Pension Benefits	**$3,961,217,462**	**$3,661,076,709**	**$3,388,862,796**	**$3,136,978,910**
Post-employment Health Care				
Health Care Benefits:				
Medicare Part B (statutorily required)	$107,770,173	$105,854,803	$103,934,337	$99,175,973
Medical	920,503,462	877,861,028	827,135,910	745,052,859
Pending Medical Claims****	(6,558,334)	-	-	4,121,292
Prescription Drug	526,054,523	494,674,419	441,059,097	431,405,495
Allowance Payment to RMA**	13,223,453	9,642,605	5,016,829	3,020,425
Total Health Care Benefits	**$1,560,993,277**	**$1,488,032,855**	**$1,377,146,173**	**$1,282,776,044**
Combined Plan *				
Pension Benefits:				
Annuities and installment payments	$128,366	$35,566	$11,911	$5,451
Total Pension Benefits	**$128,366**	**$35,566**	**$11,911**	**$5,451**
Member Directed Plan *				
Pension Benefits:				
Annuities and installment payments	$206,194	$61,834	$79,154	$10,836
Total Pension Benefits	**$206,194**	**$61,834**	**$79,154**	**$10,836**
VEBA Plan *				
Health Care Benefits:				
Medical and Prescription Drug	$514,332	$233,364	$128,346	$53,812
Total Health Care Benefits	**$514,332**	**$233,364**	**$128,346**	**$53,812**

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

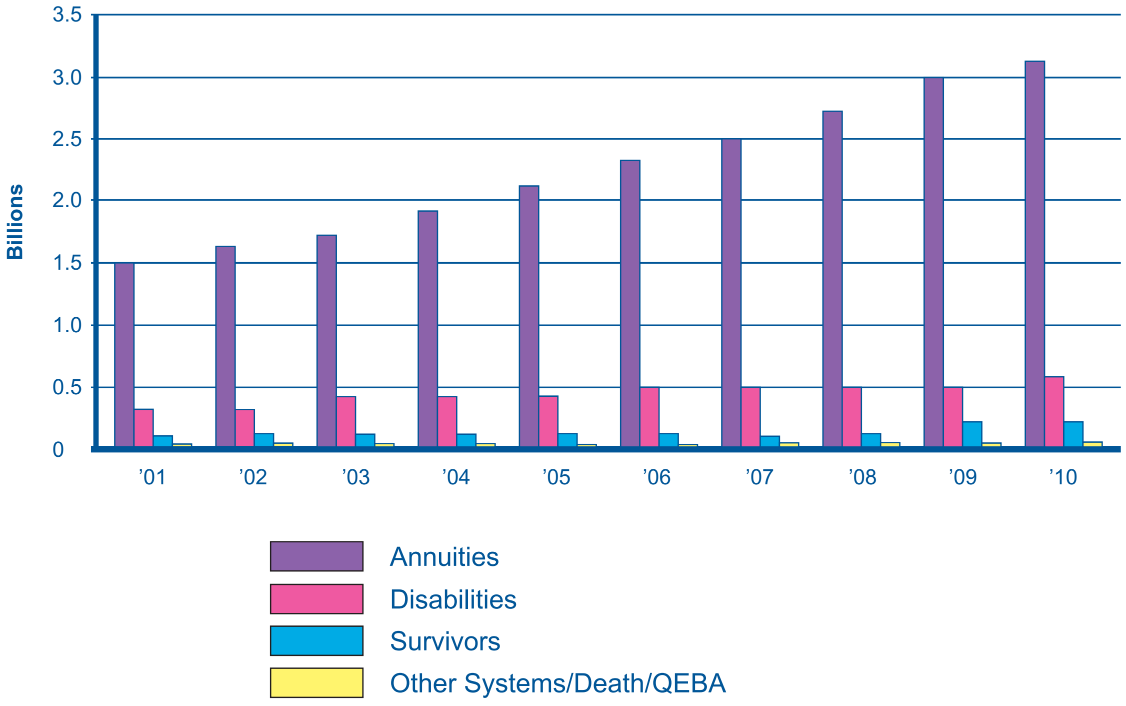
Benefits by Type (continued)

2006	2005	2004	2003	2002	2001
$2,295,238,967	$2,107,916,570	$1,921,376,875	$1,746,038,446	$1,603,187,593	$1,464,902,740
454,254,591	418,066,051	384,376,167	352,768,476	319,946,811	287,759,349
18,413,480	18,826,529	20,452,688	14,485,111	18,241,094	13,944,000
138,952,075	134,275,593	127,926,096	123,185,630	118,754,718	114,098,852
$2,906,859,113	**$2,679,084,743**	**$2,454,131,826**	**$2,236,477,663**	**$2,060,130,216**	**$1,880,704,941**
$92,268,184	$80,094,041	$67,295,184	$58,704,582	$53,572,102	$49,192,479
705,439,939	656,303,409	560,341,911	489,843,513	399,191,008	345,615,651
6,034,535	13,361,980	18,454,833	-	9,030,496	32,296,626
428,140,230	403,184,288	394,857,747	359,220,997	314,213,246	266,379,354
$1,231,882,888	**$1,152,943,718**	**$1,040,949,675**	**$907,769,092**	**$776,006,852**	**$693,484,110**
$4,138,742,001	**$3,832,028,461**	**$3,495,081,501**	**$3,144,246,755**	**$2,836,137,068**	**$2,574,189,051**
$2,295,237,290	$2,107,916,570	$1,921,376,875	$1,746,038,446	$1,603,187,593	$1,464,902,740
454,254,591	418,066,051	384,376,167	352,768,476	319,946,811	287,759,349
11,090,453	11,331,852	13,431,599	7,812,726	11,242,369	6,984,942
138,952,075	134,275,593	127,926,096	123,185,630	118,754,718	114,098,852
7,033,516	7,237,063	6,831,559	6,672,385	6,998,725	6,959,058
289,511	257,614	189,530			
$2,906,857,436	**$2,679,084,743**	**$2,454,131,826**	**$2,236,477,663**	**$2,060,130,216**	**$1,880,704,941**
$92,268,184	$80,094,041	$67,295,184	$58,704,582	$53,572,102	$49,192,479
705,427,089	656,301,652	560,341,911	489,843,513	399,191,008	345,615,651
6,034,535	13,361,980	18,454,833	-	9,030,496	32,296,626
428,140,230	403,184,288	394,857,747	359,220,997	314,213,246	266,379,354
$1,231,870,038	**$1,152,941,961**	**$1,040,949,675**	**$907,769,092**	**$776,006,852**	**$693,484,110**
$552					
$552	**$0**	**$0**	**$0**		
$1,125					
$1,125	**$0**	**$0**	**$0**		
$12,850	$1,757				
$12,850	**$1,757**	**$0**	**$0**		

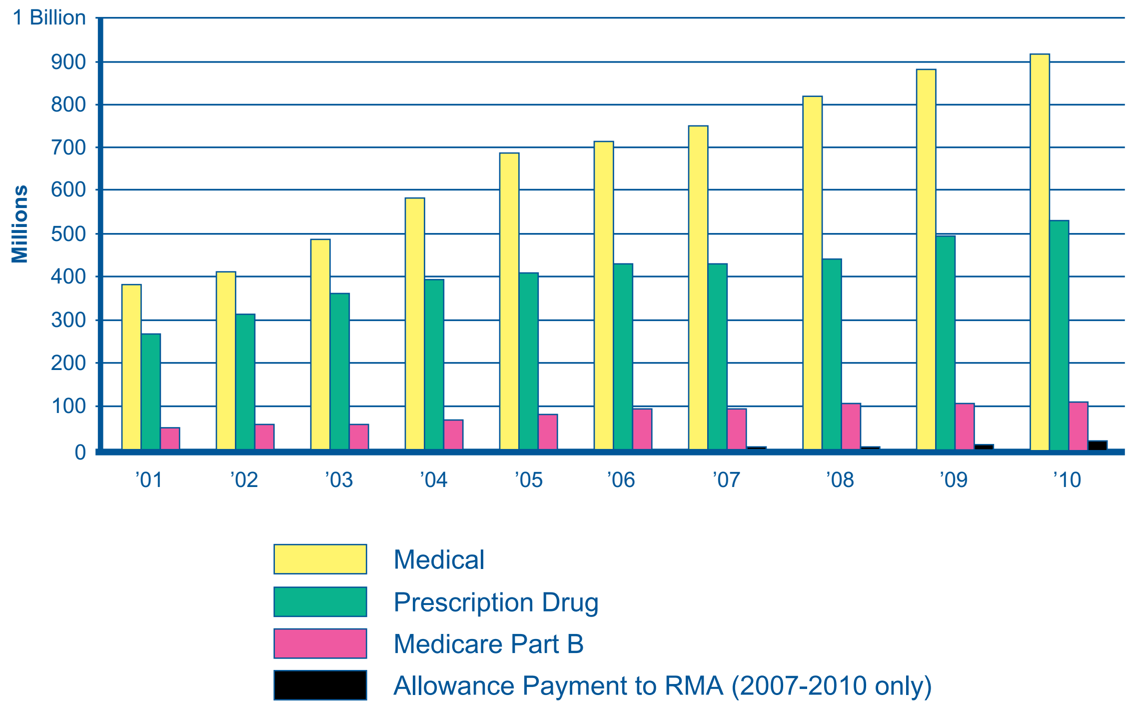
Benefits by Type



Benefits by Type — Traditional Plan



Health Care Benefits by Type



Refunds by Type (last 10 fiscal years)

Year	2010	2009	2008	2007
All Plans				
Refunds:				
Separation	$205,298,464	$192,467,640	$192,910,095	$196,668,493
Beneficiaries	20,870,868	21,549,473	19,118,230	18,590,739
Other	6,885,382	8,563,141	9,272,500	5,833,515
Total Refunds	**$233,054,714**	**$222,580,254**	**$221,300,825**	**$221,092,747**
Traditional Plan				
Refunds:				
Separation	$192,608,328	$182,274,674	$184,463,536	$188,635,768
Beneficiaries	20,314,433	21,371,412	19,066,615	18,538,167
Other	6,885,382	8,563,141	9,272,500	5,833,515
Total Refunds	**$219,808,143**	**$212,209,227**	**$212,802,651**	**$213,007,450**
Combined Plan *				
Refunds:				
Separation	$3,515,815	$2,824,743	$3,596,259	$2,665,357
Beneficiaries	24,228	81,140	27,464	42,273
Other				
Total Refunds	**$3,540,043**	**$2,905,883**	**$3,623,723**	**$2,707,630**
Member-Directed Plan *				
Refunds:				
Separation	$9,174,321	$7,368,223	$4,850,300	$5,367,368
Beneficiaries	532,207	96,921	24,151	10,299
Other				
Total Refunds	**$9,706,528**	**$7,465,144**	**$4,874,451**	**$5,377,667**

* Plans commenced January 1, 2003.

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

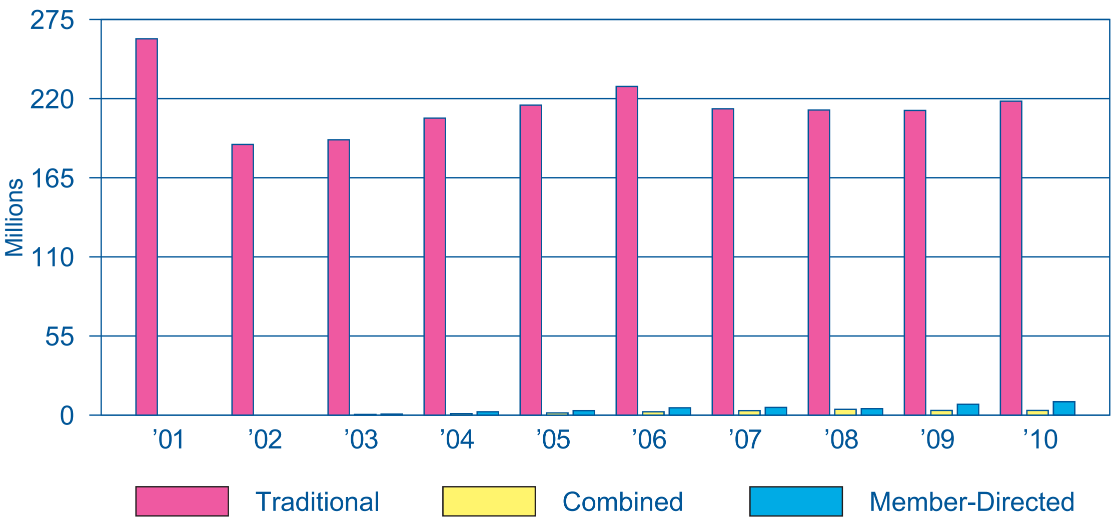
Year	Traditional Plan	Combined Plan*	Member-Directed Plan*	Total
2010	21,797	345	736	22,878
2009	21,413	389	822	22,624
2008	23,173	451	799	24,423
2007	23,679	378	739	24,796
2006	26,276	383	937	27,596
2005	28,013	253	580	28,846
2004	37,728	151	436	38,315
2003	37,022	21	79	37,122
2002	32,186	N/A	N/A	32,186
2001	40,615	N/A	N/A	40,615

* Plans commenced January 1, 2003.

Refunds by Type (continued)

2006	2005	2004	2003	2002	2001
$207,231,584	$193,717,806	$179,851,347	$151,283,802	$159,348,529	$231,665,029
18,466,920	18,638,613	19,885,182	28,263,206	15,180,435	22,378,095
9,438,129	7,879,581	10,041,443	13,662,590	12,522,851	8,638,134
$235,136,633	**$220,236,000**	**$209,777,972**	**$193,209,598**	**$187,051,815**	**$262,681,258**
$200,138,152	$189,019,842	$177,227,660	$150,846,499	$159,348,529	$231,665,029
18,458,336	18,510,705	19,872,224	28,263,206	15,180,435	22,378,095
9,438,129	7,868,055	10,021,257	13,658,630	12,522,851	8,638,134
$228,034,617	**$215,398,602**	**$207,121,141**	**$192,768,335**	**$187,051,815**	**$262,681,258**
$1,910,107	$1,346,396	$595,651	$47,738		
	39,498	2,642			
	4,268	2,749	1,752		
$1,910,107	**$1,390,162**	**$601,042**	**$49,490**		
$5,183,325	$3,351,568	$2,028,036	$389,565		
8,584	88,410	10,316			
	7,258	17,437	2,208		
$5,191,909	**$3,447,236**	**$2,055,789**	**$391,773**		

Refunds by Plan



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

Year	2009	2008	2007	2006	2005***	2005**	2004	2003	2002	2001<	2000<
Pension Assets	$57,629	$55,315	$67,151	$61,296	$54,473	$54,473	$50,452	$46,746	$43,706	$48,748	$46,844
Accrued Liabilities	76,555	73,466	69,734	66,161	62,498	61,146	57,604	54,774	50,872	47,492	46,347
Unfunded Liabilities	(18,926)	(18,151)	(2,583)	(4,865)	(8,025)	(6,673)	(7,152)	(8,028)	(7,166)	1,256	497
Funded Ratio	75.28%	75.29%	96.30%	92.65%	87.16%	89.09%	87.58%	85.34%	85.91%	102.64%	101.07%

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

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

Year	2009	2008	2007	2006	2005***	2005**	2004	2003	2002	2001<	2000<
Pension Assets	$57,519	$55,230	$67,067	$61,235	$54,433	$54,433	$50,430	$46,737	$43,706	$48,748	$46,844
Accrued Liabilities	76,407	73,346	69,639	66,089	62,447	61,099	57,573	54,756	50,872	47,492	46,347
Unfunded Liabilities	(18,888)	(18,116)	(2,572)	(4,854)	(8,014)	(6,666)	(7,143)	(8,019)	(7,166)	1,256	497
Funded Ratio	75.28%	75.30%	96.31%	92.66%	87.17%	89.09%	87.59%	85.36%	85.91%	102.64%	101.07%

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

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

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

* The Combined Plan commenced January 1, 2003. Values include annuities purchased from defined contribution accounts.
** Information prior to completion of experience study.
*** Information after completion of the experience study.

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

Year	2009	2008
Pension Assets	$0.206	$0.148
Accrued Liabilities	0.253	0.166
Unfunded Liabilities	(0.047)	(0.018)
Funded Ratio	81.39%	88.95%

* The Member-Directed Plan commenced January 1, 2003. Actuarial data for retirement annuities not available prior to 2008.

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

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

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

Health Care Solvency Period

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

* Data not available prior to 2001

Self-Funding Rate*

Year	Self-Funding Rate
2009	8.0%
2008	7.7
2007	7.4
2006	8.1
2005**	9.0

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

Contribution Rate

Year	Annual Required Contribution Rate
2010	13.34%
2009	13.26
2008	14.57
2007	16.35
2006*	16.64

* Data not available prior to 2006.

% of Contribution Rate

Year	% of Contribution Rate Funding Health Care
2010***	5.08%
2009**	5.88
2008	7.00
2007*	5.50
2006	4.50
2005	4.00
2004	4.00
2003	5.00
2002	5.00
2001	4.30

* The portion of the employer contribution rate allocated to fund health care was 5.0% for the period January 1, 2007 through June 30, 2007 and increased to 6.0% for the period July 1, 2007 through December 31, 2007. The overall effective rate for the year was 5.5%
** The portion of the employer contribution rate allocated to fund health care was 7.0% for the period January 1, 2009 through March 31, 2009 and decreased to 5.5% for the period April 1, 2009 through December 31, 2009. The overall effective rate for the year was 5.88%.
*** The portion of the employer contribution rate allocated to fund health care was 5.5% for the period January 1, 2010 through February 28, 2010 and decreased to 5.0% for the period March 1, 2010 through December 31, 2010. The overall effective rate for the year was 5.08%.

Number of Benefit Recipients by Category

Note: The values included in the following tables represent the number of individuals receiving benefit payments. One retiree account may be issued to multiple recipients or beneficiaries. See the Schedule of Retirees and Beneficiaries Added to and Removed from Rolls on page 114 for the number of retiree accounts distributed as monthly benefits as of December 31, 2010.

Traditional Plan

Year End	Annuities	Disabilities	Survivors	Total
2010	143,035	23,041	13,437	179,513
2009	135,918	22,651	13,358	171,927
2008	130,734	22,515	13,250	166,499
2007	126,002	22,108	13,232	161,342
2006	122,021	21,563	13,161	156,745
2005	118,099	20,732	12,927	151,758
2004	114,698	19,758	12,510	146,966
2003	112,247	18,859	12,537	143,643
2002	109,565	17,809	12,291	139,665
2001	105,876	16,727	12,166	134,769

Combined Plan*

Year End	Defined Benefit Pension Annuities
2010	21
2009	9
2008	7
2007	2
2006	1

* Plan commenced January 1, 2003.

Member-Directed Plan *

Year End	Annuities	Installment Payments	Total
2010	18	13	31
2009	9	10	19
2008	5	5	10
2007	2	2	4
2006	1	1	2

* Plan commenced January 1, 2003.

Number of Covered Lives by Category

Note: The values included in the following tables represent the number of lives covered by OPERS' health care coverage and the number of Member-Directed Plan members eligible to draw on their VEBA accounts.

Post-employment Health Care

Year End	Total Covered Lives
2010	217,334
2009	213,220
2008	208,857
2007	204,514
2006	200,494
2005	194,773
2004	189,227
2003	179,182
2002	170,945
2001	161,664

VEBA Plan *

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

* Plan commenced January 1, 2003.

Schedule of Benefit Recipients by Benefit Type and Amount

Note: The values included in the following tables represent the number of individuals receiving benefit payments. One retiree account may be issued to multiple recipients or beneficiaries. See the Schedule of Retirees and Beneficiaries Added to and Removed from Rolls on page 114 for the number of retiree accounts distributed as monthly benefits as of December 31, 2010.

Schedule of Benefit Recipients by Benefit Type and Amount (as of December 2010) Traditional Plan

Amount of Monthly Benefit	Annuities	Disabilities	Survivors	Number of Recipients
$1-299	12,394	325	717	13,436
300-499	9,849	411	2,081	12,341
500-999	24,323	1,960	5,772	32,055
1,000-1,499	20,954	4,358	2,575	27,887
1,500-1,999	17,577	5,174	1,122	23,873
2,000 & Over	57,938	10,813	1,170	69,921
Totals	**143,035**	**23,041**	**13,437**	**179,513**

Combined Plan (as of December 2010)

Amount of Monthly Benefit	Defined Benefit Pension Annuities
$1-299	17
300-499	4
500-999	
1,000-1,499	
1,500-1,999	
2,000 & Over	
Total	**21**

Member-Directed Plan (as of December 2010)

Amount of Monthly Benefit	Annuities	Installment Payments	Total
$1-299	15		15
300-499	2		2
500-999	1		1
1,000-1,499			
1,500-1,999			
2,000 & Over			
Various		13	13
Totals	**18**	**13**	**31**

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

Combined Plan members are also eligible for a defined (formula) benefit from their employer contributions. The Defined Benefit Pension Annuities column represents members receiving a formula benefit. Members may also receive distributions by annuitizing their defined contribution account, or via installment payments.

The Member-Directed Plan table displays the distribution of members electing either a defined benefit annuity or an installment payment option. The Annuities column represents the number of members that have liquidated their entire defined contribution account to purchase a defined benefit annuity. Members electing to purchase a defined benefit annuity with less than 100% of their defined contribution account are included in the Installment Payments column.

Number of New Pension Benefit Recipients

Note: The values included in the following tables represent the number of individuals receiving benefit payments. One retiree account may be issued to multiple recipients or beneficiaries. See the Schedule of Retirees and Beneficiaries Added to and Removed from Rolls on page 114 for the number of retiree accounts distributed as monthly benefits as of December 31, 2010.

Traditional Plan

Year	Annuities	Disabilities	Survivors	Total
2010	10,503	1,327	737	12,567
2009	9,026	1,132	723	10,881
2008	8,689	1,351	695	10,735
2007	7,701	1,429	731	9,861
2006	7,457	1,644	707	9,808
2005	7,257	1,734	729	9,720
2004	7,222	1,664	565	9,451
2003	6,559	1,833	770	9,162
2002	7,600	1,799	700	10,099
2001	5,999	1,650	754	8,403

Combined Plan*

Year	Defined Benefit Pension Annuities
2010	12
2009	2
2008	5
2007	1
2006	1

* Plan commenced January 1, 2003. First eligible retiree 2006.

Member-Directed Plan*

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

* Plan commenced January 1, 2003. First eligible retiree 2006.

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

Combined Plan members are also eligible for a defined (formula) benefit from their employer contributions. The Defined Benefit Pension Annuities column represents members receiving a formula benefit. Members may also receive distributions by annuitizing their defined contribution account, or via installment payments.

The Member-Directed Plan table displays the distribution of members electing either a defined benefit annuity or an installment payment option. The Annuities column represents the number of members that have liquidated their entire defined contribution account to purchase a defined benefit annuity. Members electing to purchase a defined benefit annuity with less than 100% of their defined contribution account are included in the Installment Payments column.

Schedule of Average Benefits

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

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

		Years Credited Service					
Retirement Effective Dates		5-9	10-14	15-19	20-24	25-30	30+
2010	Average Monthly Benefit	$684	$893	$1,216	$1,623	$2,218	$3,315
	Average Final Average Salary	$30,128	$36,592	$41,616	$45,312	$51,264	$58,633
	Number of Active Recipients	806	1,460	1,203	1,249	1,493	4,396
2009	Average Monthly Benefit	$670	$901	$1,217	$1,608	$2,195	$3,263
	Average Final Average Salary	$30,925	$37,211	$42,333	$45,453	$51,770	$57,750
	Number of Active Recipients	801	1,435	1,111	1,205	1,389	4,898
2008	Average Monthly Benefit	$658	$803	$1,102	$1,491	$2,140	$3,006
	Average Final Average Salary	$28,690	$34,193	$39,625	$43,193	$49,965	$55,247
	Number of Active Recipients	784	1,360	1,012	1,066	1,268	3,750
2007****	Average Monthly Benefit	$767	$816	$1,099	$1,519	$2,063	$2,977
	Average Final Average Salary	$31,477	$34,991	$40,020	$44,015	$48,653	$54,941
	Number of Active Recipients**	852	1,558	1,165	1,131	1,240	3,787
2006****	Average Monthly Benefit	$732	$688	$1,015	$1,406	$1,994	$2,871
	Average Final Average Salary	$28,771	$30,409	$37,248	$40,359	$46,316	$52,998
	Number of Active Recipients**	606	1,349	986	993	1,383	3,198
2005	Average Monthly Benefit	$766	$723	$1,013	$1,407	$1,987	$2,891
	Average Final Average Salary	$28,702	$32,126	$36,360	$39,854	$46,151	$52,805
	Number of Active Recipients**	645	1,317	987	954	1,319	3,442
2004	Average Monthly Benefit	$784	$618	$985	$1,377	$1,889	$2,788
	Average Final Average Salary	$29,654	$27,902	$34,872	$38,429	$43,826	$50,600
	Number of Active Recipients**	520	1,215	1,016	932	1,282	3,072
2003	Average Monthly Benefit	$736	$658	$1,040	$1,386	$1,944	$2,885
	Average Final Average Salary	$25,541	$29,196	$35,115	$37,183	$42,518	$49,747
	Number of Active Recipients**	642	1,254	1,037	944	1,230	3,131
2002	Average Monthly Benefit	$703	$611	$965	$1,290	$1,855	$2,667
	Average Final Average Salary	$25,392	$27,426	$33,170	$34,733	$41,607	$46,883
	Number of Active Recipients**	579	1,295	1,069	1,079	1,393	3,489
2001	Average Monthly Benefit	$635	$621	$953	$1,286	$1,777	$2,554
	Average Final Average Salary	$24,281	$28,405	$32,628	$35,007	$39,560	$45,092
	Number of Active Recipients	470	1,079	890	929	1,098	2,561

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

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

Retirement Effective Dates		Years Credited Service 5-9	Years Credited Service 10-14
2010	Average Monthly Benefit	$229	$217
	Average Final Average Salary	$61,819	$33,958
	Number of Active Recipients	7	4
2009	Average Monthly Benefit	$212	$232
	Average Final Average Salary	$54,215	$42,062
	Number of Active Recipients	1	1
2008	Average Monthly Benefit	$95	$85
	Average Final Average Salary	$25,665	$21,305
	Number of Active Recipients	3	2
2007	Average Monthly Benefit	$152	
	Average Final Average Salary	$37,369	
	Number of Active Recipients	1	
2006	Average Monthly Benefit	$118	
	Average Final Average Salary	$50,116	
	Number of Active Recipients	1	

** All years begin January 1 and end December 31.

Member Counts

Note: The values included in the following tables represent the number of individuals receiving benefit payments. One retiree account may be issued to muliple recipients or beneficiaries. See the Schedule of Retirees and Beneficiaries Added to and Removed from Rolls on page 114 for the number of retiree accounts distributed as monthly benefits as of December 31, 2010.

Member Count—Pension Plans — Total All Pension Plans *

Year End	Active	Inactive	Benefit Recipients	Total
2010	356,734	438,434	179,565	974,733
2009	365,229	416,548	171,955	953,732
2008	374,002	395,445	166,516	935,963
2007	382,177	364,823	161,348	908,348
2006	381,464	346,697	156,748	884,909
2005	381,413	327,864	151,758	861,035
2004	375,076	313,248	146,966	835,290
2003	368,996	302,546	143,643	815,185
2002	402,041	255,528	139,665	797,234
2001	411,076	224,677	134,769	770,522

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

Member Count—Pension Plans * — Traditional Plan

Year End	Active	Inactive	Benefit Recipients	Total
2010	341,779	434,804	179,513	956,096
2009	351,166	413,461	171,927	936,554
2008	360,107	392,687	166,499	919,293
2007	368,780	362,742	161,342	892,864
2006	369,728	345,070	156,745	871,543
2005	371,148	326,528	151,758	849,434
2004	366,470	312,480	146,966	825,916
2003	361,704	302,221	143,643	807,568
2002	402,041	255,528	139,665	797,234
2001	411,076	224,677	134,769	770,522

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

Member Count—Pension Plans — Combined Plan*

Year End	Active	Inactive	Benefit Recipients	Total
2010	6,554	1,052	21	7,627
2009	6,403	942	9	7,354
2008	6,376	846	7	7,229
2007	6,244	659	2	6,905
2006	5,609	519	1	6,129
2005	5,026	414	0	5,440
2004	4,223	232	0	4,455
2003	3,590	92	0	3,682

* Plan commenced January 1, 2003.

Member Count—Pension Plans — Member-Directed Plan*

Year End	Active	Inactive	Benefit Recipients	Total
2010	8,401	2,578	31	11,010
2009	7,660	2,145	19	9,824
2008	7,519	1,912	10	9,441
2007	7,153	1,422	4	8,579
2006	6,127	1,108	2	7,237
2005	5,239	922	0	6,161
2004	4,383	536	0	4,919
2003	3,702	233	0	3,935

* Plan commenced January 1, 2003.

Member Count—Health Care Plans			Total All Health Care Plans *	
Year End	Active	Inactive	Benefit Recipients	Total
2010	8,392	2,574	218,911	229,877
2009	7,660	2,126	214,480	224,266
2008	7,520	1,886	209,222	218,628
2007	6,942	1,440	204,690	213,072
2006	5,742	1,122	200,787	207,651
2005	5,004	858	194,958	200,820
2004	4,282	506	189,302	194,090
2003	3,586	27	179,191	182,804
2002	N/A	N/A	170,945	170,945
2001	N/A	N/A	161,664	161,664

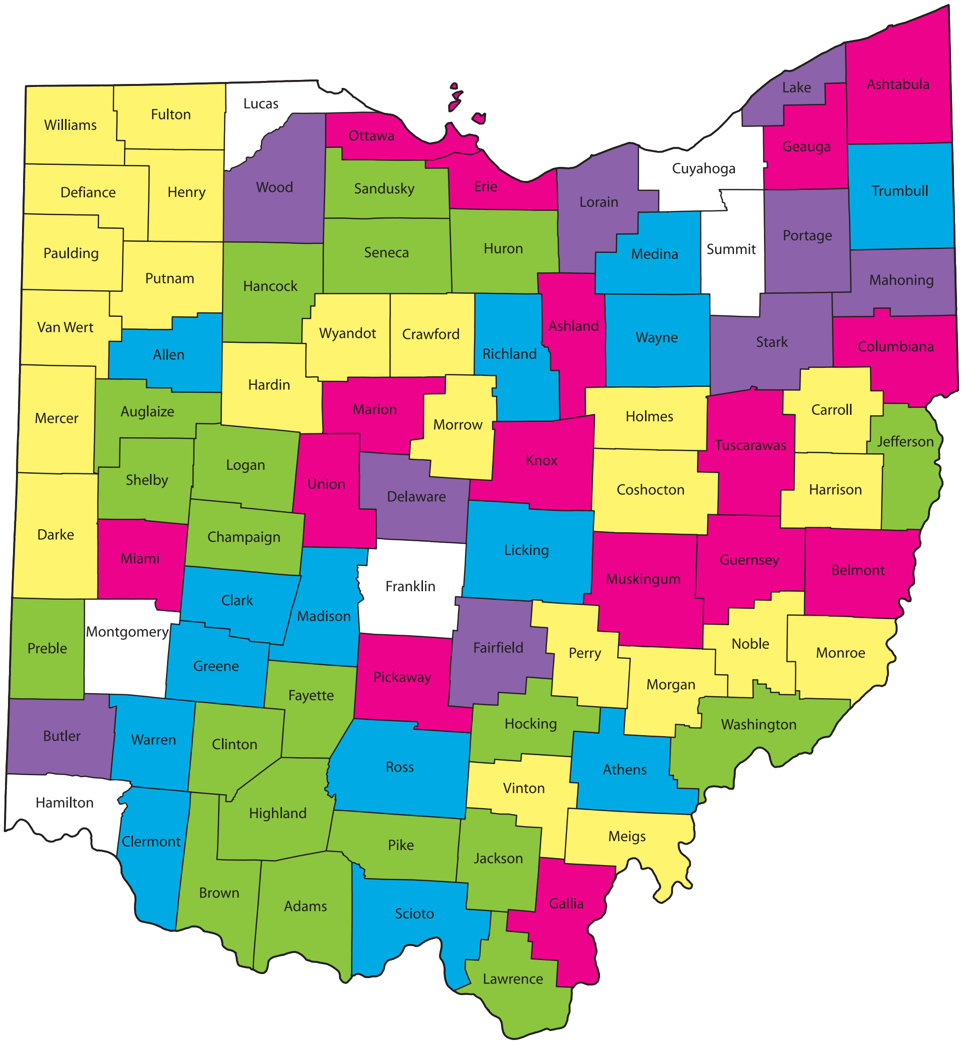
* Prior to 2003, includes the Post-employment Health Care Plan only. Effective 2003, includes the Post-employment Health Care Plan and the VEBA Plan.

Member Count—Health Care Plans			Post-employment Health Care*	
Year End	Active	Inactive	Benefit Recipients	Total
2010	N/A	N/A	217,334	217,334
2009	N/A	N/A	213,220	213,220
2008	N/A	N/A	208,857	208,857
2007	N/A	N/A	204,514	204,514
2006	N/A	N/A	200,494	200,494
2005	N/A	N/A	194,773	194,773
2004	N/A	N/A	189,227	189,227
2003	N/A	N/A	179,182	179,182
2002	N/A	N/A	170,945	170,945
2001	N/A	N/A	161,664	161,664

* Benefit Recipients is defined as the number of covered lives.

Member Count—Health Care Plans			VEBA Plan*	
Year End	Active	Inactive	Benefit Recipients	Total
2010	8,392	2,574	1,577	12,543
2009	7,660	2,126	1,260	11,046
2008	7,520	1,886	365	9,771
2007	6,942	1,440	176	8,558
2006	5,742	1,122	293	7,157
2005	5,004	858	185	6,047
2004	4,282	506	75	4,863
2003	3,586	27	9	3,622

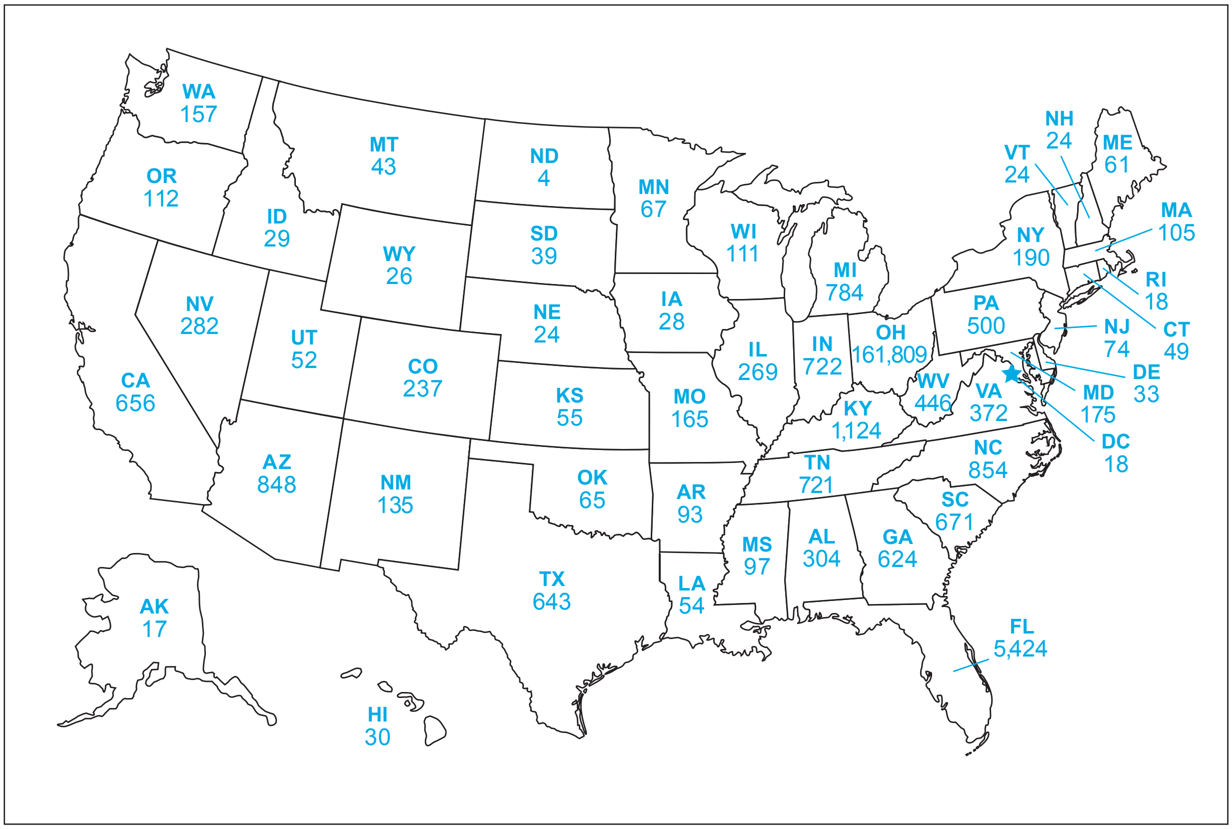
* Plan commenced January 1, 2003.



Color Key

$0-$10 million	Yellow
$10-$15 million	Green
$15-$25 million	Magenta
$25-$50 million	Blue
$50-$100 million	Purple
$100 million +	White

Of the 179,565 retirees and beneficiaries in OPERS, 161,809, or 90.1%, remain Ohio residents. Pension benefit payments approaching $3.4 billion this year are distributed throughout Ohio, representing OPERS' impact on the state's economy.



Recipients Outside United States

Australia	2
Austria	2
Brazil	1
Bulgaria	2
Canada	20
Costa Rica	1
Croatia	1
Czech Republic	2
Egypt	2
England	5
France	3
Germany	3
Greece	2
Hungary	1
Ireland	1
Israel	5
Italy	6
Jordan	1
Latvia	1
Lebanon	2
Lithuania	1
Mexico	1
New Zealand	1
Norway	1
Pakistan	1
Philippines	3
Poland	1
Puerto Rico	12
Romania	1
Scotland	2
Singapore	1
Slovak Republic	1
Spain	4
Thailand	1
United Kingdom	1
Virgin Islands	4
West Indies	2

Contribution Rates — Traditional Plan

	Year	Member Rates	Employer Rates: Normal Cost	Employer Rates: Unfunded Liability	Employer Rates: Health	Total Employer Rates	Total Aggregate Employer and Member Rates
State	2010***	10.00%	5.35%	3.65%	5.00%	14.00%	24.00%
	2009**	10.00	4.89	3.61	5.50	14.00	24.00
	2008	10.00	4.89	2.11	7.00	14.00	24.00
	2007*	9.50	4.21	3.56	6.00	13.77	23.27
	2006	9.00	5.67	3.37	4.50	13.54	22.54
	2005	8.50	5.70	3.61	4.00	13.31	21.81
	2004	8.50	5.95	3.36	4.00	13.31	21.81
	2003	8.50	6.17	2.14	5.00	13.31	21.81
	2002	8.50	6.99	1.32	5.00	13.31	21.81
	2001	8.50	7.68	1.33	4.30	13.31	21.81
Local	2010***	10.00%	5.06%	3.94%	5.00%	14.00%	24.00%
	2009**	10.00	4.46	4.04	5.50	14.00	24.00
	2008	10.00	4.46	2.54	7.00	14.00	24.00
	2007*	9.50	4.10	3.75	6.00	13.85	23.35
	2006	9.00	5.57	3.63	4.50	13.70	22.70
	2005	8.50	5.66	3.89	4.00	13.55	22.05
	2004	8.50	5.92	3.63	4.00	13.55	22.05
	2003	8.50	6.14	2.41	5.00	13.55	22.05
	2002	8.50	6.98	1.57	5.00	13.55	22.05
	2001	8.50	7.68	1.57	4.30	13.55	22.05
Law Enforcement	2010***	11.10%	8.95%	3.92%	5.00%	17.87%	28.97%
	2009**	10.10	9.65	2.48	5.50	17.63	27.73
	2008	10.10	9.65	0.75	7.00	17.40	27.50
	2007*	10.10	7.62	3.55	6.00	17.17	27.27
	2006	10.10	8.63	3.80	4.50	16.93	27.03
	2005	10.10	8.65	4.05	4.00	16.70	26.80
	2004	10.10	8.77	3.93	4.00	16.70	26.80
	2003	10.10	8.88	2.82	5.00	16.70	26.80
	2002	10.10	10.87	0.83	5.00	16.70	26.80
	2001	10.10	11.50	0.90	4.30	16.70	26.80
Public Safety	2010***	10.50%	8.55%	4.32%	5.00%	17.87%	28.37%
	2009**	10.10	8.63	3.50	5.50	17.63	27.73
	2008	10.10	8.63	1.77	7.00	17.40	27.50
	2007*	9.75	7.16	4.01	6.00	17.17	26.92
	2006	9.00	9.04	3.39	4.50	16.93	25.93
	2005	9.00	8.65	4.05	4.00	16.70	25.70
	2004	9.00	8.77	3.93	4.00	16.70	25.70
	2003	9.00	8.88	2.82	5.00	16.70	25.70
	2002	9.00	10.99	0.71	5.00	16.70	25.70
	2001	9.00	11.79	0.61	4.30	16.70	25.70

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

Contribution Rates — Combined Plan#

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

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

Contribution Rates — Member-Directed Plan#

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

* Determination of Unfunded Liability is not yet known due to the impact of defined contribution account purchases of defined benefit annuities.
# Plan commenced January 1, 2003.

Number of Employer Units — All Plans*

Calendar Year	State	County**	Law Enforcement	Municipalities	Villages	Miscellaneous	Libraries	Townships	Totals
2010	269	215	241	247	675	491	253	1,308	3,699
2009	270	238	237	248	671	489	253	1,308	3,714
2008	269	244	248	251	670	474	254	1,314	3,724
2007	273	241	245	251	671	465	254	1,314	3,714
2006	276	238	244	253	671	459	254	1,312	3,707
2005	277	239	247	255	671	454	257	1,312	3,712
2004	268	240	241	255	672	456	256	1,314	3,702
2003	268	239	247	255	673	450	257	1,313	3,702
2002	263	237	251	256	671	450	256	1,312	3,696
2001	266	239	255	258	665	442	256	1,309	3,690

* The number of employer units exceeds the number of reporting employers as some employers report multiple divisions or agencies. The number of employers reporting at December 31, 2010 was 3,245.

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

Principal Participating Employers

Participating Government	2010 Covered Employees	2010 Rank	2010 Percentage of Total System	2005* Covered Employees	2005* Rank	2005* Percentage of Total System
The Ohio State University	21,022	1	5.89%	23,696	1	6.21%
Cuyahoga County	8,530	2	2.39	10,062	2	2.64
Franklin County	6,581	3	1.85	6,551	4	1.72
City of Columbus	6,124	4	1.72	5,864	8	1.54
University of Cincinnati	6,085	5	1.71	5,083	9	1.33
City of Cleveland	5,844	6	1.64	6,569	3	1.73
Ohio Department of Transportation	5,684	7	1.59	6,297	5	1.65
Metrohealth Medical Center	5,562	8	1.56	5,988	6	1.57
Montgomery County	4,612	9	1.29	4,896	10	1.28
Hamilton County	4,509	10	1.26	5,951	7	1.56
All Other (see table below)	282,181	N/A	79.10	300,456	N/A	78.77
Total	**356,734**	**N/A**	**100.00%**	**381,413**	**N/A**	**100.00%**

* Information not available prior to 2005.

Principal Participating Employers — All Other Categories

Participating Government	2010 Number	2010 Employees	2005 Number	2005 Employees
State	266	84,835	274	84,251
County	210	78,098	235	72,861
Municipalities	245	49,124	253	55,711
Miscellaneous	491	20,907	453	33,975
Libraries	253	13,342	257	15,405
Townships	1,308	14,539	1,312	15,108
Villages	675	14,091	671	15,222
Law Enforcement/Public Safety	241	7,245	247	7,923
Total	**3,689**	**282,181**	**3,702**	**300,456**

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Plan Statement






Ohio residents have the statistical expectancy of living well into their seventies and eighties. Contributing to that longevity are the many public employees who provide important health-oriented services such as disease control, infant wellness care, school nurse services, and some of the life-saving research at Ohio's universities. Collectively, these individuals help boost the possibility of every Ohio resident living a full, safe and productive life.

OPERS

Plan Statement

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

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

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

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

Plan Types

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

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

- **The Traditional Plan**

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

- **The Member-Directed Plan**

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

- **The Combined Plan**

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

Contributions

Employers are required to make contributions to the System on the basis of a percentage of reportable payroll, and at a rate based upon the recommendations of OPERS' actuary. Penalties and interest are added for late payments. The contribution rate for state and local employers in 2010 was 14.0%. Employers in the law enforcement and public safety divisions contributed 17.87%.

The 2010 employee contribution rate for state and local members was 10.0% of earnable salary. Members in the public safely division contributed 10.5% of earnable salary, while members in the law enforcement division contributed 11.1%. Individual accounts for each OPERS member are maintained. Funds contributed by members of the Traditional Plan are fully refundable at service termination or death. The refund value of contributions made by members of the Combined Plan and the Member-Directed Plan are subject to changes (gains or losses) that occur as a result of the member's selected investment options.

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

Additional Voluntary Contributions

- **Traditional Plan**

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

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

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

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

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

Benefits under the Traditional Plan or the Combined Plan

Age-and-Service Retirement

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

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

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

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

Service credit allowed under Chapter 145 of the ORC includes:

1) Service for the state of Ohio or an Ohio political subdivision for which contributions have been paid;
2) Certain military service which interrupted contributing public service;
3) Any out-of-public service period of three years or less during which the member was receiving an award under Workers' Compensation;
4) Previously unreported service in Ohio;
5) Service purchased by the member for:
    a) Other military service that is not being used for other retirement programs, except Social Security;
    b) Prisoner-of-war service;
    c) An authorized leave of absence that did not exceed one year;
    d) Comparable public service that is not being used for other retirement programs, except Social Security, performed outside Ohio or with the federal government, or for which contributions were made to an Ohio municipal retirement system;

e) Restoration of previously refunded service;

f) Restoration of previously refunded service from the Ohio Police and Fire, Ohio State Highway Patrol, or City of Cincinnati Retirement System, not being used for any other retirement benefit;

g) Service which was previously covered by a valid exemption under OPERS;

h) The amount of 35% additional credit on completed terms of full-time contributing elected official service, or board, commission, or other public body service by members who are appointed by the governor with the advice and consent of the Senate;

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

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

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

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

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

Disability Benefits

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

A member who has at least five years of contributing service credit and who becomes permanently disabled due to a mentally or physically disabling condition for the performance of duty may apply to OPERS for monthly disability benefits. Members in the law enforcement division do not need five years of service credit to apply for disability if the disabling condition was the result of an on-duty illness or injury.

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

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

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

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

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

Survivor Benefits

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

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

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

1) The member had 18 months of Ohio service credit with three of those months within the two and one-half years immediately before death, or

2) The member was receiving a disability benefit from OPERS, or

3) The member was eligible for retirement but did not retire and continued to work.

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

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

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

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

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

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

Additional Benefits

- ***Health Care Coverage***—With two exceptions, OPERS-provided health care benefits are neither a guaranteed nor statutorily required benefit. Medicare Part B reimbursements (see below) and Medicare Part A equivalent coverage for non-Medicare eligible retirees and their eligible dependents are provided by statute. Currently, members applying for age-and-service retirement who have 10 or more years of Ohio service credit have access to OPERS-provided health care coverage on a subsidized basis. These 10 years may not include out-of-state and/or military service purchased after January 29, 1981; service granted under an early retirement incentive plan; or credit purchased after May 4, 1992 for exempt service. Access to health care coverage is also available for disability recipients and primary survivor recipients. Dependents of eligible recipients as defined by the health care plan may be covered through additional premiums. Qualified benefit recipients may also have access to alternative health care plans offered by OPERS.

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

Effective January 1, 2007, OPERS implemented the Health Care Preservation Plan (HCPP) to improve the long-term solvency of the health care fund. The plan features three coverage levels, and provides monthly allowances for health care coverage for retirees and their dependents based on the retiree's years of service. The allowance is determined at date of retirement, and is adjusted for inflation annually thereafter based on Board-approved caps. Members who were eligible to retire on January 1, 2007 with at least 10 years of service (Group 1) receive an allowance equal to 100% of the cost of health care coverage under the enhanced plan. Members hired prior to January 1, 2003 but eligible to retire after January 1, 2007 (Group 2), receive allowances ranging from 50% to 100% of the cost of health care coverage under the enhanced plan. Members hired after January 1, 2003 (Group 3) receive allowances ranging from 25% to 100%. The allowances for Groups 2 and 3 increase with each year of service up to the maximum of 100% with 30 years of service. Coverage for the retiree's dependents is similarly phased.

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

Recipients also have access to dental, vision, and long term care coverage. These are fully insured products with the retiree paying the total cost of coverage.

- ***Medicare Part B***—Recipients and their covered dependents who are enrolled in the OPERS health care plan must enroll in Medicare Part B (medical) when they become eligible, even if they are covered by health care through their current employer. If the retiree and/or the retiree's dependents are eligible for Medicare Part B and do not enroll in the plan or terminate their Medicare Part B coverage, the OPERS plan will estimate the amount Medicare Part B would have paid and deduct this amount from the OPERS-covered payment.

- ***Medicare Part B Reimbursement***—OPERS provides for reimbursement of eligible retiree Medicare Part B premiums at an amount approved by the OPERS Board of Trustees. The Board has the authority to set the Medicare B premium reimbursement amount annually, at a value not less than $96.40 per month. Eligible retirees may receive reimbursement of the actual premiums paid up to a maximum of the Board-approved rate for as long as the retiree is enrolled in the program. (OPERS does not provide this reimbursement benefit to retiree spouses.) Proof of enrollment in Medicare Part B and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

- ***Cost-of-Living Adjustment***—When a benefit recipient has received benefits for 12 months, an annual 3% cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded.

- ***Death Benefit***—Upon the death of an age-and-service or disability benefit recipient, a lump-sum death benefit is paid to the qualified beneficiary. The benefit ranges from $500 to $2,500 based on the recipient's years of service credit.
- ***Qualified Excess Benefit Arrangement (QEBA)***—Total benefit payments to an individual are subject to the limitations identified in Section 415(b) of the Internal Revenue Code. In 2003, OPERS implemented a Qualified Excess Benefit Arrangement that allows OPERS recipients to receive the amount of their calculated benefit that exceeds the IRS limits.

Refunds

A refund may be issued after three months have elapsed since the member terminated OPERS-covered service. For members of the Traditional Plan, the refund value is equal to their accumulated contributions, plus interest. Members of the Combined Plan and the Member-Directed Plan may refund their defined contribution account balances equal to their accumulated contributions net of investment gains or losses. Members of the Traditional Plan and the Combined Plan may also qualify for an additional payment calculated on their eligible contributions. If the member has at least five but less than 10 years of service credit in the plan, the additional amount is 33% of the member's eligible contributions. Members with at least 10 years of service credit in the plan may receive an additional amount equal to 67% of eligible contributions.

Under the Traditional Plan, full recovery of all employee contributions to OPERS is guaranteed. If the Traditional Plan member is also a member of the State Teachers Retirement System of Ohio Defined Benefit Plan or the School Employees Retirement System of Ohio, an application for refund must be filed with all system(s) in order to receive a refund from OPERS. It the employee is eligible for a monthly retirement benefit and is legally married at the time the refund is filed, spousal consent is required.

Refunded service credit may be restored if the member returns to OPERS covered employment for at least 18 months. The amount refunded, including interest and additional payment (if applicable), must be repaid for service credit to be restored. The member must also pay interest (compounded annually) at a rate determined by the Board for the period from the date of refund to the date the refund is repaid.

Benefits under the Member-Directed Plan

Retirement

Members participating in the Member-Directed Plan are eligible to retire after they reach age 55. At the time these members file their applications for retirement, they may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), payments for a fixed period, payments of a specific monthly amount, or a combination of these options. Members also may defer payment of their individual OPERS account.

Disability and Survivor Benefits

Participants in the Member-Directed Plan are not eligible for disability or survivor benefits. In the event of disability or death, the vested portion of the participant's accounts is available for refund to the member or qualified beneficiaries.

Additional Benefits

- ***Health Care Coverage***—Members participating in the Member-Directed Plan do not have access to the same health care coverage that is available to members of the Traditional and Combined plans. Instead, a portion of the employer contribution is credited to a Voluntary Employees' Beneficiary Association (VEBA) account in the member's name. Members become fully vested in this account after five years of participation in the Member-Directed Plan. Vesting occurs at a rate of 20% for each year of participation until the member is fully vested after five years. Upon refund or retirement, vested contributions in the VEBA may be used for the payment of qualified health, dental, and vision care expenses.

Refunds

Members participating in the Member-Directed Plan may receive employee contributions net of investment gains or losses earned on those contributions. Depending on length of participation in the Member-Directed Plan, a member may also receive a portion of the employer contributions, plus any investment earnings, based on the following schedule:

Years of Participation	Percent Vested
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

Coverage and Benefits for Re-employed Retirees

After a member retires, re-employment in an OPERS-covered job, including service in an elected position, is permitted but may affect continuing receipt of an age-and-service retirement benefit. Contributions must begin from the first day of re-employment, however members who are re-employed anytime within the first two months after their effective retirement benefit date will forfeit their retirement allowance during this two-month period. This prohibition applies even if salary is waived for the two-month forfeiture period. Forfeiture of the retirement allowance will interrupt the retiree's health care coverage. Contributions remitted during the two-month forfeiture period will also not be included in the calculation of a Money Purchase Plan annuity benefit.

An OPERS retiree or a retiree from another Ohio retirement system who returns to OPERS-covered employment as an elected official is treated as a re-employed retiree. However, if a member covered for non-elected official service is also an elected official contributing to Social Security for the elected position, the elected service has no effect on the OPERS retirement. Subsequent elected service will not be considered re-employment for OPERS purposes.

A retiree cannot continue to receive benefits and work as an independent contractor under a contract for any period of time for the employer from which they retired. This prohibition is applicable regardless of the number of hours or days actually worked. A retiree may be compensated under a contract for services as an independent contractor for another public employer. If this occurs within the first two months of retirement, he or she will forfeit their pension benefits for the entire period of service as an independent contractor.

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Upon termination of re-employment, retirees under age 65 may receive a refund of their employee contributions made during the period of re-employment, plus interest. Retirees age 65 and older may receive an annuity benefit that is based on the amount of their employee contributions during the period of re-employment plus interest, and an amount from the employer's contribution determined by the Board. The employer contribution amount is currently 67% of the employee contributions and interest. Payment options are the same as those described under the Age-and-Service Retirement Section above.