TABLE OF CONTENTS

BOARD OF TRUSTEES

ADMINISTRATIVE STAFF

Allen J. Proctor
Executive Director

James Martin
Chief Financial Officer

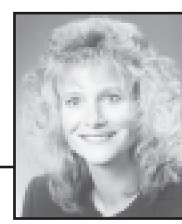
Theodore G. Hall
Chief Investment Officer

Kay Penn
Director of Member Services

Michael Heys
Director of Human Resources

Michael Sawczyn
Chief Information Officer

Diane M. Lease
General Counsel



Debbie D. Young
Director of Benefit Services

PROFESSIONAL CONSULTANTS

Actuaries:
Watson Wyatt Worldwide

Legal Counsel:
Attorney General Betty Montgomery

Independent Accountants:
Deloitte & Touche LLP

Investment Consultants and Managers:
See page 35

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Police and Firemen's Disability and Pension Fund of Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1998

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

President

Executive Director

LETTER OF TRANSMITTAL

Ohio Police & Fire Pension Fund

May 19, 2000

Dear Chairman and Members of the Board of Trustees:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Ohio Police and Fire Pension Fund (the Fund) for the year ended December 31, 1999. This CAFR was prepared to aid interested parties in assessing the Fund's status at December 31, 1999, and its results for the year then ended. The report is divided into five sections: (1) the Introductory Section contains this Letter of Transmittal, along with the identification of the administrative organization of the Fund; (2) the Financial Section includes the Independent Auditors' Report and the financial statements; (3) the Investment Section contains the investment report, portfolio summary, and the investment policy and guidelines; (4) the Actuarial Section includes significant actuarial data pertaining to the Fund and the certification letter of Watson-Wyatt; and (5) the Statistical Section includes historical data reporting progress of the Fund.

Accounting System and Internal Controls

The financial statements were prepared in accordance with generally accepted accounting principles applicable to governmental units, including the pronouncements of the Governmental Accounting Standards Board (GASB). Additional information on the Fund's significant accounting policies are contained in Note 1 of the Notes to the Combining Financial Statements in the Financial Section.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Fund are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Management believes its internal control structure meets these objectives.

Plan History and Overview

The Fund is a cost-sharing multiple employer public employee retirement system and was created by the Ohio General Assembly in 1965, replacing 454 separate local police and firemen's relief and pension funds in Ohio. The statewide Fund began operating January 1, 1967. On that date the local pension funds transferred their assets and liabilities to the Fund. Assets transferred to the Fund were approximately $75 million. The Fund's actuary computed the liabilities accrued up to 1966 at approximately $490 million. Unfunded accrued liabilities totaling nearly $129.7 million as of December 31, 1999 are being paid by employers over a 67-year period, which began in 1969.

The Fund provides pension, disability and health care to qualified participants, survivor and death benefits and health care to qualified spouses, children and dependent parents. Please refer to the Plan Summary in the Actuarial Section for further information on plan benefits.

Membership in the Fund is mandatory under Ohio law for all full-time police officers employed by Ohio municipalities. Full-time fire fighters employed by townships, municipalities, township joint fire districts or other political subdivisions must become members of the Fund if satisfactory completion of a fire fighter training course approved under Section 3303.07 or conducted under Section 3737.33 of the Ohio Revised Code is required for employment. The table below is a tabulation of current participating employers at December 31, 1999.

Participating Employers

	Police	Fire
Municipalities	270	213
Townships	-	107
Villages	351	33
Total	621	353

Major Initiatives and Accomplishments

The Fund ended a successful and productive 1999 marked with improved service and benefits to members, as well as enhanced internal operations. Service improvements ranged from introducing a more effective process for members who visit the fund, including free parking, to substantially faster processing of benefit payments for new retirees. Benefit enhancements included adding improved dental coverage and introducing an increase in survivor benefits and an expanded cost-of-living adjustment program to all eligible benefit recipients with the recent signing of Ohio House Bill 275, as further discussed below. Enhancements to Fund internal operations involved tighter financial accounting controls, improved investment oversight, enhanced computer systems, a substantial upgrade of staff recruitment and training, and the introduction of rigorous legal and internal audit reviews.

Ohio recently unanimously passed House Bill 275, the final installment in the Fund's efforts to improve benefits for future survivors and older retirees. The bill, which was effective December 21, 1999, provides a $550 monthly benefit with annual cost-of-living adjustments (COLAs) to all future survivors and a COLA program to all pre-1986 retirees. Passage of this bill marks the end of almost two years of hearings, meetings, and repeated statements about the financial strength of the Fund. The passage of this bill now allows the Fund to offer an equal benefit structure to all Fund retirees and their survivors, as they will finally have access to COLA programs and the same minimum benefit levels.

The Fund continues to focus on replacing inefficient computer systems and programs. The Fund completed installation of a new general ledger accounting package in early 1999. After that was completed, a new payroll system was purchased and installed. Finally, the Fund is in the middle of purchasing and installing a new investment accounting software package, to be installed and operating by September 1, 2000.

To operate the above-mentioned systems and support the other computer programs managed by the Fund, all PCs were either upgraded or replaced in 1999. In addition, several of the servers and the AS400 were replaced, which results in improved performance of all compter programs and software applications.

The Fund completed its Y2K compliance testing in the middle of 1999. The Fund **did not** experience any disruption to normal business operations related toY2K.

Financial Overview

The Fund receives virtually all of its funds from the following sources: member contributions, employer contributions, retiree medical benefit contributions, state subsidies and reimbursements, and investment earnings. Additions to net assets totaled $1,535,882,266 in 1999.

Additions to Plan Net Assets	**1999**		**1998**	
(in thousands)	**Amount**	**Percent**	**Amount**	**Percent**
Net Investment Income	$1,101,764	72%	$ 913,734	69%
Contributions	424,088	28	399,107	30
Interest on Local Funds Receivable	6,249	0	8,606	1
Other	3,781	0	1,861	0
Total	$1,535,882	100%	$1,323,308	100%

There were no unusual fluctuations to income during 1999.

Benefit payments are the primary deductions from net plan assets.

Deductions to Plan Net Assets	**1999**		**1998**	
(in thousands)	**Amount**	**Percent**	**Amount**	**Percent**
Benefits	$542,654	93%	$482,071	95%
Administrative Expenses	11,549	2	10,900	2
Discount on Early Payoff of Receivables	12,471	3	8,865	2
Refund of Employee Contributions	11,389	2	5,685	1
Other	887	0	592	0
Total	$578,950	100%	$508,113	100%

House Bill 194, along with Senate Bill 118 and House Bill 275 increased the benefits to survivors in 1999 as noted early, which included a one-time lump sum retroactive benefit paid in February 1999. Many employers have taken advantage of our early payoff program of Pre-1967 employer accrued liabilities, resulting in an increase in the discounts on early payoff of receivables. Ohio House Bill 648 requires the Fund to pay the other State of Ohio retirement systems interest on the members' and related employers' contribution, as well as transfer the employer share, when a member transfers its accumulated contributions to the other system. Prior to 1999, the Fund was only required to transfer the members' accumulated contributions. This caused an increase in the cost of refunds in 1999.

Funding Practices and Actuarial Overview

Funds are derived from the excess of additions over deductions, and are accumulated by the Fund in order to meet current and future benefit obligations to retirees and beneficiaries. The excess of additions over deductions for the year ended December 31, 1999, increased the fund balance by approximately $957 million.

Investment Policy

The Fund invests all available funds in order to maximize both current income yield and long-term appreciation. For the year ended December 31, 1999, the investment portfolio provided 72% of the Fund's total additions to plan net assets, while contributions provided 28%, respectively.

The primary objective of the Fund's investment policy is to assure that the Fund meets its responsibilities for providing retirement and other benefits. The portfolio is diversified to provide adequate cash flow and to provide the highest possible total return on the Fund's assets with the least exposure to risk. The Fund's total rate of return on its investment portfolio remained steady with a return of 13.82% in 1999, as compared to 13.8% in 1998. The return was well in excess of the actuarial assumption of 8.25%.

Details of portfolio composition, rates of return, analysis of significant economic conditions, and additional information concerning the Fund's investment policy are provided in the Investment Section.

Material Plan Amendments

There were no material plan amendments in 1999.

Independent Audit

The financial statements of the Fund for the year ended December 31, 1999, were audited by Deloitte & Touche LLP, independent certified public accountants, whose opinion thereon is included in of the Financial Section.

Notes to the Combining Financial Statements

The notes to the combining financial statements, which follow the financial statements, contain additional information and are an integral part of such statements.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fund for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 1998. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Acknowledgments

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

Respectfully submitted,

ALLEN J. PROCTOR
Executive Director

JAMES E. MARTIN
Director of Finance

FINANCIAL SECTION

(THIS PAGE LEFT BLANK INTENTIONALLY)

INDEPENDENT AUDITORS REPORT

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Ohio Police and Fire Pension Fund:

We have audited the accompanying combining statements of plan net assets of Ohio Police and Fire Pension Fund (the "Fund"), formerly the Police and Fireman's Disability and Pension Fund of Ohio, as of December 31, 1999 and 1998 and the related combining statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Fund as of December 31, 1999 and 1998, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Fund taken as a whole. The accompanying financial information listed as supplemental schedules in the foregoing table of contents, which is also the responsibility of the management of the Fund, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Fund. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements for the year ended December 31, 1999 and 1998, and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 1999 and 1998 financial statements taken as a whole.

The statistical data on pages 60- 63 is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Fund. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report date May 3, 2000, on our consideration of the Fund's internal control structure and on its compliance with laws and regulations.

Deloitte & Touche LLP

May 3, 2000

OHIO POLICE AND FIRE PENSION FUND

COMBINING STATEMENT OF PLAN NET ASSETS

as of December 31, 1999 and 1998

	Pensions	Postemployment Healthcare	Death Benefit Fund	1999 Total
Assets				
Cash and Short-term Investments	$ 155,634,569	4,736,868	11,199,684	$ 171,571,121
Receivables:				
Employers' Contributions	58,204,104	28,219,946		86,424,050
Employees' Contributions	10,950,718	-		10,950,718
Accrued Investment Income	36,928,583	1,123,952		38,052,535
Investment Sales Proceeds	8,826,975	268,656		9,095,631
Local Funds Receivable	129,738,252	-		129,738,252
Total Receivables	244,648,632	29,612,554	-	274,261,186
Investment, at fair value:				
Bonds	1,417,590,836	43,145,559		1,460,736,395
Mortgage & Asset Backed Securities	1,335,721,110	40,653,786		1,376,374,896
Stocks	3,735,887,929	113,704,864		3,849,592,793
Real Estate	707,084,603	21,520,710		728,605,313
Commercial Mortgage Funds	111,317,772	3,388,049		114,705,821
Venture Capital	52,115,543	1,586,180		53,701,723
International Securities	1,497,526,385	45,578,464		1,543,104,849
Mortgage Note Receivables	12,324,882	375,118		12,700,000
Total Investments	8,869,569,060	269,952,730	-	9,139,521,790
Collateral on Loaned Securities	812,167,721	24,719,002	-	836,886,723
Fixed Assets:				
Furniture and Equipment	22,830,962	694,879		23,525,841
Accumulated Depreciation	(3,277,367)	(99,749)		(3,377,116)
Total Fixed Assets	19,553,595	595,130	-	20,148,725
Prepaid Expenses and Other	111,484	3,393		114,877
TOTAL ASSETS	10,101,685,061	329,619,677	11,199,684	10,442,504,422
Liabilities:				
Medical Benefits Payable	-	12,575,793		12,575,793
Investment Commitments Payable	131,297,515	3,996,149		135,293,664
Accrued Administrative Expenses	5,018,666	152,747		5,171,413
Liabilities for Death Benefit Fund Benefits			11,199,684	11,199,684
Other Liabilities	5,427,573	165,193		5,592,766
Obligations Under Securities Lending	812,167,721	24,719,002		836,886,723
TOTAL LIABILITIES	953,911,475	41,608,884	11,199,684	1,006,720,043
Net assets held in trust for pension and postemployment healthcare benefits	$9,147,773,586	$288,010,793	$ -	$9,435,784,379

(A schedule of funding progress is presented on page 22)

See Notes to Combining Financial Statements

Pensions	Postemployment Healthcare	Death Benefit Fund	1998 Total
$ 234,747,947	$ 7,593,523	$11,015,172	$253,356,642
55,325,153	24,102,167		79,427,320
11,250,794	-		11,250,794
37,631,040	1,217,272		38,848,312
22,178,231	717,412		22,895,643
172,609,223	-		172,609,223
298,994,441	26,036,851	-	325,031,292
1,270,787,534	41,106,875		1,311,894,409
1,506,971,367	48,746,845		1,555,718,212
3,491,242,504	112,933,173		3,604,175,677
658,442,590	21,299,011		679,741,601
106,013,682	3,429,284		109,442,966
32,007,747	1,035,373		33,043,120
739,970,151	23,936,228		763,906,379
12,302,058	397,942		12,700,000
7,817,737,633	252,884,731	-	8,070,622,364
643,609,568	20,819,199	-	664,428,767
3,888,904	125,797		4,014,701
(2,656,171)	(85,921)		(2,742,092)
1,232,733	39,876	-	1,272,609
200,031	6,471		206,502
8,996,522,353	307,380,651	11,015,172	9,314,918,176
-	9,840,916		9,840,916
137,121,573	4,435,548		141,557,121
4,484,032	145,047		4,629,079
		11,015,172	11,015,172
4,451,026	143,980		4,595,006
643,609,568	20,819,199		664,428,767
789,666,199	35,384,690	11,015,172	836,066,061
$8,206,856,154	$271,995,961	$ -	$8,478,852,115

OHIO POLICE AND FIRE PENSION FUND

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS

as of December 31, 1999 and 1998

	Pensions	Postemployment Healthcare	1999 Total
Additions:			
Contributions:			
Members'	$ 135,814,320	$	135,814,320
Employers'	188,364,861	91,109,660	279,474,521
State of Ohio - Subsidies	3,281,554		3,281,554
Medical Benefits		5,518,098	5,518,098
Total Contributions	327,460,735	96,627,758	424,088,493
Investment Income:			
Net Appreciation of Fair Value of Investments	825,709,248	17,391,279	843,100,527
Bond Interest	193,732,045	4,080,436	197,812,481
Dividends	24,325,737	512,355	24,838,092
Real Estate Operating Income, net	40,479,996	852,601	41,332,597
Foreign Securities	5,996,068	126,291	6,122,359
Other	149,347	3,146	152,493
Less Investment Expenses	(13,159,366)	(277,166)	(13,436,532)
Net Investment Income	1,077,233,075	22,688,942	1,099,922,017
From Securities Lending Activities:			
Securities Lending Income	34,045,949	717,085	34,763,034
Securities Lending Expense:			
Borrower Rebates	(31,447,487)	(662,355)	(32,109,842)
Management Fees	(794,810)	(16,741)	(811,551)
Total Securities Lending Expense	(32,242,297)	(679,096)	(32,921,393)
Net Income from Securities Lending	1,803,652	37,989	1,841,641
Interest on Local Funds Receivable	6,248,891		6,248,891
Other Income	3,781,224		3,781,224
TOTAL ADDITIONS	1,416,527,577	119,354,689	1,535,882,266
Deductions:			
Benefits:			
Retirement	282,847,246		282,847,246
Disability	107,409,570		107,409,570
Health Care		100,522,731	100,522,731
Survivor	51,874,382		51,874,382
Contribution Refunds	11,389,439		11,389,439
Discount on Early Payoff of Receivable	12,470,563		12,470,563
Administrative Expenses	8,731,593	2,817,126	11,548,719
Other Expenses	887,352		887,352
TOTAL DEDUCTIONS	475,610,145	103,339,857	578,950,002
Net Increase	940,917,432	16,014,832	956,932,264
Net assets held in trust for pension and postemployment healthcare benefits:			
Balance, Beginning of year	$8,206,856,154	271,995,961	$8,478,852,115
Balance, End of year	**$9,147,773,586**	**$288,010,793**	**$9,435,784,379**

See Notes to Combining Financial Statements

Pensions	Postemployment Healthcare	1998 Total
$ 128,673,433	$ -	$ 128,673,433
182,064,739	79,553,768	261,618,507
3,483,708		3,483,708
-	5,331,515	5,331,515
314,221,880	84,885,283	$ 399,107,163
647,935,971	16,756,111	664,692,082
186,997,853	4,836,135	191,833,988
25,414,723	657,275	26,071,998
36,083,769	933,198	37,016,967
5,157,181	133,375	5,290,556
360,201	9,315	369,516
(12,575,817)	(325,236)	(12,901,053)
889,373,881	23,000,173	912,374,054
36,909,865	954,562	37,864,427
(34,759,283)	(898,944)	(35,658,227)
(825,384)	(21,346)	(846,730)
(35,584,667)	(920,290)	(36,504,957)
1,325,198	34,272	1,359,470
8,606,233	-	8,606,233
882,132	979,352	1,861,484
1,214,409,324	108,899,080	1,323,308,404
263,238,748		263,238,748
101,409,248		101,409,248
	83,928,305	83,928,305
33,494,497		33,494,497
5,685,196		5,685,196
8,864,703		8,864,703
8,503,350	2,396,457	10,899,807
591,938		591,938
421,787,680	86,324,762	508,112,442
792,621,644	22,574,318	815,195,962
7,414,234,510	249,421,643	7,663,656,153
$8,206,856,154	**$271,995,961**	**$8,478,852,115**

NOTES TO COMBINING FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1999 and 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the Ohio Police and Fire Pension Fund (the Fund), formerly known as the Police & Firemens' Disability and Pension Fund of Ohio.

Basis of Accounting - The Fund's combining financial statements have been prepared using the accrual basis of accounting. Revenues are recognized when earned and measurable, and expenses are recorded when a liability is incurred.

Investments - Investment purchases and sales are recorded on a trade date basis. Dividend income is recognized on the ex-dividend date, while interest and rental income is recognized when earned.

Investments are reported at fair value. Short term investments are valued at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal payments discounted at prevailing interest rates for similar instruments. The fair value of real estate is based on independent appraisals and internal valuations. Investments that do not have an established market are reported at estimated fair value. Venture capital limited partnership interest is based on values established by valuation committees.

Net appreciation 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 the cost of investments purchased, plus sales of investments at fair value. Investment expense consists of those administrative expenses directly related to the Fund's investment operations and a proportional amount of all other administrative expenses allocated based on the ratio of the Fund's investment staff to total Fund staff.

The Fund has no individual investment that exceeds 5% of net assets available for benefits.

Federal Income Tax Status - The Fund was determined to be exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code.

Property and Equipment - Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The range of estimated useful lives is as follows:

Buildings	40 years
Furniture, fixtures and equipment	3 to 10 years

Contributions and Benefits - Member and employer contributions are recorded in the period the related member salaries are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

2. DESCRIPTION OF THE SYSTEM

Organization - The Ohio Police and Fire Pension Fund (the Fund) is a cost-sharing multiple-employer public employee retirement system established by Chapter 742 of the Ohio Revised Code (ORC)) in 1967 to consolidate the various local police and firemen's relief and pension funds into one statewide plan. The Fund is administered by a nine member Board of Trustees consisting of four active members, two retired members, two ex-officio members (the State Auditor and Attorney General), and a municipal finance officer appointed by the Governor. The Fund administers pension, disability and health care benefits to qualified participants, and survivor, death and health care benefits to qualified spouses, children and dependent parents.

The Fund is a separate financial reporting entity in accordance with criteria established by Governmental Accounting Standards Board Statement No. 14 because it is legally separate, a voting majority of the governing board is not appointed by the State, and it is fiscally independent of other state and local governments.

Plan Membership - The Ohio Police and Fire Pension Fund is a statewide retirement plan established by Chapter 742 of the Ohio Revised Code (ORC).

Employer and employee membership data as of January 1, 1999 and 1998, date of the most recent actuarial valuation, follows:

Employee Members	1999 Police	1999 Fire	1999 Total	1998 Police	1998 Fire	1998 Total
Retirees and beneficiaries currently receiving benefits	12,089	9,548	21,637	11,651	9,252	20,903
Terminated employees entitled to benefits but not yet receiving them	73	24	97	78	32	110
Current employees:						
Vested	5,134	4,117	9,251	5,280	4,078	9,358
Nonvested	10,399	7,483	17,882	9,967	7,238	17,205
	15,533	11,600	27,133	15,247	11,316	26,563
Total Members	27,695	21,172	48,867	26,976	20,600	47,576
Employer Members						
Municipalities	270	213		269	214	
Townships	0	107		0	107	
Villages	351	33		347	33	
	621	353		616	354	

Benefits - Plan benefits are established under Chapter 742 of the ORC. Members are eligible for normal retirement benefits at age 48 with 25 years of service credit or at age 62 with 15 years of service credit. The normal retirement benefit is equal to 2.5% of annual earnings for each of the first 20 years of service, 2.0% for each of the next 5 years of service, and 1.5% for each year of service thereafter. However, this normal retirement benefit is not to exceed 72% of the member's average and annual earnings for the three consecutive years during which the total earnings were greatest or the member's recalculated average annual salary for any three years during which earnings were the greatest. Retirement with reduced benefits is available upon reaching age 48 with 15 years of service credit or 25 years from the date the member became a qualified employee.

In addition to retirement benefits, the Fund also provides disability, survivor and death benefits. Disability benefits are available to all members and vary by length of service and type of disability. Survivor benefits are specified dollar amounts paid to eligible survivors upon the death of an active member or retiree. A death benefit of $1,000 is payable to the surviving spouse or estate of each deceased retired member.

An eligible spouse or dependent of a member whose death resulted from injury or disease sustained while on active duty as a police officer or fire fighter is entitled to receive the member's full monthly salary, which will be reduced at the member's retirement eligibility date. The payment will be terminated at the dependent's attainment of age 18 (or 22 if attending school). The spouse's benefit is a lifetime benefit. These death benefit payments are in addition to any optional payment plan benefits elected by the member. Funding for death benefits is received from the State of Ohio, as the ORC requires the State to finance 100% of death benefit payments.

The Fund provides comprehensive health care benefits to eligible benefit recipients and their eligible dependents. The medical benefits are not guaranteed and are subject to change at any time upon action of the Board of Trustees. Coverage includes hospitalization, physicians' fees, prescription drugs and reimbursement of Medicare Part B premiums. Most benefit recipients pay a portion of the health care cost through a monthly contribution.

Under Ohio law, medical costs paid from the funds of the plan are included in the employer contribution rates, currently 19.5% and 24% of salaries for police and fire fighter employers respectively. The Board of Trustees allocates employer contributions equal to 7.0% of salaries to the Health Care Stabilization Fund within the Pension Reserve Fund.

Refunds - Upon termination of employment members may withdraw accumulated contributions to the Fund. Acceptance of a refund cancels the member's rights and benefits in the Fund. Employer contributions to the Fund are not refundable.

3. CONTRIBUTIONS AND RESERVES

Contributions - The ORC requires contributions by active members and their employers. The contribution requirement was not actuarially determined but rather established by law under the ORC. Contribution rates are, however, subject to annual review by the Ohio Retirement Study Commission. Additionally, an actuary is used to determine the actuarial implications of the requirement. The adequacy of contribution rates is determined annually using the entry age normal with frozen initial liability actuarial cost method. Contribution rates as required by the ORC are as follows:

Rates established by the ORC at December 31, 1999 and 1998:

	Police	Fire
	(% of active member payroll)	
Employer	19.50	24.00
Member	10.00	10.00
Total statutory rate	**29.50**	**34.00**

7.0% and 6.5% of the 19.5% and 24% employer rates were allocated to the Health Care Stabilization Fund in 1999 and 1998, respectively.

House Bill No. 721 required that the January 1, 1997 and future actuarial valuations be based on the entry age normal actuarial cost method. Senate Bill 82 established the length of the amortization period for unfunded pension liability as the primary measure of the Fund's financial status, with a period of 30 years or less being considered satisfactory. This 30-year target is to be attained by the year 2007, and maintained thereafter. As of January 1, 1999 the amortization period the under current statutory rates is 47.26 years.

Contributions as a percentage of active member payroll required and made for 1999 and 1998 represented 29.50% for police and 34.00% for fire fighters. Employer and member contributions were approximately $144,367,354 and $77,550,317, respectively, for police and $135,107,167 and $58,264,003, respectively, for fire fighters for the year ended December 31, 1999. Employer and member contributions were approximately $136,306,123 and $73,714,145, respectively, for police and $125,312,384 and $54,959,288, respectively, for fire fighters for the year ended December 31, 1998.

In accordance with the ORC, the State of Ohio is required to contribute additional amounts to finance the cost of certain State-legislated benefit improvements. The total amount contributed by the State was $3,281,554 and $3,483,708 for the year ended December 31, 1999 and 1998, respectively.

Local Funds Receivable - Local governments are required by state statute to pay the unfunded portion of the actuarially determined liability of the local police and firemen's relief and pension funds that were merged to form the Fund in 1967. The ORC names this obligation of local governments the "Employers' Accrued Liability". Interest on the outstanding balance is being accrued at a rate of 4.25%, compounded semiannually. Local governments began repayment in 1969 and payments are required to be made until 2035. Between 1969 and 1973, payments of principal and interest were received at incremental semiannual rates ranging from 1% to 2% of the original receivable balance. Between 1973 and 2035, semiannual payments of principal and interest are required to be made by the local governments at a rate of 2.5% of the original receivable balance. The balance due at December 31, 1999 and 1998, respectively, includes $524,520 and $1,190,641 due from local governments which had previously underpaid their semiannual payment and from local governments which joined the Fund subsequent to 1967 according to a 20-year payment plan.

The following is a summary of the amounts due on the local funds receivable:

Year ending December 31,	
2000	7,159,360
2001	7,137,522
2002	7,137,284
2003	7,137,046
2004	7,136,908
Thereafter	214,632,416
Total projected payments	250,340,437
Less interest portion	120,602,185
Balance due at December 31, 1999	$129,738,252

Effective in 1998, the Fund began awarding discounts to Employers who paid off their local funds receivable early. As this was a reduction of principal, the discount was recorded as a deduction on the statement of changes in net assets. The discount totaled $12,470,563 and $8,864,703 for the year ended December 31, 1999 and December 31, 1998, respectively.

Reserves - As required by the ORC, the following funds have been established for the reserves held for current and future benefits:

The Policemen's and Firemen's Contribution Funds accumulate the contributions deducted from the salaries of members. Upon retirement, a member's accumulated contributions are transferred to the Policemen's or Firemen's Pension Reserve Fund.

The Policemen and Firemen Employers' Contribution Funds are the depositories for employer contributions. Based on actuarial valuations, amounts are transferred from this fund to the Policemen's and Firemen's Pension Reserve Fund.

The Policemen's and Firemen's Pension Reserve Funds are the funds from which all retirement, disability, health care and survivor benefits are paid. Included in these Funds is the Health Care Stabilization Fund from which payments for health care benefits are made. Amounts are transferred into the Pension Reserve Funds from the Contribution Funds and the Guarantee Fund.

The Guarantee Fund records all investment earnings of the Fund. In addition, contributions from the State of Ohio, exclusive of death benefit contributions, are recorded in this fund. Annually, investment earnings are transferred to the Pension Reserve Funds and the Expense Fund.

The Expense Fund is used to record all expenses for the administration and management of the Fund. Annually, funds are transferred from the Guarantee Fund to cover expenses incurred.

Net assets available for benefits for the various funds were as follows:

	1999	1998
Members' Contribution Funds	$1,071,906,631	$ 971,714,332
Employers' Contribution Funds	3,968,942,748	3,608,775,783
Pension Reserve Funds	4,394,935,000	3,898,362,000
	$9,435,784,379	$8,478,852,115

4. CASH AND INVESTMENTS

Cash Deposits - The carrying amount of the Fund's cash deposits at December 31, 1999 was $39,939,030 and the depository balance was $41,052,120. Of the depository balance, $2,239,148 was insured by the Federal Depository Insurance Corporation (category 1 as defined by the Governmental Accounting Standards Board.) The remaining depository balance of $38,812,972 was uninsured and uncollateralized and were held in the name of the Fund's pledging financial institution, as required by the Ohio Revised Code (Category 3).

The carrying amount of the Fund's cash deposits at December 31, 1998 was $24,555,932 and the depository balance was $23,348,381. Of the depository balance, $1,466,667 was covered by federal depository insurance and $789,868 was covered by collateral held in the name of the Fund's legally-designated custodian, the Treasurer of the State of Ohio (Category 1 as defined by the Governmental Accounting Standards Board). The remaining depository balance of $21,091,846 was uninsured and uncollateralized and were held in the name of the Fund's pledging financial institution, as required by the Ohio Revised Code (Category 3).

Investments - Section 742.11 of the Ohio Revised Code grants the Board of Trustees full power to invest the assets of the Fund. This statute requires that investments be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent and informed person would use.

Statement No. 3 of the Governmental Accounting Standards Board requires the Fund to categorize its investments to give an indication of the level of collateral risk assumed by the Fund. Category 1 includes investments that are insured or registered or for which the securities are held by the Fund or its agent in the Fund's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Fund's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Fund's name.

All investments subject to categorization met the criteria of Category 1 at December 31, 1999 and 1998 and are held in the name of the fund or its nominee by the Treasurer of State of Ohio as custodian. Investments in domestic pooled common stocks, real estate, mortgage notes receivable, commercial mortgage funds and venture capital, by their nature, are not required to be categorized.
A summary of short-term securities and investments at fair market value is as follows:

Category	1999	1998
Commercial paper	$ 131,632,092	$ 228,800,710
U.S. government bonds	779,260,777	406,754,775
Corporate bonds and obligations	586,847,004	733,642,929
Mortgage & asset backed obligations	1,376,374,896	1,555,718,212
Foreign & Canadian bonds	94,628,614	171,496,705
Domestic stocks	2,278,049,769	2,075,437,145
Domestic pooled stocks	1,571,543,024	1,528,738,532
International securities	1,543,104,849	763,906,379
Real estate	728,605,313	679,741,601
Mortgage notes receivable	12,700,000	12,700,000
Commercial mortgage funds	114,705,821	109,442,966
Venture capital	53,701,723	33,043,120
	$9,271,153,882	$8,299,423,074

Securities Lending - The Fund participates in a domestic security lending program administered by a custodial agent whereby certain securities are loaned an independent broker/dealers (borrower) in exchange for collateral equal to no less than 102% of the market value of the loaned securities. The Fund has minimized its exposure to credit risk due to borrower default by having the custodial agent bank determine daily that required collateral meets 102% of the market value of securities on loan. The Fund has not experienced any losses due to credit or market risk on security lending activity since implementation of the program. The Fund does have the ability to pledge or sell collateral securities absent a borrower default. Securities loaned to brokers/dealers totaled $821,167,669 and $651,058,010 at December 31, 1999 and 1998, respectively, and the associated collateral at that date was $836,886,723 and $664,428,767. Security lending net income totaled $1,841,641 and $1,359,470 for the year ended December 31, 1999 and 1998, respectively.

Derivatives - The Fund invested in Planned Amortization Class and Sequential Pay Real Estate Mortgage Investment Conduit bonds issued by GNMA, FHLMC and FNMA. Planned Amortization Class bonds are retired according to a payment schedule so as to have a stable average life and yield even if expected prepayment rates change within a specified broad range of prepayment possibilities. Sequential Pay bonds begin to pay principal when classes with an earlier priority have paid to a zero balance. Such bonds enjoy uninterrupted payment of principal until paid to a zero balance. In terms of credit risk the United States government explicitly backs GNMA mortgage securities programs and implicitly backs FHLMC and FNMA mortgage securities programs. The Fund has not violated any legal, regulatory, or contractual provisions by such participation and there is no undue credit, market or legal risk. These securities were purchased in order to enhance the Fund's overall total rate of return.

The Fund also has invested in one commingled EAFE (Europe, Australia, Far East) and two commingled S&P 500 index funds. Those funds to a minor extent utilized futures contracts to maintain a fully invested posture, and also utilized certain derivative money market instruments in their short term investment funds. The Fund's indirect exposure represented less than 1% of the total portfolio market value at year end. The Fund has not violated any legal, regulatory, or contractual provisions by such participation and there is no undue credit, market or legal risk.

5. MORTGAGE NOTES PAYABLE

In 1999, the Fund entered a joint venture with ConAm and Delta Airlines. The Fund owns 45.5%, Delta Airlines owns 45.5% and ConAm owns 9%. The Fund's 45.5% ownership was $53,644,500 at December 31, 1999, of which $34,868,921 was financed by a mortgage note bearing interest at 5.51%.

In 1998, the Fund entered into a $5,000,000 mortgage loan payable, secured by a deed of trust, in connection with the purchase of St. Andrews Apartments. The loan bears interest at 6.5%. Also in 1998, a $16,152,000 mortgage loan payable, secured by a deed of trust, was assumed with the purchase of the St. Andrews Apartments. The loan bears interest at 7.91%.

In 1997, the Fund assumed three mortgage notes payable of $13,500,000; $14,264,000 and $10,331,384. These loans are secured by real properties and bear per annum interest of 7.16%, 7.90% and 7.69% respectively. A mortgage loan in the amount of $15,395,000 assumed in 1995 and secured by a deed of trust for the Vista Ridge building bears interest of 7.8% per annum.

Aggregate and annual payments of principal on the mortgage loans are as follows:

Year ending December 31,	
2000	14,532,732
2001	1,153,732
2002	10,712,732
2003	1,112,732
2004	34,926,154
Thereafter	41,962,000
Total payments	$104,400,082

6. DEFERRED COMPENSATION

Employees of the Fund may elect to participate in the Ohio Public Employees Deferred Compensation Program (the Program), a deferred compensation plan under Internal Revenue Code section 457. Under the Program, employees may defer a portion of their pay until a later date, usually after retirement. The deferred pay and any income earned thereon is not subject to federal and state income taxes until actually received by the employee. As of December 31, 1999, funds from Fund Employees on deposit with the Program had a market value of $1,637,204 ($1,225,556 at December 31, 1998).

The Program, effective September 1, 1998 amended the *Ohio Public Employees Deferred Compensation Adoption Agreement* to include the following:

> "The Eligible Employer acknowledges and agrees that all amounts deferred under the Plan and all insurance contracts or other investments or other property purchased with such amounts shall be held by the Board in Trust on behalf of the Eligible Employer for the exclusive benefit of eligible employees and their beneficiaries. All assets, whenever contributed to the Plan, are assigned to the Trust established by the board."

This amendment was enacted pursuant to the Small Business Act of 1996. Assets in the trust, previously reported as assets owned by the Fund with a corresponding liability, subsequent to September 1, 1998, are no longer owned by the Fund.

The Fund has, therefore, adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code*, Section 457 Deferred Compensation Plans and has removed these assets from the Fund's financial statements.

7. DEFINED BENEFIT PENSION PLAN

The Fund contributes to the Public Employees Retirement System of Ohio, (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and contribution requirements are established by the Ohio State Legislature and are codified in Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to PERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

Plan members are required to contribute 8.5% of their annual covered salary, while employers are required to contribute 13.55%. The Fund's contributions to PERS for the years ending December 31, 1999, 1998 and 1997 were $821,732, $616,336 and $507,890, respectively, equal to the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in note 7, PERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability retirants is available. The health care coverage provided by PERS is considered an Other Postemployement Benefit (OPEB) as described in GASB Statement No. 12. 4.2% of the employer's contribution to PERS is set aside for the funding of post-retirement health care.

The ORC provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB is financed by pay as you go through employer contributions and investments earnings there on. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were $523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were $9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

9. COMMITMENTS AND CONTINGENCIES

The Fund is a defendant in a number of lawsuits pertaining to matters which are incidental to performing routine business functions. Fund management is of the opinion that ultimate settlement of such claims will not result in a material adverse effect on the Fund's financial position as of December 31, 1999.

The Fund is committed to make additional capital contributions of $57,190,715 towards purchases of additional real estate.

10. STATE OF OHIO DEATH BENEFIT FUND

Pursuant to Section 742.63 of the Ohio Revised Code, the Board of Trustee of the Police and Firemen's Disability and Pension Fund administers the State of Ohio Death Benefit Fund. This program was established by the State of Ohio to provide monthly benefit payments to surviving family members of Ohio fire fighters and law enforcement officers who have been killed in the line of duty or die of a duty-related accident or illness. Funds are disbursed to the Fund each State fiscal year (July 1-June 30) and are paid monthly by the Fund to eligible recipients. The unused balance at June 30 is returned to the State. The Death Benefit Fund is considered to be an agency fund administered by the Police and Firemen's Disability and Pension Fund, and accordingly its assets of $11,199,684 and $11,015,172, and the related liability for unpaid benefits are included in the accompanying Combining Statement of Plan Net Assets as of December 31, 1999 and 1998, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS

As of January 1 *(Data for earlier periods is not available because a different funding method was used.)*

Valuation Year	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as % of Active Member Payroll
1997	$5,554,114,000	$7,024,555,000	$1,470,441,000	79.1%	$1,119,922,000	131.3%
1998	$6,231,419,000	$7,697,677,000	$1,466,258,000	81.0%	$1,190,878,000	123.1%
1999	$7,306,814,000	$8,452,622,000	$1,145,808,000	86.44%	$1,249,114,000	91.73%

The amounts reported in this schedule do not include assets or libilities for postemployment healthcare benefits.

2. SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Actuarially Required Contributions	Percentage Contributed
1994	$ 153,437,994	100%
1995	159,669,716	100%
1996	168,505,254	100%
1997	176,567,663	100%
1998	185,548,447	100%
1999	191,646,415	100%

Contributions include funding from the State of Ohio to finance the cost of certain benefit improvements. Amounts do not include contributions for postemployment healthcare benefits.

3. NOTES TO THE REQUIRED SUPPLEMENTARY SCHEDULES

The information presented in the required supplemental schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 1999
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll, open
Remaining amortization period	47.26 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	5.0-7.0%
Cost-of-living adjustments	3.0%

SCHEDULE OF ADMINISTRATIVE EXPENSES*

For The Year Ended December 31, 1999 and 1998

	1999	1998
Personal Services:		
Salaries and Wages	$ 6,154,747	$ 4,912,260
Retirement Contributions	821,762	616,336
Employee Benefits	944,344	725,109
	7,920,823	6,253,705
Office Supplies	162,342	162,459
Printing and Publications	196,031	173,030
Dues and Subscriptions	67,304	52,858
Other Services and Charges:		
Professional Services:		
Auditing	126,672	85,029
Actuarial	226,965	214,590
Medical	542,634	554,016
Legal	152,337	206,189
Investment	10,882,013	10,766,539
Treasurer of State Charges	10,979	10,610
Employee Training	481,047	272,191
Temporary Employees	272,135	520,723
Other Professional Services	1,357,397	1,697,605
Communications:		
Telephone	118,239	143,683
Postage	270,760	225,689
Transportation and Travel	119,832	136,209
Miscellaneous:		
Rent	0	891,210
Equipment and Maintenance	979,208	783,324
Retirement Study Council	38,895	30,720
Insurance - Administrative	114,739	91,152
Depreciation Expenses	944,899	529,329
	16,638,751	17,158,808
TOTAL ADMINISTRATIVE EXPENSES	$24,985,251	$23,800,860

* Includes investment related administrative expenses

SCHEDULE OF INVESTMENT EXPENSES*

For the Year Ended December 31, 1999 and 1998

	1999	1998
Investment Manager Fees	**$10,009,109**	**$ 9,817,969**
Custodial Fees	**872,905**	**947,625**
Other Professional Services	**651,313**	**696,541**
Other Direct Investment Department Expenses	**1,089,678**	**736,848**
Allocation of Other Administrative Expenses	**813,527**	**702,070**
	$13,436,532	**$12,901,053**

*A portion of the non-Investment Department administrative expenses of the Fund is allocated to Investment Expense based on the ratio of the Fund's investment staff to total Fund staff.

INVESTMENT SECTION

1. INVESTMENT REPORT

Prepared by a combined effort of the Investment Department.

INTRODUCTION

The investment authority of the Fund is specified in Section 742 of the Ohio Revised Code. Importantly, the Code requires the Board and other fiduciaries discharge their duties 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 Fund. Within the guidelines of the Code, the Fund has developed an internal Investment Policy that provides for appropriate diversification of assets, and an acceptable expected return on investments after consideration of investment risks. Performance returns are prepared by Wilshire Associates in accordance with the Association for Investment Management and Research (AIMR) standards.

SIGNIFICANT DEVELOPMENTS IN 1999

Much of our efforts last year were directed toward refining our investment manager monitoring and search policies and creating meaningful executive reports to help the Investment Committee and Board to carry out their fiduciary oversight responsibilities. We also found that we needed to add a number of new staff members to effectively carry out our oversight and reporting functions. Beyond this, staff and consultant also worked with the Investment Committee and Board on structural issues within both our domestic and international equity manager groups. Staff utilized transition trades to implement the resulting structural changes in both asset classes. We also selected two emerging markets managers and funded most of their allocation over the course of the year. Following are a number of specific issues with which the Fund dealt last year:

- Amended our Investment Manager Monitoring and Evaluation Policy by formalizing review time frames for certain manager ratings and by adding ratings to provide a system of evaluating private markets managers. This separate rating system was needed to recognize the differences in private market strategies versus those employed in public equity and fixed income markets.
- Amended our Investment Manager Search Policy to allow for closed universe searches to revisit the finalists of a search concluded within the preceding two years.
- Completed evaluations of all managers in all asset classes according to policy.
- Began implementation of the compliance program under the direction of our Compliance Officer. Manager monitoring, evaluation and reporting have become distinct functions within the Investment Department.
- Initiated compliance oriented due diligence visits to outside managers.
- Successfully obtained the fiduciary bond insurance for all of our external managers.
- Worked with counsel, consultant and advisors to establish and implement formal real estate acquisitions procedures and an acquisition checklist.
- Hired two Assistant Investment Officers to aid in the oversight and administration of our real estate portfolio.
- Hired an Assistant Investment Officer to bolster oversight of equity investments, both public and private.
- Hired an Assistant Investment Officer to help with the management of fixed income and cash equivalent assets.
- Hired two operations specialists to increase the depth of our operations group.
- Revised and implemented securities lending collateral testing procedures.
- Conducted a search for and selected a new investment accounting package.
- Installed and began utilizing software from our international custodian to assist in the monitoring of our international managers.
- Implemented a ratings document that details manager ratings, the date of the last rating change and the reason for that change.

- Developed useful executive summary versions of the S&P compliance and Plexus trading cost reports.
- Implemented a new summary format for our semi-annual Proxy Voting Report.
- Completed our emerging markets manager search and hired Scudder-Kemper Investments and Capital International as managers for this mandate. Funding began at the end of March and continued through the year.
- Eliminated our regional strategies in international equity, which resulted in the termination of our Pacific Basin manager and a change to an EAFE mandate for our European manager.
- Restructured our international developed markets portfolio via a transition trade.
- Restructured our US small cap portfolio via a transition trade.
- Initiated a review to determine an appropriate policy and strategy for expanding our investments in private equity.
- Installed database and portfolio management software to assist compliance monitoring.
- Initiated a review of the Fund's overall insurance needs, especially as to consolidating all investment property coverage.
- Initiated the process of amending the advisory agreements for all of our separate account real estate advisors.

ECONOMIC ENVIRONMENT

1999 saw a continuation of solid gains for the U.S. economy. For all of last year, real GDP grew a strong 4.1% after gaining 4.3% in 1998 and 4.5% in 1997. The economy accelerated through year-end as fourth quarter real GDP growth raced ahead 6.9% on an annualized basis, its fastest pace in three and one-half years. Job growth remained strong resulting in the unemployment rate dropping to an historically low 4.1% in October and remaining there through year-end. Already healthy retail sales accelerated throughout the year as consumer confidence soared to its highest level in 31 years. Consumers were undoubtedly emboldened by the wealth effect associated with the exceptional strength of the stock market. Inflation picked up slightly as the CPI rose at a 2.7% rate for the entire year, up from 1.6% in 1998. Continued productivity gains and global competition partially offset the effects of rising oil prices to allow this extraordinary continuation of non-inflationary growth. With all of this as a backdrop, the Federal Reserve Board was still concerned that the pace of growth and the shrinking pool of qualified workers would ultimately lead to a resurgence of inflation. As a result, the Fed raised short-term interest rates three times between late June and mid November, pushing the federal funds rate up from 4.75% to 5.5% and completely reversing their liquidity driven easing moves of the prior year. The Fed did however hold off from raising rates one more time prior to year-end, given the uncertainty about potential Y2K issues.

The economy and the markets rolled right through year-end unscathed by the Y2K bug. In February, the current US economic expansion became the longest on record surpassing the 1961-69 expansion, which coincided with the Vietnam War. Given the ongoing strength of the economy, the Fed did bump up the funds rates by $1/4$% once again in early February. Despite an early setback in the Dow and the S&P 500, the highflying NASDAQ continues to feed the wealth effect, thus contributing to consumer spending and the economy. Job growth continues to be healthy as shown by the unemployment rate dropping to a new low of 4% in January. As a result, the Fed is expected to continue its pattern of gradual interest rate increases until economic growth moderates to a more sustainable pace.

TOTAL FUND

Our investment portfolio grew by roughly $1 billion during 1999, but our growth wasn't the result of steady month-by-month progress. The first quarter was rocky and resulted in little change as our portfolio struggled against rising bond rates and choppy global equity markets. We then experienced fairly steady growth through mid-year, as explosive growth in emerging markets equities and modest growth in US equities offset a still declining bond market. We suffered a setback in the third quarter as the Fed swung into action causing US and emerging markets equities to tumble in value. As global stock markets streaked skyward in the fourth quarter, our portfolio value easily recouped its earlier decline and surged to end the year with a total market value of $9.2 billion. Our total portfolio return of 13.82% for the year fell well short of our Policy Benchmark return of 16.15%. This was due largely to the fact that we were under weighted relative to our 5% policy weight in emerging markets as they exploded to the upside. We also suffered as a result of the poor relative performance of our active US equity managers. These past two years of underperformance relative to our policy return have hurt as our three-year return of 14.9% is now below policy and our five-year return of 16.7% fell to 6 basis points below the five-year policy return.

EQUITIES

Low inflation, full employment, strong earnings growth, vigorous merger and acquisition activity and a global economic recovery combined to create a favorable environment for equities. The S&P 500 returned 21.0% in 1999, marking an unprecedented fifth straight year of 20% plus returns. Despite early signs of broadening, performance was once again dominated by large cap growth stocks in technology and telecommunications. Technology accounted for nearly 70% of the S&P 500 performance, as all but four of the top fifteen performers were technology stocks. Companies that are not connected to the "New Economy" were in most cases ignored by investors. It appeared that the primary criteria for many investors stock selection were the direction of a stock's price or its momentum rather than its valuation or the fundamentals of the company. Many of the companies that performed best had no earnings. In fact, over one-third of 1999's top 50 performers were not trading three years earlier. Smaller capitalization stocks, as measured by the Russell 2000 Index, returned 21.3%. As with the larger capitalization stocks, the impetus for the Russell 2000 came primarily from the technology sector. Reflecting the narrowness of the market, our domestic equity composite return of 17.4% trailed our benchmark, the Wilshire 5000, return of 23.6% for the year. This poor comparison brought the three and five year annualized returns of the equity composite to roughly 485 and 316 basis points below the Wilshire 5000. Both our large cap growth manager and our small/mid cap growth manager achieved their policy returns of 200 basis points over their respective indices. However, neither manager fared very well when compared to their distinct peer groups. Our value managers, large, mid and small cap, all provided only meager single digit returns falling well short of policy and resulting in peer group comparisons that ranged from just above to just below median. The early months of this year give no indication of change from the relative return patterns of the past two years as technology related companies continue to outperform by a wide margin.

During 1999, following an evaluation of all of the Fund's small/mid-cap managers, the Investment Committee recommended to the Board the termination of two small/mid cap managers. These two managers' assets were reallocated to existing small and large cap managers. In its continuing effort to improve the performance of our actively managed equity assets, early this year the Investment Committee recommended to the Board the termination of a small/mid cap manager. The redeployment of this manager's assets has not yet been determined.

For the first time since 1994, the MSCI EAFE Index, representing non-U.S. developed country equity markets, outperformed the S&P 500 Index. The MSCI EAFE Index ended the year with a return of 27.0%. Global economic recovery, ongoing deregulation, privatization and merger and acquisition activity provided the impetus for this performance. Also, after two years of financial crisis in the emerging markets, 1999 marked a year of recovery in emerging market economies and their equity markets. Last year we moved to simplify our developed country manager structure by eliminating our European and Pacific Basin regional mandates and by removing the ability of our developed country managers to use emerging markets securities. Our European regional manager was converted to an EAFE manager. This left us with three active EAFE managers and one passive EAFE manager. As a group, our active and passive non-U.S. developed country managers had a return of 41.1%. This outstanding performance increased the annualized return advantage over the EAFE Index to 489 basis points over the past three years and 431 over the past five years. During 1999, we also hired two active emerging markets managers and moved to implement our 5% target allocation with an initial investment in March and additional contributions occurring throughout the year. The early results for our emerging managers were encouraging as they beat the MSCI Emerging Markets Free Index return over the last two quarters by 300 and 1100 basis points respectively. This Index itself returned an impressive 66.4% for the year.

FIXED INCOME

1999 was a very poor year for the fixed income market. The Lehman Aggregate Index posted a return of -.82%, its worst since 1994. The benchmark 30 year Treasury bond suffered through its worst year on record, falling 12%. Fortunately, the Fund's fixed income portfolio outperformed its benchmark by a significant margin, generating a slightly positive return of .4%. Most bond yields rose nearly two percentage points because a stronger economy created fears of higher inflation. Low unemployment and sizeable capital gains in the real estate and stock markets led to rising consumer confidence, which in turn led to increased consumer spending. The world economy also strengthened. This was especially true in mainland Asia, which recovered strongly from its horrible recession of 1997-1998. The economies of Europe and Japan also improved modestly. The recovering world economy helped the U.S. by increasing demand for our exports.

In an attempt to prevent an inflationary overheating of the economy, the Federal Reserve Board increased short-term interest rates three times last year, fully reversing their easing moves of late 1998. At the end of 1999, the higher interest rates had yet to have a noticeable effect on the economy. However, it takes several months for higher rates to affect the economy, and given the Federal Reserve Board's recent statements, more interest rate increases can be expected in 2000. Eventually, higher rates will slow the economy as housing and auto sales decline due to rising financing costs. Capital spending will decrease as capital costs increase. Higher rates should dampen gains in the real estate and stock markets and ultimately weaken consumer spending. A slowing economy should eventually result in lower bond yields and higher bond prices by the end of 2000. The bond market will also be supported by a forecasted federal government surplus of nearly two hundred billion dollars. Therefore, fixed income returns in the coming year should be respectable, in the 7% - 10% range.

REAL ESTATE

1999 proved to be time of unprecedented equilibrium in the real estate industry. Strong economic growth helped market fundamentals remain firm through this period. Vacancy rates remained relatively stable, capitalization rates varied little and mortgage delinquencies were at an all time low. Returns from direct property ownership were essentially equal to income plus a slight appreciation in value. Last year saw a less aggressive transaction environment due to a shift in capital markets, which kept leveraged buyers at bay at the same time as REITS slowed their acquisition pace.

In 1999, the Fund acquired two properties with a combined market value of $97.8 million. We sold one property at a gross sales price of $9.4 million. The Fund's 1999 real estate performance returned to a more moderate level of 9.1% in 1999, down from the exceptional 18.6% return of 1998. Although our portfolio under performed the NCREIF Property Index by approximately 200 basis points, performance was still considered strong. The Fund has outperformed NCREIF for the three and five year periods by .77% and 1.92%, respectively.

Our portfolio is well diversified both geographically and by property type. The Fund has established a core portfolio of institutional grade properties that are expected to provide risk-adjusted performance returns consistent with or above industry average. Our posture going forward is that of guarded optimism. Some softening in the market is expected, causing rising vacancies and more restrained rent growth. Therefore, the Fund's current approach is to invest primarily in core properties that are well leased and generate good income returns while selectively investing in value added properties that will provide superior risk adjusted returns.

VENTURE CAPITAL

For the year ending September 1999 (venture returns are lagged by one quarter), our small allocation to venture capital provided a return of 34.7% versus its benchmark (S&P 500 +5%) return of 26.0%. This return was a result of the continued strength of the IPO market for Internet, telecommunications, and technology firms. Although we made progress, returns still trailed the benchmark for the previous three year and five year time periods. The Fund continued its policy of investing only in venture capital partnerships of Ohio based managers with whom we have an existing relationship.

During the year, the Fund made only one new commitment to venture capital, a $10 million commitment to Blue Chip Capital Fund III. This brings our total capital committed since the inception of our venture capital program in 1982 to $89 million of which $20.3 million still has yet to be called. We have received $49.1 million in distributions since the inception of the program.

So far this year, we have approved a $10,000,000 investment in the Morgenthaler Partners VI. We also plan to undertake a review of our allocation, our policy and our implementation strategy for alternative assets, including venture capital. We expect that this review will result in improved results in our venture capital program.

2000 DEVELOPMENTS

As mentioned above, the Board, Investment Committee and staff were very active in 1999. While it is still early in the year, one can see summarized below that we are already off to a good start in our constant efforts to evaluate and implement ways to provide safe and competitive returns for our membership.

- Terminated the services of one small/mid cap value manager.
- Reopened our 1998 large cap growth search to the three finalists not hired at that time. We are currently conducting due diligence on these managers with the expectation of hiring at least one to complement the approach of our current large cap growth manager.
- Evaluated all international developed markets and emerging markets managers according to policy.
- Adopted the 2000 Real Estate Strategic Plan and the 2000 Real Estate Investment Plan.
- Approved an investment in an opportunistic real estate fund.
- Approved an investment in the sixth fund of an Ohio private equity manager.

CHALLENGES AHEAD

We have always stated our intention to earn at least an 8.25% return over time, which is our actuarial assumption rate. Given our accelerated funding requirements and concern over rising health care costs, we will strive to better that return by exploring new investment ideas and by improving the efficiency of and reducing the costs of our operations. As we look ahead, we intend to tackle a number of issues related to these goals.

- Complete our asset/liability study focused on allowing the Fund to meet its accelerated funding requirements, keep up with growing health care costs and to determine if any adjustments should be made to portfolio weightings or to accommodate new asset classes.
- Establish an effective rebalancing methodology.
- Install a new investment accounting package, which will allow us to record global investments, provide for better compliance monitoring and enhance our performance measurement capabilities.
- Continue efforts to establish an overall risk management program, performed independently of the investment managers, which will facilitate the timely identification of real or potential risks to the Fund and ensure that appropriate investment strategies are in place.
- Acquire risk management software to provide total Fund risk characteristics, positioning, and reporting for use by the staff and Board.

- Acquire compliance software that will allow us to analyze portfolio characteristics and transfer this monitoring function from external providers to internal staff.
- Complete reviews of all managers according to policy.
- Reallocate and transition the assets of a terminated small/mid cap value manager.
- Review our fixed income manager structure to determine if any changes are warranted. This may include an evaluation of the use of high yield and emerging market debt.
- Research methods to further expand into alternative investments with the expectation that our upcoming asset/liability study will call for an increased allocation to this area.
- Solidify the operations team and incorporate more cross training to provide us with a greater depth of skills and more flexibility to direct resources where needed.
- Implement the 2000 Real Estate Investment Plan, which calls for a large number of sales with proceeds to be reinvested in stable properties.
- Complete formal real estate dispositions procedures and a disposition checklist.

2. INVESTMENT PORTFOLIO SUMMARY DECEMBER 31, 1999

Type	% of Fair Value	Fair Value
Commercial paper	1.42%	$131,632,092
U.S. government bonds	8.41%	779,260,777
Corporate bonds and obligations	6.33%	586,847,004
Mortgage & asset backed obligations	14.85%	1,376,374,896
Foreign & Canadian bonds	1.02%	94,628,614
Domestic stocks	24.57%	2,278,049,769
Domestic pooled stocks	16.95%	1,571,543,024
International securities	16.64%	1,543,104,849
Real Estate	7.86%	728,605,313
Mortgage notes receivable	.14%	12,700,000
Commercial mortgage funds	1.24%	114,705,821
Venture capital	.57%	53,701,723
	100.00%	$9,271,153,882

TEN LARGEST COMMON STOCKS (BY MARKET VALUE)

	Shares	Market Value
Microsoft Corp	321,090	37,487,258
SBC Communications	728,858	35,531,847
General Electric	211,850	32,783,788
Cisco Systems	241,954	25,919,322
Hewlett Packard	199,000	22,636,250
Wal-Mart Stores	320,308	22,141,290
Bell Atlantic Corp.	355,070	21,858,819
American International	184,900	19,992,312
Mediaone Group	247,900	19,041,695
Baxter Int'l Inc. Com	295,200	18,542,102

TEN LARGEST BONDS AND OBLIGATIONS (BY MARKET VALUE)

	Par Value	Market Value
US Treasury N/B 6% 8/15/09	122,525,000	118,657,805
US Treasury 8.88% 8/15/17	92,180,000	111,357,763
US Treasury 6.88% 5/15/06	78,990,000	80,403,178
Nationwide CSN Trust	50,000,000	51,577,500
Green Tree Financial Corp.	50,607,206	48,582,918
US Treasury 8.0% 11/15/21	39,190,000	44,456,156
Mid State TR II A-4 4/01/03	40,372,500	41,842,313
MIC Financing Trust 1 144A	45,755,000	41,837,914
Treasury Strips	91,700,000	40,336,006
US Treasury 5.25% 2/15/29	47,980,000	39,694,080

TEN LARGEST REAL ESTATE HOLDINGS (BY MARKET VALUE)

	Market Value
Park Central	84,950,000
Con Am Apartment Portfolio	56,447,300
Indianapolis Office Building	54,654,000
Vista Ridge Shopping Center	44,600,000
The Pointe at Park Center	44,550,000
St. Andrews Apts	43,500,000
Belmont/Carlton Apartments	42,600,000
Aurora Corporate Plaza	31,300,000
Harbour Town Apts.	29,600,000
Commodore/Pencader	28,300,000

*A complete listing of the portfolio's holdings can be obtained by contacting the Ohio Police & Fire Pension Fund at 614-228-2975.

3. SCHEDULE OF INVESTMENT RESULTS

For Year ended December 31, 1999

	Annualized Rates of Return		
	1-Year	*3-Year*	*5-Year*
U.S. Equity			
OP&F	17.41%	21.19%	23.9%
Wilshire 5000	23.56%	26.04%	27.06%
Int'l Equity			
OP&F	41.1%	20.62%	17.14%
MSCI EAFE	26.97%	15.73%	12.83%
Emerging Markets (Final three quarters of 1999)			
OP&F	43.95%	N/A	N/A
MSCI EMF Indes	48.01%	N/A	N/A
Fixed Income			
OP&F	0.36%	5.64%	7.76%
Lehman Aggregate	-0.83%	5.73%	7.73%
Real Estate (one quarter in arrears)			
OP&F	13.71%	15.51%	13.45%
Wilshire Real Estate Fund	10.3%	13.69%	10.06%
NCREIF	11.08%	13.73%	11.78%
Venture Capital (one quarter in arrears)			
OP&F	34.76%	21.88%	14.38%
S&P 500 + 5%	25.98%	32.56%	33.56%
Total Portfolio			
OP&F	13.82%	14.9%	16.66%
* Policy Index	16.15%	16.31%	16.72%

* Policy Benchmark - 41% of Wilshire 5000, 35% of Lehman Aggregate, 10% of MSCI EAFE Index, 8% of Wilshire Real Estate Fund, 5% IFC Emerging Markets, 1% S&P 500 + 5%

4. INVESTMENT CONSULTANTS AND MONEY MANAGERS

Investment Consultants
Wilshire Associates
The Townsend Group

Investment Manager - Fixed Income
Brinson Partners, Inc.

Investment Managers - Equity
American Express Asset Management
Boston Partners Asset Management, L.P.
Capital Guardian Trust Company
Capital International
Fleet Financial Advisors, Inc.
Gelfand Partners Asset Management
Invesco Trust Company
Key Asset Management
Lombard Odier International Portfolio Management, Ltd.
Nicholas-Applegate Capital Management
Scudder, Stevens & Clark, Inc.
Smith Barney Capital Management
State Street Global Advisors

Investment Managers - Real Estate
AEW Capital Management
Boston Financial
Conning Asset Management
DLJ Real Estate Capital Partners, Inc.
Lend Lease Real Estate Investments, Inc.
Lowe Enterprises
The RREEF Funds
TA Associates Realty
Westbrook Partners, LLC
Westmark Realty Advisors

Investment Managers - Venture Capital
Alpha Capital Partners
Blue Chip Venture Partners
Brantley Venture Partners
Chemicals & Materials Enterprise
Miami Valley Economic Development, Ltd.
Morgenthaler Ventures
North Coast Fund, L.P.
Northwest Ohio Venture Fund
Primus Venture Partners

5. SCHEDULE OF BROKERS' FEES TOTAL 1999 TRADING

For the Year Ending December 31, 1999

Broker Name	Fees Paid	Units Traded	Average Cost Per Unit
MORGAN STANLEY & CO., INC.	$520,002.13	132,517,618.00	$0.004
BOSTON INSTITUTIONAL SERVICES	$466,236.09	9,194,592.00	$0.051
SALOMON SMITH BARNEY	$352,740.34	27,901,127.00	$0.013
PAINE WEBBER	$310,634.48	5,770,062.00	$0.054
CAPITAL INSTITUTIONAL SERVICES	$309,733.82	5,610,907.00	$0.055
MERRILL LYNCH & CO.	$274,943.25	17,297,624.00	$0.016
GOLDMAN SACHS & CO.	$202,894.09	6,603,249.00	$0.031
PRUDENTIAL SECURITIES	$188,015.30	4,077,983.00	$0.046
CREDIT SUISSE FIRST BOSTON	$163,101.02	8,351,915.00	$0.020
DB CLEARING SERVICES	$153,203.08	4,737,761.00	$0.032
LEHMAN BROTHERS, INC.	$132,491.46	3,571,560.00	$0.037
DONALDSON LUFKIN & JENRETTE	$105,044.55	3,357,723.00	$0.031
BEAR STEARNS CORP.	$89,570.19	3,047,452.00	$0.029
J. P. MORGAN	$85,069.60	1,760,484.00	$0.048
INSTINET	$83,279.56	1,900,242.00	$0.044
LYNCH JONES	$73,180.52	1,274,335.00	$0.057
BRIDGE CO.	$64,135.70	1,205,114.00	$0.053
SBC WARBURG	$63,121.36	2,802,492.00	$0.023
HSBC	$61,043.58	1,565,699.00	$0.039
DEUTSCHE BANK	$55,051.90	3,646,950.00	$0.015
ABN AMRO	$52,197.27	1,563,242.00	$0.033
SANFORD C. BERNSTEIN	$51,060.45	1,003,109.00	$0.051
INVESTMENT TECHNOLOGY GROUP	$48,123.18	1,809,889.00	$0.027
CIBC WORLD MARKETS CORP.	$41,326.35	847,867.00	$0.049
JEFFERIES & CO., INC.	$38,263.05	1,727,408.00	$0.022
WEEDEN	$37,174.40	827,598.00	$0.045
CANTOR FITZGERALD & CO. INC.	$36,733.25	1,762,462.00	$0.021
FACTSET DATA SYSTEMS	$36,263.98	702,797.00	$0.052
WEISS PECK	$35,199.85	747,517.00	$0.047
FURMAN SELZ	$33,222.50	827,679.00	$0.040
MONTGOMERY SECURITIES	$32,883.00	902,700.00	$0.036
VICKERS BALLAS	$32,555.62	1,668,400.00	$0.020
ERNST & COMPANY	$27,499.00	887,400.00	$0.031
U.S. BANCORP PIPER JAFFRAY	$27,084.00	1,106,420.00	$0.024
ROBERTSON & STEPHENS & CO.	$26,967.00	1,206,259.00	$0.022
FLEMINGS	$25,816.07	1,324,558.00	$0.019
FRANCIS MAGLIO	$25,299.36	843,312.00	$0.030
LEWCO	$22,454.00	1,158,380.00	$0.019
LEGG MASON	$22,372.50	438,910.00	$0.051
OPPENHEIMER & CO.	$20,961.00	738,100.00	$0.028
DIRECT BROKERAGE SERVICE	$20,586.00	343,100.00	$0.060
C. L. KING	$20,542.00	370,850.00	$0.055
ROBT. BAIRD	$20,128.00	1,170,121.00	$0.017
Brokers' fees less than $20,000 each	$729,220.12	53,126,976.07	$0.014
TOTALS:	$5,217,423.97	323,299,943.07	$0.016

6. INVESTMENT POLICY AND GUIDELINES

I. INTRODUCTION

The purpose of this Statement of Investment Policy and Guidelines is to define the framework for investing the assets of The Ohio Police & Fire Pension Fund of Ohio (the Fund). This Statement is intended to provide general principles for establishing the goals of the Fund, the allocation of assets and the employment of outside asset management. The Statutory authority of the Board is set forth in Section 742.11 to 742.11.2 of the Ohio Revised Code and these policies are established and adopted as required under that authority.

The objectives of the Fund have been established in conjunction with a comprehensive review of the current and projected financial requirements. These objectives are:
•To have the ability to pay all benefit and expense obligations when due.
•To maintain the purchasing power of the current assets and all future contributions by maximizing the rate of return on Fund assets.
•To achieve and maintain a fully funded status with regard to the accumulated benefit obligation.
•To control costs of administering the Fund and managing the investments.

In order to achieve these objectives, the Board of Trustees will conduct itself in accordance with Sec. 742.11 of the Ohio Revised Code: "The Board and other Fiduciaries shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries." These duties shall be carried out "with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims." All aspects of this statement should be interpreted in a manner consistent with the Fund's objectives. The Board shall adopt in regular meetings, policies, objectives or criteria for the operation of the investment program at least annually.

II. DEFINITION OF RESPONSIBILITIES

A. Board of Trustees' Responsibilities
•Establish the strategic investment policy for the Fund (asset allocation) and periodically review policy in light of any changes in actuarial variables and market conditions.
•Select qualified consultants and investment managers to advise on and manage the Fund's assets.
•Monitor and review the performance of selected managers to determine achievement of goals and compliance with policy guidelines.
•Monitor the costs of the investment operations on a semi-annual basis.

B. Investment Committee Responsibilities
•Review, on a continuing basis, the current Investment Policies of the Fund and recommend changes to the Board, as appropriate.
•Review the annual investment plan prepared by the staff. As conditions warrant, revise the annual investment plan as the year progresses.
•Monitor the monthly investment activity for compliance with Board policies and adherence by investment managers to strategy and direction.
•Review the overall performance to determine whether it meets the benchmarks established by the Board and report its findings to the whole Board.
•Review suggested changes or additions to the functions and operations regarding the Investment operations of similar institutional investors and report to the whole Board.
•Report its activities and recommendations to the full Board following each committee meeting.

C. Staff Responsibilities
•Manage the Fund assets under its care, custody and/or control in accordance with the Investment Policy Statement objectives and guidelines set forth herein.
•Monitor both internally & externally managed assets to insure compliance with the guidelines set forth in this policy statement.
•Promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan set forth herein. Maintain detailed records of said voting of proxies and related actions and comply with all regulatory objections related thereto.
•Report to the Board quarterly regarding the status of the portfolio and its performance for various time periods. Meet with the Board at least annually to report on their performance and compliance with goals and objectives.
•Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire Investment Policy Statement set forth herein, and as modified in the future.

D. Investment Consultants' Responsibilities
•Provide independent and unbiased information
•Assist in the development of Investment Policy Statement
•Monitor compliance with Investment Policy Statement
•Assist in the development of strategic asset allocation targets
•Assist in development of performance measurement standards
•Monitor and evaluate manager performance on an ongoing basis
•Conduct due diligence when a manager fails to meet a standard
•Establish a procedural due diligence search process
•Conduct manager searches when needed for policy implementation

E. Investment Managers' Responsibilities
•Manage the Fund assets under its care, custody and/or control in accordance with the Investment Policy Statement objectives and guidelines set forth herein.

•Exercise full investment discretion over the assets in their care within the guidelines set forth in this policy statement and the specific guidelines established for the manager.
•Promptly inform the Board and staff in writing regarding all changes of a material nature pertaining to the firm's organization and professional staff.
•If directed, promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Fund set forth herein. Each manager designated to vote shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
•Report to the Board quarterly retarding the status of the portfolio and its performance for various time periods. Meet with the Board at least annually to report on their performance and compliance with goals and objectives.
•Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire Investment Policy Statement set forth herein, and as modified in the future.

III. ASSET ALLOCATION

It is the responsibility of the Board to determine the allocation of assets among distinct capital and private markets. The allocation will be completed in a manner consistent with commonly recognized financial principles. Application of these principles is expected to lead to a portfolio with the highest level of return consistent with the risk tolerance of the Fund.

The procedure for determining the allocation will consider the relevant characteristics of the liabilities and potential assets of the Fund. The liability considerations shall include, but not be limited to, current and expected future values of the benefits, contributions and total assets. These factors are important for identifying the investment horizon of the Fund and its cash flow requirements. The asset characteristics considered shall include, but not be limited to, the potential return relative to the potential risk.

The asset allocation must be consistent with the investment standards specified in Section 742.11 of the Ohio Revised Code.

Based on an asset allocation and liability study, which analyzed the expected returns of various asset classes, projected liabilities and the risks associated with alternative asset mix strategies, the Board has established the following asset allocation:

Asset Class Range (%)	**Target Allocation (%)**
Domestic Equity	46
International Equity	17
Domestic Fixed Income	18
High Yield	5
Real Estate	8
Emerging Markets	3
Private Equity	3
Cash Equivalents	0
Total	100%

The study has shown that this is a favorable asset mix for meeting longer term goals under both good and bad market conditions.

The asset allocation represents a long term strategy. Short term market shifts may cause the asset mix to drift from the allocation targets. Should the target percentage fall out of the indicated range for a particular asset class, the Board will cause the staff and investment manager(s) to rebalance from the over-allocated class to the under-allocated class.

IV. PERFORMANCE EXPECTATIONS

The most important expectation is the achievement of results consistent with this Policy Statement and the analysis set forth in the asset allocation study of April 2000. A long term 4% annualized real rate of return (net of inflation as measured by the Consumer Price Index) is a reasonable expectation in light of this policy. Long term is defined as a market cycle (generally 3-5 years).

The Fund shall also strive to achieve a long term rate of return, which is equal to or greater than the actuarial rate assumption. The Board expects the total fund to rank in the top half of a comparable public fund universe.

The Fund shall attempt to achieve these return goals without unnecessary risk to principal. The risk/return characteristics of the Fund shall be reviewed on a periodic basis (no less than every five years) through a comprehensive asset allocation and liability study. The goal of the study shall be to formulate a portfolio which maximizes return while minimizing overall risk through the most efficient combination of legal asset classes.

V. INVESTMENT IMPLEMENTATION

The implementation of an investment portfolio designed to achieve the above objectives must be consistent with governing statutes as specified in Section 742.11 to 742.11.2.

An Investment Committee composed of three or more Board members shall be responsible for working closely with the Investment Staff in conjunction with the advisors, and shall make recommendations to the Board on investment matters.

Where appropriate, the Fund will invest assets through the use of qualified investment managers. The allocations to these managers will be made in accordance with the results of the Asset Allocation process and established procedures.

The Board, in conjunction with the Consultant, will establish specific search procedures, including the specification of minimum criteria for the selection of new qualified investment managers, to implement the strategic asset allocation plan. Among the criteria that will be used for screening purposes will be assets managed, manager style, track record, staff, communication, fees, risk/reward statistics, etc. All managers, with the exception of emerging management firms that may warrant specialized criteria, must meet the criteria established by the

Investment Committee. The Investment Manager Search Policy is included later in this Policy as Section XI.

The Board shall give equal consideration to minority owned and controlled firms and firms owned and controlled by women which otherwise meet the criteria established by the Board. Ohio based firms shall also be given consideration, providing that specified criteria are met.

VI. SPECIFIC GUIDELINES

A. Domestic Equity

Investment Objectives

•Total return of the managed equity portfolio should exceed the return of the Wilshire 5000 Index over a three year period on an annualized basis.
•Total return of each manager's portfolio should rank above median when compared to their peer groups (growth, value) over a three year period on an annualized basis and should exceed their benchmark return as specified in each manager's guidelines.

1. Large Capitalization Specialist Managers

The Board of Trustees has determined that diversification of the equity asset base into large capitalization companies will offer the opportunity for enhanced returns, while lessening overall risk through increased diversification.

Assets eligible to be managed in this class of investments will be found in the Ohio Revised Code Sec. 742.11. The following objectives and guidelines shall apply:
•Eligible equity purchases include all US stocks with exceptions when approved by the Board of Trustees and as delineated in the manager's guidelines.
•The main focus of investing will be on companies with a market capitalizations included in commonly accepted large capitalization indices.
•No single holding shall account for more than 6% of the entire portfolio at market, or 5% of the outstanding common stock of any one corporation, unless otherwise approved by the Board of Trustees.
•Specialist managers shall be subject to all other investment provisions listed under Sec. 742.11 that are not specifically mentioned above.
•Trading shall be left to the discretion of the investment manager with the exception that the Fund may direct a reasonable amount of commissions to help defray Fund expenses.
•Cash equivalent positions shall be limited to a maximum of 5% unless otherwise approved by the Board of Trustees.
•Derivatives whose underlying asset is allowed by statute may be used in the management of the portfolio.

2. Small/Mid Capitalization Specialist Managers

The Board of Trustees has determined that diversification of the equity asset base into small capitalization and mid-range capitalization companies will offer the opportunity for enhanced returns, while lessening overall risk through increased diversification. The structure of this asset class shall consist of several complementary style managers with a demonstrated 'growth' and 'value' style of investing.

The following objectives and guidelines shall apply to the asset class:
•The guidelines, which apply to the large cap specialist managers, shall also apply to the small/mid cap managers except that:
•The main focus of investing will be on companies with market capitalizations included in commonly accepted small to mid capitalization indices.

B. International

The Fund will allocate a portion of the investment portfolio to international securities in accordance with allowable limits. This is intended to enhance the overall return of the portfolio while lowering risk through increased diversification. The structure of the international equity allocation will be diversified among three approaches: passive, active and regional. Trading shall be left to the discretion of the investment manager.

Passive International Equity Investments

The passive component has a target allocation of one-third of the International developed markets allocation. This is an index fund portfolio intended to provide diversification to the Fund's U.S. investments through holdings in non-U.S. equities and is to be constructed so as to match the return of the Morgan Stanley Capital International Europe, Australia, Far East Index. Non-U.S. equity securities in EAFE countries are authorized. The manager will have the MSCI-EAFE Index as a benchmark.

Active International Equity Investment

The active component also has a target allocation of two-thirds of the International developed markets allocation and will be divided among at least three managers. These will be discretionary portfolios intended to provide diversification to the Fund's U.S. investments as well as the Fund's passive EAFE Index manager.

For each active manager, the use of American Depository Receipts (ADRSs) and Global Depository Receipts (GDRs) will be limited to 20% of the portfolio.

While the geographic and economic sector diversification will be left to the manager's discretion, the portfolio shall be appropriately diversified as consistent with the manager's stated investment approach.

The investment managers may enter into forward exchange or futures contracts on currency provided that use of such contracts is designed for defensive purposes.

Investment Objectives

•Total return of the active equity portfolios should exceed the return of the MSCI EAFE Index over a three year period on an annualized basis.

•Total return of each manager's portfolio should rank above median when compared to their peer groups over a three year period on an annualized basis and should exceed their benchmark return as specified in each manager's guidelines.

Emerging Markets

The emerging markets allocation will be implemented as a distinct mandate with a separate allocation. The allocation will be divided between at least two active managers. In order to minimize the administrative and transaction costs of emerging market investing, commingled investment vehicles will be utilized. Sector and security selection, portfolio structure, and timing of purchases and sales are delegated to the Manager subject to policies established by the commingled funds.

Investment Objectives

•Total return of the active equity portfolios should exceed the return of the MSCI Emerging Markets Free Index over a three year period on an annualized basis.

•Total return of each manager's portfolio should rank above median when compared to their peer groups over a three year period on an annualized basis and should exceed their benchmark return as specified in each manager's guidelines.

C. Fixed Income

It shall be the responsibility of the Investment Staff to give careful consideration to the needs of the system in its recommendation for bond investments, emphasizing relative value, quality and, to a lesser extent, liquidity. The Board may also retain external investment managers for this purpose.

The portfolio shall be actively managed in an effort to outperform the Lehman Aggregate Index over a market cycle. The effective duration of the portfolio shall not deviate beyond + or – 20% from that of the benchmark, unless otherwise approved by the Board of Trustees.

In order to qualify for inclusion in the fixed income portfolio, securities shall be rated "BBB-" or better by two standard rating services at the time of purchase.

No more than 10 percent of the fixed income portfolio may be invested in the securities of any one issuer, and no more than 5 percent in any one issue on a dollar duration basis, with the exception of United States Government or Agency securities.

Investments in high risk derivatives are prohibited. Low risk mortgage derivatives are permitted.

Cash equivalents positions shall be included in the calculation of the portfolio's effective duration.

Investment Objectives

•Total return of the active fixed income portfolios should exceed the return of the Lehman Aggregate Index over a three year period on an annualized basis.

•Total return of each manager's portfolio should rank above median when compared to their peer groups over a three year period on an annualized basis and should exceed their benchmark return as specified in each manager's guidelines.

D. Real Estate

The Fund has adopted Strategic and Investment Plans that provide for the completion of the Fund's allocation to real estate.

The role of real estate in the Fund's portfolio is to provide an inflation hedge and a return that negatively correlates with stock and bond returns, thereby reducing the volatility and risk of the total portfolio. Also, real estate must provide a total return that is competitive on a risk-adjusted basis with stocks and bonds. The Fund is primarily interested in investing in core properties (i.e., operating, substantially leased, well located, institutional quality in the traditional property types which include office, apartment, retail and industrial). They generally offer relatively high and more predictable current income returns. The Fund will, however, consider investments in non-core properties to capture superior risk-adjusted returns caused by imbalances in the real estate and capital markets. To access these opportunities, the Fund will make investments in institutional properties, which may present a higher level of risk including leasing, renovation, development, re-positioning, distressed assets, international and a degree of business or operating risk (e.g., hotels, senior housing, etc.). The investment strategy typically is to cure the identified deficiency, increase cash flow and capture the premium through a short term hold. The Fund's preferred investment vehicle is a separate account because it affords the Fund the highest degree of control over its investments. The Fund also prefers to own 100% of each core property investment. Commingled fund investments will be made to allow the Fund to invest in higher return, higher risk assets and in extraordinarily large properties. The Fund employs a number of risk management strategies to minimize portfolio return volatility. These strategies include diversification by property type, by geographic location, by size of individual investments and by advisors. Leverage will be utilized only if acceptable debt service coverage, loan to value ratios and other protection can be provided. The maximum debt to equity ratio is 1:1 and 2:1 for and individual asset.

Investment Objectives

The target return for the real estate program is a total real return of 6.5% (i.e. net of inflation and all fees and costs) measured over rolling three year periods. The minimum acceptable return for core investments is 5% real. For non-core investments, the acceptable return will be evaluated on an individual property basis, commensurate with the risk. No minimum required return is specified due to the wide range of risk and return characteristics in the category.

E. Commercial Mortgages

The Board of Trustees has determined that inclusions of Commercial Mortgage Investments secured by real estate, will enhance the risk/return characteristics of the Fund. Therefore, the allocation to this asset class shall be targeted at 2% of the Fund's total investable assets.

Commercial Mortgage investments provide for fixed income payments derived from underlying property cash flows. Flexibility in investing in commercial mortgage backed securities or whole loans shall be provided. Risk shall be controlled through diversification strategies and the retention of qualified managers with acceptable loan underwriting and/or commercial mortgage acquisition experience.

Investment Objectives
The benchmark return for the commercial mortgage portfolio, consistent with investment risk, is a real rate of return of four percent, net of investment management fees, over rolling ten year periods.

The policies and guidelines set forth in the Fund's "Commercial Mortgage Strategic and Investment Plan" are incorporated herein by reference.

F. Private Equity Investments

The private equity class of investments is designed to provide an attractive risk adjusted rate of return to benefit the Fund. By its very nature, it possesses a long-term investment horizon, illiquidity and a high degree of risk.

For these reasons, this asset class is limited to 3% of the overall Fund and expected returns should exceed those of other asset classes.

Investment Objectives
The Fund seeks a target return of 10% in excess of inflation over the long-term.

To assist in diversifying the risks of this asset class, the Fund shall invest only in eligible private equity partnerships or funds and shall avoid individual direct company investments.

G. Cash Equivalents

To provide effective cash management when investing cash balances, emphasis shall be placed on the protection of principal through the purchase of higher quality money market instruments, while at the same time attempting to achieve the highest available return.

Short-term investments may be made in commercial paper, which shall at the time of purchase be rated within the two highest classifications established by two standard rating services. Treasury obligations, certificates of deposits, banker's acceptances, or repurchase agreements may be purchased with the responsibility resting on the Investment Staff regarding the selection of the specific type of investment at any given point in time. These obligations shall mature within 270 days of the date of purchase.

VII. PROXY VOTING

The Fund's Board of Trustees believes that common stock proxies are valuable and should be voted in the long-term interests and objectives of the Plan set forth herein. Each manager, staff or individual that exercises a proxy vote shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto and the policies set forth in the Board's "Proxy Voting Policy Statement."

Common stock proxies may be executed by the Sr. Investment Officer and the Chief Investment Officer, or their designees, and by designated outside money managers.

The internal staff shall provide a semi-annual summary report of proxy voting actions to the Investment Committee.

VIII. SECURITIES LENDING

The investment objective for the securities lending program is to generate incremental income within a high quality investment program that safeguards the return of principal, maintains adequate daily liquidity, ensures diversification and tightly controls exposure to fluctuating interest rates.

The program may be operated by a bank trustee or a third party lending agent. Marking to market shall be performed daily and a minimum of 102% collateral shall be diligently maintained.

Securities lending reports shall be provided quarterly by the agent to the Investment Committee detailing investment instruments utilized and the appropriate breakdown of revenues.

IX. INVESTMENT MONITORING AND EVALUATION POLICY

The purpose of the OP&F Investment Manager Monitoring and Evaluation Policy is to establish the process and discipline for managing the investment manager relationship. The policy states the process, responsibilities and important factors for consideration in the monitoring and evaluation process.

The successful monitoring and evaluation of managers depends on synthesizing a multi-faceted array of investment factors, including historical data and forward looking characteristics that are often linked. The process must also examine the investment manager's business capabilities and ability to attract and retain investment and support professionals. The Policy seeks to examine all material information about OP&F's investment managers that may materially impact the relationship and investment objectives of the Board.

OP&F will consider, but not be limited, to the following factors in monitoring and evaluating its investment managers:

A. Stability and experience of firm in the investment product;

1. Stability of the firm, as measured by the quality of the organizational structure of the firm; the existence of, or potential for, significant developments in the firm; and the expected financial stability of the firm.

2. Experience of the firm in providing investment management services to similar institutional investors, as measured by the firm's history of providing such services.

3. Ownership of the firm, as measured by the depth and structure of the incentive programs and the ownership type for key investment professionals in the subject product.

4. Firm commitment to improvement as measured by whether or not there is a clear business plan/strategy, reinvestment in the firm with an overall commitment for enhancements/improvements.

5. Adverse organizational issues, as measured by the existence of litigation or other investigations; and the existence of financial problems.

B. Quality, stability, depth and experience of investment professionals;

1. Experience of portfolio manager(s) in providing similar services to similar institutional investors, as measured by the length of time the portfolio manager(s) has served as a portfolio manager to such investors; demonstrated expertise in providing such services to other such investors.

2. Stability of the firm's professional base, as measured by personnel turnover.

3. Depth of personnel, as measured by the firm's account/portfolio manager and account/investment management personnel ratios; and back-up procedures for providing services to OP&F in the absence of the portfolio manager(s).

C. Client service and relationships;

1. Assets under management, as measured by the amount in the subject product as well as the experience of managing other similar asset class products.

2. The similarity of a firm's clients to OP&F, as measured by the amount of institutional tax-exempt assets under management and the size of the individual accounts currently under management.

3. Stability of the firm's client base, as measured by the number of accounts gained or lost.

4. Procedures for client contact, timely reporting, compliance monitoring, reconciliation process with OP&F's custodian and responsiveness to reporting data and formatting requirements.

D. Investment philosophy and process;

1. Defined philosophy and process implementation, as measured by whether the philosophy is effectively communicated and what the process is and why it works. It should be identified as to whether the process is based on sound research and whether or not they are focusing on temporary or permanent inefficiencies in the market.

2. Portfolio construction process, as measured by whether or not the manager is benchmark oriented such that there are distinct portfolio objectives and on-going monitoring relative to these objectives. It should be identified as to whether the process contains risk controls, and if so, are they part of a disciplined process and who is performing the monitoring.

3. Research, as measured by whether there are appropriate resources given the product style, whether the research performed is qualitative or quantitative, and whether or not there are separate research departments by product type or one fully integrated research staff.

4. Sources of information, as measured by whether the data used in the process is collected and/or assimilated by outside organizations or generated internally and how the information is processed and interpreted.

E. Investment performance and risk control;

1. The investment manager's alpha for active managers and tracking error for passive managers relative to the target benchmark. Active managers will also be expected to rank in the top half of managers with similar objectives over a 3 to 5 year period, if available. Additional focus will be placed on return/risk ratios and information ratios which incorporate both absolute and manager specific risk.

F. Investment fees;

1. Investment management fees shall be competitive and of an appropriate structure for the product type and assets under management.

MONITORING RESPONSIBILITIES

It is important that the roles of the participants in the implementation of this Policy be clear and delineated. The following is intended as a guide to reflect the overall framework for the participants in the process. Participant responsibilities may vary from time to time.

Board - Responsible for the overall management of the Fund and investment manager relationship. Staff and consultant will provide the Board with periodic updates on the investment structure, overall investment manager performance and compliance with guidelines.

Investment Committee - Responsible for the overall management of the Fund's investment program. This shall include ongoing review of the asset allocation plan, investment structure, investment performance and other related issues. The Committee shall be responsible for recommending investment policies and procedures and shall assign investment managers to a monitoring category (except that only the Board may assign category 4 and P4, termination).

Staff - Responsible for the day-to-day management of this Policy and the investment manager relationship, including investment reporting and investment guideline compliance. Staff will report all material manager issues to the consultant for review and to the Board for its consideration.

Investment Consultant - Responsible for assisting the staff and Board in establishing strategic investment policy and strategy. The consultant will monitor the consistency of investment manager mandates with the investment objectives, investment manager guidelines and will prepare quarterly performance measurement reports. The consultant will report all material investment manager issues to the staff and Board.

Investment Manager - Responsible for managing the investment portfolio within the objectives and guidelines established by the Board. The investment manager is responsible for self-monitoring of the portfolio and notifying the staff when there are any deviations from the guidelines and when modifications to the guidelines may be appropriate. The investment manager is responsible for the quality and timeliness of its reporting, including the reconciliation of its portfolio with OP&F's custodian.

FREQUENCY OF MONITORING

The investment manager's performance, risk and portfolio characteristics will be monitored on a monthly/quarterly basis, or more frequently, and will be evaluated relative to the Board approved investment manager guidelines and objectives.

MANAGER MONITORING CONCLUSIONS

The Board seeks long term and successful relationships with its investment managers. The monitoring process is intended to ensure the success of the relationship. All investment managers will be assigned, as noted above, to one of the following categories, which will be reviewed by the Investment Committee at least annually:

1. Retain the investment manager with no material changes in the relationship;
2. Retain the investment manager with issues of a non-material nature to be noted and monitored on a regular basis;
3. Retain the investment manager and place on probation with specific material issues identified and a plan and time period developed to resolve issue; and
4. Terminate the investment manager relationship and redeploy the assets.

Where potentially material and adverse issues arise in OP&F's current investment manager relationships, the Investment Committee will review the issues and may re-assign the manager to another category in the case of 1-3 rating. The assignment of a 4 rating must be approved by the Board.

Once a manager has been downgraded, they may not be upgraded for at least 6 months. During this time period the reasons for the rating downgrade will be evaluated thoroughly by the staff and the manager's progress on their corrective action plans will be followed. Although managers will be prohibited from obtaining a rating upgrade within 6 months of a rating downgrade, a manager may be further downgraded or recommended for termination at any time.

In conjunction with the annual manager evaluation conducted by the staff and the Investment Committee, the following review schedule will be followed for managers rated either a '2' or '3':

'2' - The staff and the Investment Committee will review manager performance and the issues which resulted in the rating downgrade at least every 6 months until the rating has been upgraded to a '1'. Further downgrading to a '3' will result in the review schedule noted below:

'3' - Due to the severity of this rating, quarterly reviews will be conducted of managers rated a '3'.

When deemed necessary by the staff or Investment Committee, managers will be requested to attend these reviews.

In the case of investment managers or general partners who act as managers of private, essentially non-marketable, investment vehicles such as private equity and commingled real estate investment funds, all investment managers will be assigned, as noted above, to one of the following categories which will be reviewed by the Investment Committee at least annually:

P1. The investment manager may be considered for future assignments.

P2. The investment manager has specific material issues which need to be resolved before the manager may be considered for future assigments.

P3. The investment manager may not be considered for future assignments.

P4. Removal of the investment manager or sale of our interest should be actively pursued and acted upon if in the best interest of the Fund.

Where potentially material and adverse issues arise in OP&F's current investment manager relationships, the Investment Committee will review the issues and may re-assign the manager to another category in the case of a P1-P3 rating. The assignment of a P4 rating must be approved by the Board.

TERMINATION OF AN INVESTMENT MANAGER

The Board will review the adverse material issues and circumstances prior to terminating an investment manager. The major issues to consider will include:

Longer term prospects of the investment manager in correcting the issue;
Potential changes in the relationship;
The cost of termination;
Replacement alternatives; and
How the investment manager's assets will be redeployed.

MANAGER DUE DILIGENCE VISITS

The staff will meet with those investment managers whose performance falls below the 70th percentile relative to their peers for all of the following: current quarter; year-to-date; and trailing one year time periods. The staff will also meet with investment managers for non-performance issues that are material to the relationship, including but not limited to: firm or investment product stability, key professional turnover, client service and investment reporting.

X. COMMUNICATIONS

Each manager will provide hard copy reports at least quarterly, including performance measurement, asset inventories, transaction summaries, market commentary or anything else deemed significant at the time of reporting. Each manager is expected to meet with the Fund's Board at least annually, unless notified otherwise.

XI. INVESTMENT MANAGER SEARCH POLICY

The selection of investment managers will be conducted only under a Request for Proposal (RFP) process that will consider the following issues:

A. The investment strategy for the manager search will be considered within the strategic asset allocation plan, investment structure and other applicable investment policies and procedures approved by the Board.

B. The RFP minimum criteria will be consistent with the search investment strategy and will be established by the Investment Committee, with the assistance of staff and the investment consultant. The selection criteria may include such items as:

1. Stability and experience of firm in the investment product;
   a. Stability of the firm, as measured by the quality of the organizational structure of the firm; the existence of, or potential for, significant developments in the firm; and the expected financial stability of the firm.
   b. Experience of the firm in providing investment management services to similar institutional investors, as measured by the firm's history of providing such services.
   c. Ownership of the firm, as measured by the depth and structure of the incentive programs and the ownership type for key investment professionals in the subject product.
   d. Firm commitment to improvement as measured by whether or not there is a clear business plan/strategy, reinvestment in the firm with an overall commitment for enhancements/improvements.
   e. Adverse organizational issues, as measured by the existence of litigation or other investigations; and the existence of financial problems.
2. Quality, stability, depth and experience of investment professionals;
   a. Experience of portfolio manager(s) in providing similar services to similar institutional investors, as measured by the length of time the portfolio manager(s) has served as a portfolio manager to such investors; demonstrated expertise in providing such services to other such investors.
   b. Stability of the firm's professional base, as measured by personnel turnover.
   c. Depth of personnel, as measured by the firm's account/portfolio manager and account/investment management personnel ratios; and back-up procedures for providing services to OP&F in the absence of the portfolio manager(s).
3. Client service and relationships;
   a. Assets under management, as measured by the amount in the subject product as well as the experience of managing other similar asset class products.
   b. The similarity of a firm's clients to OP&F, as measured by the amount of institutional tax-exempt assets under management and the size of the individual accounts currently under management.

c. Stability of the firm's client base, as measured by the number of accounts gained or lost.
d. Procedures for client contact, timely reporting, compliance monitoring, reconciliation process with OP&F's custodian and responsiveness to reporting data and formatting requirements.

4. Investment philosophy and process;
   a. Defined philosophy and process implementation, as measured by whether the philosophy is effectively communicated and what the process is and why it works. It should be identified as to whether the process is based on sound research and whether or not they are focusing on temporary or permanent inefficiencies in the market.
   b. Portfolio construction process, as measured by whether or not the manager is benchmark oriented such that there are distinct portfolio objectives and on-going monitoring relative to these objectives. It should be identified as to whether the process contains risk controls, and if so, are they part of a disciplined process and who is performing the monitoring.
   c. Research, as measured by whether there are appropriate resources given the product style, whether the research performed is qualitative or quantitative, and whether or not there are separate research departments by product type or one fully integrated research staff.
   d. Sources of information, as measured by whether the data used in the process is collected and/or assimilated by outside organizations or generated internally and how the information is processed and interpreted.
5. Investment performance and risk control;
   a. The investment manager's alpha for active managers and tracking error for
   passive managers relative to the target benchmark. Active managers will
   also be expected to rank in the top half of managers with similar objectives
   over a 3 to 5 year period, if available. Additional focus will be placed on return/risk ratios and information ratios which incorporate both absolute and manager specific risk.
6. Investment fees;
   a. The total cost of performing investment advisory services as measured by the Fee Proposal based on a total account size. The managers in the search will be evaluated relative to each other as well as to a representative peer universe.

C. The search may be on a closed or open manager universe basis. Closed universe searches shall be used only in circumstances where an expedited process is required to avoid material harm to the Fund or where there is approval by a super majority of the Board (7 or more) to reconsider the finalists of a prior search concluded within the preceding two years. The retention of a manager in a closed universe search shall be subject to a due diligence review by the Investment Committee, staff and consultant. When reopening a prior search, due diligence shall be performed on those managers constituting the finalists of the original search.

D. RFPs will be sent to managers identified as likely to meet the stated qualifications and to those requesting the RFP in an open universe search. An advertisement will be placed in an investment industry or national business publication in open universe searches. In closed universe searches, the Investment Committee shall approve all potential candidates with the assistance of the staff and consultant.

E. Staff, with the assistance of the Board's investment consultant, will review all timely submitted RFPs to ensure that all search criteria have been met.

F. Staff, with the assistance of the Board's investment consultant, will evaluate all RFPs having met established criteria and produce a written report summarizing the findings and manager rankings to the Investment Committee. The staff and consultant may produce separate reports to the Investment Committee where there may be material differences in findings or manager rankings.

G. The Investment Committee will consider the staff and consultant report as well as other material information when determining the list of managers for finalist interviews.

H. The staff and/or investment consultant may conduct a due diligence visit with the finalists prior to the finalist interviews.

I. The Investment Committee will interview and evaluate the finalists with the assistance of staff and the investment consultant.

J. Only the Investment Committee has authority to recommend managers to the Board for final consideration. The recommendations may also include information on the amount and timing of funding, investment guidelines and fees.

K. The Board will approve or fail to approve the manager recommendations of the Investment Committee. The Board may approve, fail to approve or modify the amount and/or timing of funding, investment guidelines and fees of the approved managers.

XII REVIEW PROCEDURES

In addition to the regular performance reviews, the Board in conjunction with its consultant will review this policy statement at least once a year to determine if revisions are warranted.

It is not expected that investment policy will change frequently, in particular short term changes in the financial markets should generally not require an adjustment in the investment policy.

(THIS PAGE LEFT BLANK INTENTIONALLY)

ACTUARIAL SECTION

1. REPORT OF ACTUARY

Watson Wyatt
Worldwide

Watson Wyatt & Company

Suite 1900
1001 Lakeside Avenue
Cleveland, OH 44114-1172

Telephone 216 937 4000
Fax 216 937 4101

March 31, 2000

Board of Trustees
Ohio Police and Fire Pension Fund
140 East Town Street
Columbus, Ohio 43215

Members of the Board:

This is our actuarial certification letter with respect to the January 1, 1999 actuarial valuation report of the Ohio Police and Fire Pension Fund ("Fund"). Certain information in the 1999 report and prior reports has been used to prepare Schedules in the 1999 Comprehensive Annual Financial Report. Specifically:

1. Actuarial Section – Schedule 2: is essentially Table 7 from the 1999 actuarial report.
2. Actuarial Section – Schedule 3: number of actives, average salary, salary increase trend information was taken from 1999 and prior actuarial reports.
3. Actuarial Section – Schedule 4: information for 1995 and after was taken from the 1995 and later actuarial reports.

In order to assist the Board in its financial objective of ensuring the long-term solvency of the Fund, Watson Wyatt Worldwide, as Actuary, prepares an actuarial valuation of the Fund on an annual basis. The actuarial valuation develops the normal cost and unfunded actuarial accrued liability under the Entry Age Normal actuarial cost method. The period required to amortize the unfunded actuarial accrued liability, via a level percentage of expected future annual Member payroll, is determined assuming a constant active Member population and a 4% annual payroll growth. A separate report comments on the expected period of time over which the Health Care Stabilization Fund (HCSF) will retain a positive balance assuming employer contribution allocations to the HCSF increase from 6.5% in 1998 to 8.0% in 2003.

The 1999 valuation develops an amortization period of 47.26 years. The 47.26 compares to 56.71 years developed in the 1998 actuarial valuation. The decrease is due primarily to asset performance in 1998 and the imposition of a minimum actuarial value of stocks equal to 85% of market value. The 1999 HCSF Report shows that the HCSF is expected to be maintained through the year 2020 under the current member premium schedule and the 1998 baseline trend rate assumptions.

Board of Trustees
March 31, 2000
Page 2

Section 742.16 of the Revised Code, as amended by Senate Bill No. 82, requires the Board of Trustees to establish as one financial goal of the Fund that the annual actuarial valuation shall produce an amortization period of not more than 30 years, beginning in 2007 and pursuant to a plan established by the Board.

Section J of the 1999 valuation report discusses the adequacy of the current statutory contribution rates in light of the requirements of Senate Bill 82. Therein we conclude that if the Fund is able to earn approximately an 8.5% average rate of return over the next 30 years, and net health care costs to the Fund are effectively managed, then the Senate Bill 82 funding requirements should be met. The results of this valuation and the April 10, 1998 Forecast Study, as modified to include the improved spousal benefits of House Bill 194 and House Bill 275, have been used to prepare a plan under which the Board will meet the funding objectives of Senate Bill 82.

The actuarial valuations are based upon census data and audited financial information submitted by the Fund. Watson Wyatt Worldwide reviews the data for reasonability. Information suspected of being in error is submitted to the Fund for correction.

The actuarial assumptions used in the valuation are recommended by Watson Wyatt and approved by the Board. The decrement assumptions reflect actual Fund experience as measured in the quinquennial evaluations and interim studies. In general, the decrement assumptions used for the 1999 valuation are based on Fund experience during the period beginning in 1992 and ending in 1996. The interest rate and salary scale assumptions reflect both recent Fund rates of return and salary increases and expected returns and salary increases over the next 30 years. These assumptions, along with actuarial cost and asset valuation methods, meet the parameters presented in Government Accounting Standards Board Statement No. 25.

For most asset classes the actuarial value of assets used in the valuation is the cost value as presented in the audited Financial Statements. The actuarial value of stocks is determined under the 4-Year Market Adjustment method, under which realized and unrealized gains or losses are recognized in the assets over 4-year periods and the actuarial value is held to a minimum of 85% of market value. The actuarial value of assets is reduced by (1) the member contributions which have yet to be refunded to members who terminated with less than 15 years of service, (2) certain Fund liabilities and (3) the reported value of the Health Care Stabilization Fund.

Board of Trustees
March 31, 2000
Page 3

The benefit provisions valued in the valuation report reflect the status of the Ohio Revised Code as of the valuation date.

Under current law the Ohio Retirement Study Council is to annually review the actuarial report and make recommendations to the General Assembly concerning proper financing of the Fund. The policy of annual reporting, review, and, if necessary, legislative change in the statutory rates should ensure that the financial condition of the Fund remains sound.

Respectfully Submitted,

WATSON WYATT WORLDWIDE

Wayne E. Dydo

Wayne E. Dydo
Fellow - Society of Actuaries
Member – American Academy of Actuaries

Peter N. Dorsey

Peter N. Dorsey
Associate - Society of Actuaries

WED/PND:ke

M:\OHP&F\DB\GENL\VAL\L0BOT039.DOC

2. SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

A. INTEREST

A rate of 8 1/4% per annum, compounded annually. Adopted by the Board of Trustees in 1989.

B. RATES AND OTHER ASSUMPTIONS AMONG ACTIVE MEMBERS
1. Before Retirement:
(a) Mortality:

Mortality is based on the 1994 Group Annuity Mortality Reserving Table with a five-year set-back in age. The following rates at selected ages are illustrative:

	Rate of Mortality	
Age	Police	Fire
25	.000507	.000507
30	.000661	.000661
35	.000801	.000801
40	.000851	.000851
45	.001072	.001072
50	.001578	.001578
55	.002579	.002579

(b) Termination:

The rates of termination are based upon the results of the 1992-1996 Quinquennial Evaluation. The following rates at selected ages are illustrative:

	Rate of Termination	
Age	Police	Fire
25	.032100	.010674
30	.022530	.008650
35	.018580	.007568
40	.013325	.005845
45	.009219	.004235
50	.009688	.006715

Note: The present values of future benefits for active members resulting from the use of these withdrawal rates are actuarially adjusted to include provision for prospective terminated employees eligible for vested termination benefits arising from the vesting provisions of the 1971 Amended Substitute Senate Bill No. 137.

(c) Disability:

The rates of disability are based upon the results of the 1992-1996 Quinquennial Evaluation. A 5% load has been applied to the 1992-1996 experience rates due to the volatility in this decrement. The following rates at selected ages are illustrative:

	Rate of Disability	
Age	Police	Fire
25	.000280	.000017
30	.001709	.000837
35	.005926	.002592
40	.011606	.005899
45	.019363	.014365
50	.027948	.031516
55	.036083	.042174

Note: The present values of future benefits for active members resulting from the use of these disability rates reflect the fact that the occurrence of disability by type approximates the following

	Police	Fire
On duty permanent and total	20%	20%
On duty partial	76	76
Off duty ordinary	4	4

(d) Salary Increase Rate:

The per annum rates of future salary increase can be divided into two component parts: (i) inflationary increase of 4% per year and (ii) age-graded promotional increases.

	Promotional Increase	Total Increase
Under 30	3.00%	7.00%
30 - 34	1.75%	5.75%
Over 34	1.00%	5.00%

(e) Retirement:

The rates of retirement are based upon the experience during the periods 1990 through 1993 and the results of the 1992-1996 Quinquennial Evaluation. These rates are applicable after the member has satisfied the conditions for retirement.

Police		Fire	
Age(s)	Rate	Age(s)	Rate
48	0.35	48	0.35
49 - 53	0.25	49 - 59	0.25
54 - 60	0.20	60 - 64	0.35
61 - 64	0.25	65	1.00
65	1.00		

2. After Retirement:

(a) On Service Retirement Pension:

For active members expected to go on service retirement, the post-retirement mortality rates equal the 1994 Group Annuity Mortality Reserving Table with two-year set-forward in age. The following probabilities at selected ages are illustrative:

Age	Probability of Mortality
50	003213
55	.005581
60	.010147
65	.018034
70	.028481
75	.045171
80	.075532
85	.115671
90	.182281
95	.268815

(b) On Disability Retirement Pension:

For active members expected to go on disability retirement, the post-retirement mortality rates are based on the results of the 1992-1996 Quinquennial Evaluation. The rates are based on the 1994 Group Annuity Mortality Reserving Table with a two years set forward in age and with loads for disability. The following probabilities at selected ages are illustrative:

Age	Probability of Mortality
35	.008391
40	.008752
45	.009399
50	.010713
55	.013081
60	.020147
65	.028034
70	.048481
75	.070171
80	.100532
85	.140671
90	.207281
95	.268815

C. PROBABILITIES OF MORTALITY AMONG PENSIONERS

1. Nondisabled Pensioners:

The mortality among all nondisabled retirants is equal to the 1994 Group Annuity Mortality Reserving Table rates with a two-year set-forward in age. The following probabilities at selected ages are illustrative:

Age	Probability of Mortality
50	.003213
55	.005581
60	.010147
65	.018034
70	.028481
75	.045171
80	.075532
85	.115671
90	.182281
95	.268815

2. Disabled Pensioners:

The mortality among all disabled retirants is equal to the 1994 Group Annuity Mortality Reserving Table with a two-year set-forward in age and with loads for disability. The following probabilities at selected ages are illustrative:

Age	Probability of Mortality
35	.008391
40	.008752
45	.009399
50	.010713
55	.013081
60	.020147
65	.028034
70	.048481
75	.070171
80	.100532
85	.140671
90	.207281
95	.268815

D. PROBABILITIES AMONG SURVIVORS

1. Probabilities of Mortality Among Surviving Spouses:

The mortality among all present surviving spouses is based on the Projected Annuity Mortality Table with a six year setback in age. The following probabilities at selected ages are illustrative:

Age	Probability of Mortality
35	.000871
40	.001193
45	.001722
50	.002932
55	.005410
60	.008910
65	.013397
70	.020560
75	.033488
80	.054712
85	.091172
90	.144016
95	.207993

2. Probability of Remarriage Among Surviving Spouses:

The valuation no longer uses a remarriage assumption. HB 648 removed the remarriage penalty for surviving spouses.

3. Dependent Children:

No specific allowance has been made, in the valuation of this benefit, for the probability of mortality prior to age 18, or the probability of disability at age 18 and thereafter. In valuing the benefit beyond age 18, it is assumed that 1/3 of the dependent children will be students and eligible for payments to age 22.

4. Dependent Parents:

Costs based upon allowance for mortality (the Projected Annuity Mortality Table rates), but no specific allowance for change in dependency status.

E. COLA ANNUITIES

It has been assumed that where an election is possible, all members will elect the COLA annuity. It has also been assumed that the Consumer Price Index will increase each year at a rate equal to or greater than 3%.

F. EXPENSE LOADING

Fund expenses are divided into investment expenses and administrative expenses. The valuation interest rate is considered to be net of all investment expenses and net of administrative expenses up to 0.05% of market value assets. Excess administrative expenses (above 0.05% of market value) are loaded onto the Normal Cost. The Fund provides estimated valuation year expenses.

G. STATE SUBSIDY CREDIT

The subsidy received from the State of Ohio during the valuation year is an offset to the Normal Cost.

H. ACTUARIAL COST METHOD

The Entry Age Normal Cost Method has been used. This is a method under which the actuarial present value of the projected benefits of each participant included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed decrement age. That portion of the actuarial present value allocated to a valuation year is called the normal cost. That portion of the actuarial present value not provided for at a valuation date by the future normal costs is called the actuarial liability.

The amortization period is determined as an open (rolling) period. For this calculation, total payroll is assumed to grow at 4.00% per annum.

The employer accrued liability was determined for each separate police and firemen's fund as of April 1, 1966. Each employer with an existing liability is presently making payments at the rate of 5% of the original liability (adjusted for any excess payments) pursuant to the schedule set forth in Section 742.30 of the Ohio Revised Code.

I. VALUATION ASSETS

Valuation assets equal the net cost (book) value of all Fund assets, except common and preferred stocks are included in valuation assets with a value equal to that developed under the 4-year Market Adjustment Method, with an initial value equal to market value. Under this method realized and unrealized gains on stocks are recognized in the assets over a 4-year period: valuation assets equal market value less 75% of the previous year's realized and unrealized gains, 50% of the second previous year's realized and unrealized gains, and 25% of the third previous year's realized and unrealized gains. The balance in the Health Care Stabilization Fund is excluded from total assets to arrive at valuation assets for pension and disability benefits. Contributions due to be refunded to terminated members are also excluded from valuation assets.

Future payments on the employer accrued liability (local funds receivable) are discounted at the valuation rate to determine the present value at the valuation date. This value is added to valuation assets.

3. ACTIVE MEMBER VALUATION DATA

1994 TO 1999

Actuarial Valuation as of Jan. 1	Number of Employers		Number of Active Members		Average Annual Salary		Percentage of Average Annual Salary Increases		Annual Payroll (Millions)
	Police	Fire	Police	Fire	Police	Fire	Police	Fire	
1994	552	293	13,851	10,340	38,017	38,338	3.4%	4.2%	923.0
1995	559	299	14,072	10,511	39,951	40,143	5.1%	4.7%	984.1
1996	574	310	14,558	10,728	41,017	41,528	2.7%	3.5%	1,042.6
1997	582	316	14,851	10,972	42,049	42,509	2.5%	2.4%	1,119.9
1998	616	354	15,247	11,316	43,561	44,077	3.6%	3.7%	1,190.9
1999	621	653	15,533	11,600	44,892	45,052	3.1%	2.2%	1,249.1

4. RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

1994 to 1999

Year at Jan. 1	Police		Fire		Total Members at Year End	
	Additions	Removals	Additions	Removals	Police	Fire
1994	665	332	517	304	10,449	8,612
1995	677	379	464	301	10,747	8,775
1996	821	391	580	366	11,177	8,989
1997	760	400	666	358	11,537	9,297
1998	610	418	431	444	11,729	9,284
1999	878	445	636	348	12,162	9,572

5. SHORT-TERM SOLVENCY TEST

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's valuation assets are compared with: 1) Active member contributions on deposit; 2) The liabilities for future benefits to present retired lives; 3) The liabilities for service already rendered by active members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is very rare. Because the Fund changed its actuarial cost method from the aggregate method to the entry age normal method effective January 1, 1997, comparable solvency test data is not available for years prior to that date.

Accrued Liabilities ($ Amounts in Thousands)

	Valuation Year	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
Police	1997	$498,283	$1,964,911	$1,520,487	$3,065,410	100%	100%	40%
Fire	1997	$380,192	$1,537,474	$1,123,208	$2,488,704	100%	100%	51%
Police	1998	$524,911	$2,214,921	$1,634,939	$3,431,556	100%	100%	42%
Fire	1998	$405,865	$1,683,441	$1,233,600	$2,799,863	100%	100%	58%
Police	1999	$548,372	$2,509,175	$1,751,789	$3,957,516	100%	100%	51%
Fire	1999	$423,342	$1,885,760	$1,334,184	$3,236,100	100%	100%	69%

6. PLAN SUMMARY

PURPOSE

The Ohio Police and Fire Pension Fund (the Fund) was established by the Ohio General Assembly to provide disability benefits and pensions to members of the Fund and their surviving spouses, children, and dependent parents.

ADMINISTRATION

The administration, control, and management of the Fund are vested in the Ohio Police and Fire Pension Board of Ohio which is comprised of nine members as follows:
•Three representatives of police departments
•Three representatives of fire departments
•One municipal fiscal officer
•The Auditor of State
•The Attorney General

The representatives of police and fire departments are elected for four-year terms by the members with one police and one fire position being a retired member or surviving spouse. The municipal fiscal officer is appointed by the Governor.

The Auditor of State and Attorney General serve by virtue of their office and are also members of other state retirement boards.

The Board appoints an executive director as the chief administrative officer of the Fund. The executive director oversees the daily activity of the staff.

MEMBERSHIP

Membership in the Fund is mandatory under Ohio law for all full-time police officers employed by Ohio municipalities. Full-time fire fighters employed by townships, municipalities, joint fire districts or other political subdivisions must become members of the Fund if satisfactory completion of a fire fighter training course approved under former Section 3303.07, Section 4765.55 or conducted under Section 3737.33 of the Ohio Revised Code is required for employment.

CONTRIBUTIONS

Contributions are established by statute. Employers of police officers pay 19.5% of salary; employers of fire fighters pay 24% of salary. Members contribute 10% of salary.

BENEFITS

A. Service Retirement

Upon attaining a qualifying age with sufficient service credit, a member of the Fund may retire and receive a lifetime monthly cash pension.

1. Normal Pension
(a) Eligibility: Age 48 and 25 years of service.
(b) Benefit: An annual pension equal to a percentage of the average annual salary. The percentage equals 2.5% for each of the first 20 years of service, 2% for each of the next five years of service, and 1.5% for each year of service in excess of 25 years, to a maximum of 72% of the average annual salary. Average annual salary means one-third of the total salary during the three years of highest earnings.

2. Service Commuted
(a) Eligibility: Age 48 and 15 years of service.
(b) Benefit: Commencing at age 48 or 25 years elapsing from full-time hire date, whichever is later; an annual pension equal to 1.5% of the average annual salary multiplied by the number of complete years of service.

3. Age/Service Commuted
(a) Eligibility: Age 62 and 15 years of service
(b) Benefit: The same formula applies as for the normal service pension.

B. Disability Retirement

Members who become unable to perform their official duties and whose earning capacities are impaired may qualify for disability retirement benefits.

Disability retirement benefits are classified as either service-incurred (on-duty) or non-service-incurred (off-duty), and differ in eligibility requirements and benefit formulas. Annual medical evaluations are required for disability benefit recipients who would not have met the age and service requirements for normal service retirement.

1. Permanent and Total Disability (On-Duty)
(a) Eligibility: No age or service requirement.
(b) Benefit: An annual benefit equal to 72% of the average annual salary.

2. Partial disability (On-Duty)
(a) Eligibility: No age or service requirement.
(b) Benefit: An annual benefit fixed by the Board of Trustees to be a certain percent of the average annual salary up to 60%. If the member has 25 or more years of service the annual disability benefit is equal to the accrued normal service pension.

3. Non-service incurred Disability (Off-Duty)
(a) Eligibility: Any age and five years of service.
(b) Benefit: An annual benefit is the percent awarded by the Board and may not exceed 60%. Service credit over 25 years cannot be used in calculating an off duty disability award.

C. Rights upon separation from service

1. Deferred Pension
If a member meets the service credit requirement for any service retirement pension but leaves service before attaining the required age, a pension becomes payable upon attainment of the qualifying age.

2. Refund of contributions
Upon separation from service, a member can receive the contributions made to the plan by himself or, on his behalf, by his employer. Employer contributions are not refundable

D. Flat Survivor Benefits

1. Eligibility: Upon death of any member of the Fund, active or retired.

2. Benefit:
(a) Surviving Spouse's Benefit–An annual amount equal to $6,600.
(b) Surviving Child–An annual amount equal to $1,800, payable until such child attains age 18 or marries, whichever occurs first. The payment can continue to an unmarried full-time student until age 22. A dependent disabled child is entitled to a benefit regardless of age at time of member's death until death or recovery.
(c) Dependent Parents–If there be no surviving spouse or children, an annual amount of $2,400 is payable to one dependent parent or $1,200 each to two dependent parents for life or until dependency ceases or remarriage.

E. Lump Sum Death Benefit

On the death of a retired member of the Fund, a lump sum payment of one thousand dollars ($1,000) is paid to the member's surviving spouse, or if there is no surviving spouse, to a designated beneficiary or the estate if no designated beneficiary.

F. Annuities

Effective February 28, 1980 for those retiring on either service pensions or disability benefits, optional annuity plans could be chosen. Members could elect actuarially reduced benefits under or joint and survivor annuity or life annuity certain and continuous plans.

Effective for one year beginning September 26, 1984, any member who retired before February 28, 1980 could cancel his single life annuity plan and elect a joint and survivor annuity plan continuing a portion of his reduced benefit to his surviving spouse as survivor annuitant.

Effective April 25, 1984, Pre-retirement Survivor Annuity was added to the plan.

1. Pre-retirement Survivor Annuity
(a) Eligibility: Upon death before retirement but after having satisfied the requirements for normal service retirement.
(b) Benefit: The surviving spouse or contingent dependent beneficiary will receive the equivalent of a 50% joint and survivor annuity calculated under the assumption that the decedent had retired effective the day following his death.

2. Single Life Annuity
For unmarried members, this is the normal annuity plan. Married members may elect this plan only if the spouse consents to the selection.

3. Joint and Survivor Annuity
For married members, this is the normal annuity plan at the 50% continuation level. Any percent between 1% and 100% of the members reduced pension may be continued to the surviving nominated beneficiary. This plan automatically terminates upon death of the beneficiary or it may be cancelled upon divorce with the consent of the designated beneficiary.

4. Life Annuity Certain and Continuous
The minimum guarantee is 5 years and the maximum is 20 years. 100% of the members reduced pension continue to the beneficiary for the guarantee period selected

G. Group Health Insurance and Medicare

Commencing January 1, 1974, the Board may contract for group health insurance on the basis of part or all of the cost of the premium for the coverage to be paid by the Fund. Medical expense benefits are not a vested right and are subject to change at any time upon action of the Board of Trustees.

Effective January 1, 1977, the Fund will pay the premium for supplemental Medicare (Part B).

H. Tiered Retirement Plan: COLA or Terminal Pay

Members retiring after July 24, 1986 who had 15 or more years of service as of January 1, 1989, are allowed to select between two different pension calculation plans. Under the terminal pay method, a pension is calculated using terminal payments such as accrued sick leave and vacation compensation to increase the average annual salary. Under the COLA method, no terminal payments are added, but the pension is subject to contingent annual increases equal to the increase in the Consumer Price Index, to a maximum of a 3% increase per year. The COLA method is the automatic calculation method for an active member with fewer than 15 years of service as of January 1, 1989.

I. Post-retirement Cost-of-Living Allowance (COLA)

Members who retired prior to July 24, 1986 or their surviving beneficiaries under optional plans, are entitled to contingent cost-of-living increases based on changes in the Consumer Price Index. The annual increase is paid on July 1st of each year whenever the index plus unused prior net accumulations equal or exceed 3% and the member's annual single life annuity equivalent is less than a certain amount. The annual COLA increase is $360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

J. Re-employed Retirants' Defined Contribution Plan Benefit

Effective June 30, 1991, every person who is retired under an Ohio Public pension plan and who is employed in a Fund-covered position must contribute to the Fund at the same rate as other police officer or fire fighters. The employer pays the normal rate as well. When the re-employed retirant terminates employment he or she has the option of receiving either a lump sum payment or a lifetime annuity paid monthly.

The lump sum payment is an amount equal to twice his contributions plus interest. The lifetime monthly cash payment is based on the value of the lump sum option. If the monthly annuity would be less than $25, then only the lump sum option is available.

STATISTICAL SECTION

1. REVENUES BY SOURCE

Year	Member Contributions and Purchases	Employer Contributions	Employer Contributions as a percentage of Covered Payroll	Investment and Securities Lending Income*	Other Revenues	Total
1994	$103,553,011	$213,918,612	20.7%	$ 254,446,930	$38,390,646	$ 610,309,199
1995	109,000,755	223,206,380	20.5%	405,458,383	19,058,843	756,724,361
1996	115,314,953	236,214,576	20.5%	457,910,608	19,930,072	829,370,209
1997	121,104,430	248,145,383	20.5%	1,118,944,933	19,408,804	1,507,603,550
1998	128,673,433	261,618,507	20.3%	913,733,524	19,282,940	1,323,308,404
1999	135,814,320	279,474,521	20.3%	1,101,763,658	18,829,767	1,535,882,266

Effective January 1, 1997, net investment income includes the net appreciation in fair value of investments, which can create significant fluctuations. Also, for 1997 investment income is net of direct investment administrative expenses.

2. EXPENSES BY TYPE

Year	Benefit Payments	Administrative Expenses**	Refund of Employee Contributions	Other Expenses	Total
1994	$365,210,529	$10,442,185	$ 3,831,328	$12,386,397	$391,870,439
1995	395,058,132	14,066,160	5,553,638	559,422	415,237,352
1996	420,382,559	17,778,992	5,602,382	312,441	444,076,374
1997	449,956,880	8,245,224	5,655,445	381,672	464,239,222
1998	482,070,798	10,899,807	5,685,196	9,456,641	508,112,442
1999	542,653,929	11,548,719	11,389,439	13,357,915	578,950,002

** Beginning in 1997, administrative expenses are net of direct investment expenses

3. BENEFIT EXPENSES BY TYPE

Year	Retirement	Disability	Survivor	Health Care	Total Benefits
1994	$191,306,643	$ 80,672,276	$29,533,073	$63,698,537	$365,210,529
1995	207,355,087	86,763,675	30,768,653	70,170,717	395,058,132
1996	225,448,375	91,638,835	31,621,014	71,674,335	420,382,559
1997	244,008,942	97,064,363	32,423,743	76,459,832	449,956,880
1998	263,238,748	101,409,248	33,494,497	83,928,305	482,070,798
1999	282,847,246	107,409,570	51,874,382	100,522,731	542,653,929

4. RETIRED MEMBERSHIP BY TYPE OF BENEFITS

	Service		Disability		Survivors		Combined Total
Year	Police	Firemen	Police	Firemen	Police	Firemen	Beneficiaries
1994	4,928	4,561	2,523	1,726	2,788	2,223	18,749
1995	5,174	4,674	2,630	1,784	2,847	2,257	19,366
1996	5,399	4,765	2,686	1,823	2,885	2,286	19,844
1997	5,602	4,858	2,739	1,861	2,898	2,306	20,264
1998	5,571	4,926	2,749	1,869	3,104	2,391	20,610
1999	5,968	5,004	2,841	1,945	3,162	2,472	21,392

5. AVERAGE MONTHLY BENEFIT PAYMENTS

FOR MEMBERS PLACED ON RETIREMENT ROLLS

SERVICE RETIREMENT

Year	Normal	Service Commuted	Age Commuted	Age/ Service
1994	$2,386	$508	$ 0	$1,610
1995	2,447	664	0	627
1996	2,508	614	0	1,314
1997	2,624	564	1,311	0
1998	2,780	835	0	2,091
1999	2,828	653	0	1,300

DISABILITY RETIREMENT

Year	Permanent and Total	P&T Presumptive	Partial	Partial Presumptive	Off Duty
1994	$2,228	$2,149	$1,814	$2,020	$1,258
1995	1,929	2,589	1,830	2,043	1,534
1996	2,549	2,467	1,974	2,143	1,442
1997	2,454	2,633	1,853	2,129	1,220
1998	2,321	2,968	1,953	2,134	1,330
1999	2,388	2,559	2,194	2,361	1,629

6. NUMBER OF EMPLOYER UNITS

Calendar	Municipalities		Townships		Villages	
Year	Police	Fire	Police	Fire	Police	Fire
1994	243	189	0	77	309	27
1995	244	193	0	78	315	28
1996	242	195	0	85	332	30
1997	242	195	0	88	340	33
1998	269	214	0	107	347	33
1999	270	213	0	107	351	33

7. DEATH BENEFIT FUND

Pursuant to Section 742.63 of the Ohio Revised Code, the Board of Trustees of the Police and Firemen's Disability and Pension Fund administers the State of Ohio Death Benefit Fund (DBF). This program was established by the State of Ohio to provide monthly benefit payments to surviving family members of Ohio fire fighters and law enforcement officers who have been killed in the line of duty or die of a duty-related accident or illness. Funds are disbursed to the Fund each State fiscal year (July 1-June 30) and are paid monthly by the Fund to eligible recipients. The unused balance at June 30 is returned to the State. The assets and liabilities of the DBF are included in the Fund's combining statement of plan net assets as of December 31, 1999 as an agency fund. The following is a schedule of DBF financial activity for the State fiscal year ending June 30, 1999:

Balance January 1, 1999	$11,015,172
Less: Survivor Benefits Paid January 1 to June 30, 1999	(7,901,579)
Balance returned to State of Ohio	$ 3,113,593
State Funding Received July 1999	$19,500,000
Less: Survivor Benefits Paid July 1 - December 31, 1999	(8,300,316)
Balance December 31, 1999	$11,199,684

(THIS PAGE LEFT BLANK INTENTIONALLY)