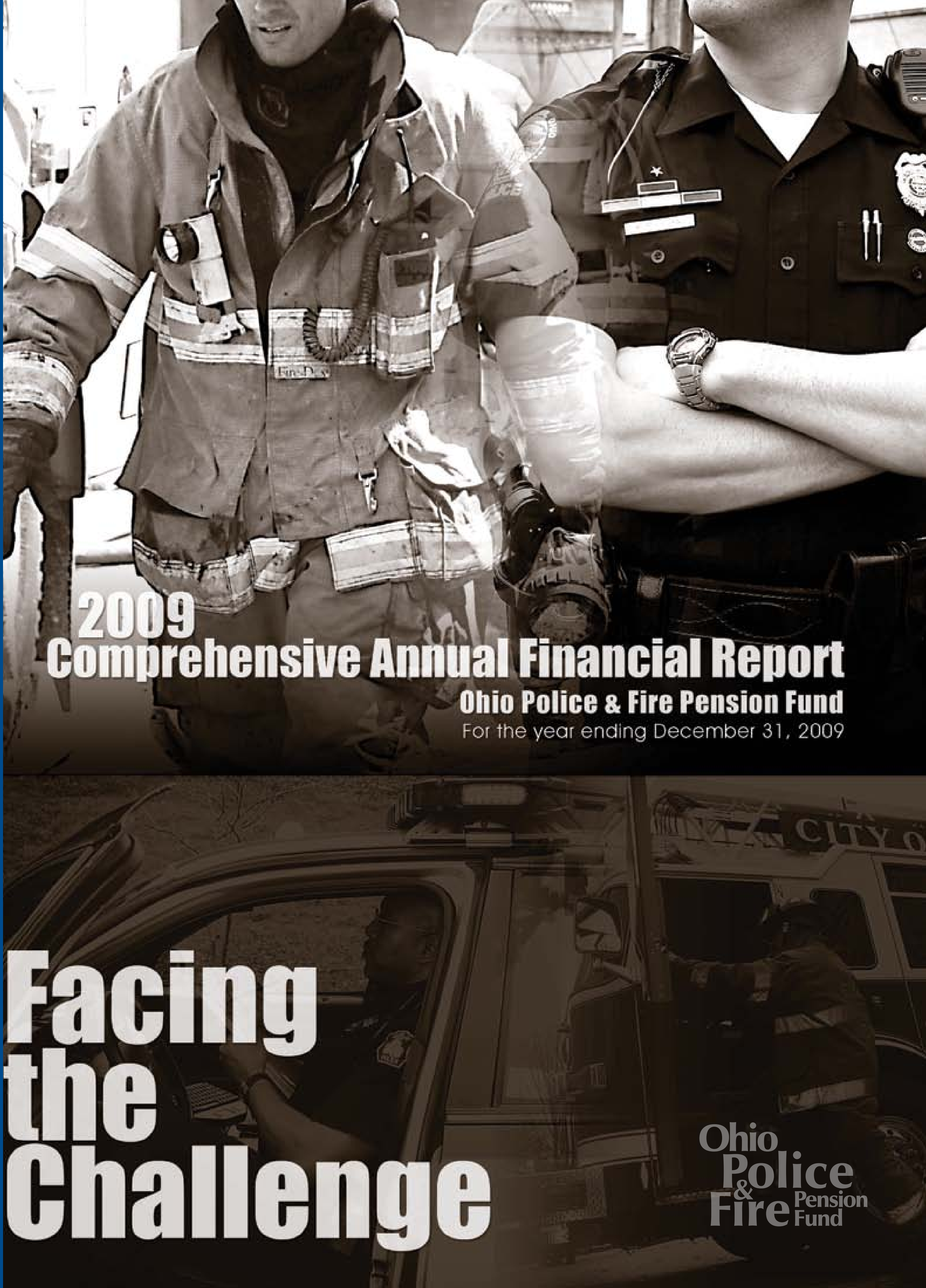

2009 Comprehensive Annual Financial Report

Ohio Police & Fire Pension Fund

For the year ending December 31, 2009

Facing the Challenge

Ohio Police & Fire Pension Fund

Comprehensive Annual Financial Report

For the year ending Dec. 31, 2009

Prepared through the combined efforts of OP&F staff.

Ohio Police & Fire Pension Fund
140 East Town Street • Columbus, Ohio 43215
www.op–f.org • 800–860–9599

Table of Contents

Board of Trustees

Board of Trustee Members

Seated

- **Kathy Harrell, Cincinnati Police, term began on June 4, 2007, expires on June 5, 2011**
- **William D. Gallagher, Vice Chair, Retired, Cleveland Police, term began on June 2, 2008, expires on June 3, 2012**
- **Edward L. Montgomery, Chair Elect, Columbus Police, term began on June 2, 2008, expires on June 3, 2012**

Standing Left to Right

- **J. David Heller, Investment Member, appointed by the Ohio Senate and House of Representatives, term began on Dec. 16, 2008, expires on Dec. 4, 2012**
- **Lawrence G. Petrick, Jr., Shaker Heights Fire, term began on June 2, 2008, expires on June 3, 2012**
- **William E. Deighton, Retired, Cleveland Fire, term began on June 4, 2007, expires on June 5, 2011**
- **Robert H. Baker, Investment Member, appointed by the Governor, term began on Jan. 13, 2009, expires on Sept. 28, 2012**
- **Scott K. Maynor, Chair, Lyndhurst Fire, term began on June 5, 2006, expires on June 6, 2010**

About The Board Of Trustees

Ohio law provides for the Ohio Police & Fire Pension Fund Board of Trustees to be comprised of nine members. There are six employee members elected to four–year terms by their respective member groups: two representatives of police departments, two representatives of fire departments, one retired firefighter and one retired police officer. The Board also includes three statutory members, which have changed with the enactment of Senate Bill 133 in September 2004. Each statutory member—one appointed by the Governor, one by the Treasurer of State, and one appointed jointly by the Senate President and Speaker of the House—must have professional investment expertise.

Administrative Staff

William J. Estabrook
Executive Director

front to back

Theodore G. Hall
Chief Investment Officer

N. Kay Penn
Member Services Director

Mark A. Jordan
Internal Auditor

front to back

J. Keith Byrd
Deputy Executive Director

Scott K. Miller
Financial Services Director

Mary Beth Foley
General Counsel

Professional Consultants

Actuary
Buck Consultants

Independent Accountants
Clark Schaefer Hackett

Legal Counsel
Ohio Attorney General,
the Honorable Richard Cordray

Investment Consultants & Money Managers
(See page 42)

Certificate of Achievement for Excellence in Financial Reporting

Distinguished Budget Presentation Award

Making Your Tax Dollars Count Award

Public Pension Standards Award for Funding and Administration 2009

Letter of Transmittal

Ohio Police & Fire Pension Fund

140 East Town Street / Columbus, Ohio 43215–5164 / Tel. (614) 228–2975 / www.op–f.org

June 22, 2010

Dear Chair 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 (OP&F) for the year ending Dec. 31, 2009. This CAFR was prepared to aid interested parties in assessing OP&F's financial status on Dec. 31, 2009, and its results for the year then ended.

Accounting System and Internal Controls

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, including the pronouncements of the Governmental Accounting Standards Board (GASB). Additional information on OP&F's significant accounting policies is contained in the Notes to Basic Financial Statements in the Financial Section.

Management is responsible for establishing and maintaining an effective internal control structure designed to ensure that the assets of OP&F are protected from loss, theft, or misuse; and to ensure that adequate accounting data is compiled to allow for the preparation of Basic Financial Statements in conformity with accounting principles generally accepted in the United States of America. 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

OP&F 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 firefighter relief and pension funds in Ohio. OP&F began operating as a statewide Retirement Fund on Jan. 1, 1967. On that date, the local pension funds transferred their assets and liabilities to OP&F. Assets transferred to OP&F totaled approximately $75 million, while OP&F's actuary computed the liabilities accrued up to 1966 at approximately $490 million. Employers are paying the remaining unfunded accrued liability over a 67–year period, which began in 1969 and totaled nearly $33.0 million as of Dec. 31, 2009.

OP&F provides pension and disability benefits to qualified participants, survivors, and death benefits and provides access to health care coverage for qualified participants, spouses, children and dependent parents. Please refer to the Plan Summary in the Actuarial Section for further information on plan benefits.

Membership in OP&F 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 OP&F if they are required to satisfactorily complete or have satisfactorily completed of a firefighter training course approved under former Section 3303.07, Section 4765.55, or conducted under Section 3737.33 of the Ohio Revised Code. The table below is a tabulation of current participating employers at Dec. 31, 2009:

Participating Employers

	Police	Fire	Total
Municipalities	252	229	481
Townships	–	121	121
Villages	287	32	319
Total	**539**	**382**	**921**

Major Initiatives and Accomplishments

During 2009, OP&F has had several significant accomplishments, including OP&F's Executive Management Institute (EMI) training that commenced in 2009 with a goal of developing and preparing the current management team to carry out OP&F's mission and vision well into the future. The initial class successfully completed their coursework and exams in late 2009.

The CODA Financial and Procurement systems, which houses OP&F's general ledger package and purchasing functions, were upgraded to provide product enhancements and state-of-the-art technology. The prior system, purchased in 1996, was outdated.

OP&F received the Public Pension Coordinating Council (PPCC) Standards Award for Administration and Funding.

A Culture Committee was implemented in late July 2009. This will be an ongoing process that is meant to strengthen the operation of OP&F. Some positive outcomes of the Culture Committee have already been implemented with more to come. This committee will focus on implementing staff recommended process improvements in a direct effort to maximize job efficiency and effectiveness.

A pre-retirement seminar video was originally produced in 2003. Since then, different segments of the video have been re-used annually with updates edited each year. This initiative will change this tool from a video production to a presentation developed in Adobe Flash. The Pre-Retirement Presentation was completed in time to be used at the 2009 seminars in September.

Financial Overview

OP&F receives virtually all of its funds from the following sources: employer contributions, member contributions, benefit recipient health care premiums, state subsidies and reimbursements, and investment earnings. Additions to net assets were $2.5 billion in 2009 as a direct result of strong gains on investments.

Statutory contribution rates for 2009 were 10 percent for members, 19.5 percent for police employers and 24 percent for fire employers, and remained unchanged from the prior year.

Additions to Plan Net Assets (dollars in thousands)	2009 Amount	2008 Amount
Net Investment Income	$1,894,886	$(3,832,911)
Contributions	632,670	636,230
Interest on Local Funds Receivable	1,412	1,445
Other	22,090	23,760
TOTAL	**$2,551,058**	**$(3,171,476)**

Deductions to Plan Net Assets	2009		2008	
(dollars in thousands)	Amount	Percent	Amount	Percent
Benefits	$1,084,980	97%	$1,021,042	97%
Administrative Expenses	16,453	1%	16,008	1%
Refund of Member Contributions	15,720	2%	17,657	2%
TOTAL	**$1,117,153**	**100%**	**$1,054,707**	**100%**

Benefit payments represent the largest usage of plan net assets. In 2009, the number of benefits paid into the Deferred Retirement Option Plan (DROP) accrual accounts continued to increase due to a high participation rate and maturity of the program causing a double digit increase of 10.5 percent over the last year. Pension and survivor benefits increased at normal levels of 4.0 to 4.7 percent due to new retirees and a 10 percent increase in the amount of health care benefit payments.

Administrative expenses are slightly higher this year by 1.9 percent. This modest increase is the direct result of the Executive Director's continued costs saving efforts. Refunds of member contributions are slightly lower than the prior year due to a decreased amount of withdrawals. Other deductions to Plan Net Assets returned to normal levels in 2009 and represent only, a minor amount.

Please refer to the Management's Discussion and Analysis for additional financial details.

Funding Practices and Actuarial Overview

Funds are derived from the excess of additions over deductions and are accumulated by OP&F in order to meet current and future benefit obligations to retirees and other beneficiaries. OP&F actually experienced a $1.4 billion increase in plan net assets in 2009 due to investment return experiences. Health care currently operates on a pay–as–you–go basis with a minimal amount of reserves being set aside to operate the program.

The OP&F investment portfolio rebounded from the negative growth in 2008 to achieve an estimated return of 20.7 percent year-to-date. By adhering to the sound principles and strategies that are in place, OP&F was in an advantageous position for the market rebound of 2009. The portfolio value currently stands at $10.4 billion.

Despite the gains of 2009, the negative investment returns of 2008 continued to hamper OP&F's efforts to comply with the state's 30-year funding requirement. In September, each of the state's public retirement systems presented recommendations to the Ohio Retirement Study Council (ORSC) on how each system could comply with the 30-year requirement. OP&F's comprehensive plan recommended increases in both active member and employer contributions along with changes to the minimum retirement age, modifications to cost-of-living adjustments, changes in the interest rate and minimum enrollment period for the DROP, changing the formula to calculate final average salary and continued alterations to the sponsored health care plan for retirees.

The recommendations were presented with the hopes and expectations that legislation would be drafted to address the long-term funding concerns created by the 30-year requirement.

While we do not meet the 30-year funding requirement for pensions, the annual actuarial valuation completed by Buck Consultants, shows that our pension funding ratio as of Jan. 1, 2009 was 65.1 percent based on the actuarial value of assets. The report confirms that we continue to be able to meet our current and future pension obligations. As of the same report, our health care funding ratio was 13.87 percent with a solvency period until the year 2036, or 27 more years which currently exceeds the target of at least 15 years.

A report by Evaluation Associates on returns as of June 30, 2009, which was presented to ORSC in October, showed that over longer periods, OP&F's investment performance ranked among the best of Ohio's retirement systems. The three-year numbers showed that OP&F bested its policy benchmark by 42 basis points, tops among Ohio systems. For the five-year period, three of the five systems outpaced their respective policy benchmarks with OP&F outperforming its benchmark by 39 basis points. For the 10-year period, all five plans out-performed their individual benchmarks, led by OP&F with 3.11 percent, outpacing its benchmark by 40 basis points. It should be noted that this report was for returns through June 30, 2009 and investment returns for the second half of the year are significantly higher.

Please see the notes to the basic financial statements, the "Statistical Section" and the "Required Supplementary Information (RSI) Sections" of this report for more detailed information.

Investment Policy

OP&F invests all available funds in order to maximize both current income and long–term appreciation. The primary objective of OP&F's investment policy is to assure that OP&F 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 for OP&F's assets with the least exposure to risk. Over the past two years, OP&F's total rate of return on its investment portfolio was favorable in 2009 with a gain of 20.7 percent and not favorable in 2008 with a loss of 28.1 percent.

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

Material Plan Amendments

There were no material plan amendments in 2009. See the "Actuarial Section" for the assumption used within this report.

Independent Audit

Clark Schaefer Hackett, independent certified public accountants, audited the financial statements of OP&F for the year ended Dec. 31, 2009, and their opinion thereon is included in the "Financial Section."

Notes to Basic Financial Statements

The notes to basic financial statements, which follow the basic 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 OP&F for its CAFR for the fiscal year ended Dec. 31, 2008. 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 CAFR, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America 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 to determine its eligibility for another certificate.

Acknowledgments

The preparation and contents of this report reflects the combined efforts of OP&F's staff under the direction of the Board of Trustees and are the responsibility of OP&F's management staff. 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 demonstrating responsible stewardship for the assets contributed by the members and their employers.

The cooperation of OP&F's employers is vital to our success and is greatly appreciated.

Respectfully submitted,

William J. Estabrook
Executive Director

Scott K. Miller, CIA
Financial Services Director

The 2009 Comprehensive Annual Financial Report

Financial Section

The Ohio Police & Fire Pension Fund

Ohio Police & Fire Pension Fund

140 East Town Street • Columbus, Ohio 43215
www.op–f.org • 800–860–9599

Independent Auditor's Report

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

To the Board of Trustees
Ohio Police and Fire Pension Fund
Columbus, Ohio

We have audited the accompanying statements of fiduciary net assets of the Ohio Police and Fire Pension Fund (the Fund) as of December 31, 2009 and 2008, and the related statements of changes in fiduciary 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the Ohio Police and Fire Pension Fund, as of December 31, 2009 and 2008, and the respective changes in fiduciary net assets, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2010 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4 through 6 and 28 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The introductory section, the schedule of administrative expenses, the schedule of investment expenses, the combining statement of changes in assets and liabilities - Public Safety Officers' Death Benefit Fund, investment section, actuarial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of administrative expenses, the schedule of investment expenses and the combining statement of changes in assets and liabilities - Public Safety Officers' Death Benefit Fund have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, investment section, actuarial section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 22, 2010

2525 north limestone street, ste. 103
springfield, oh 45503

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p. 937.399.2000
f. 937.399.5433

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Management's Discussion and Analysis (Unaudited)

This Management Discussion and Analysis (MD&A) of OP&F's financial performance provides a narrative overview of financial activities for the fiscal year ended Dec. 31, 2009. The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts. We encourage you to read it in conjunction with OP&F's financial statements, notes to the financial statements, and the letter of transmittal included in the Introduction section of OP&F's CAFR.

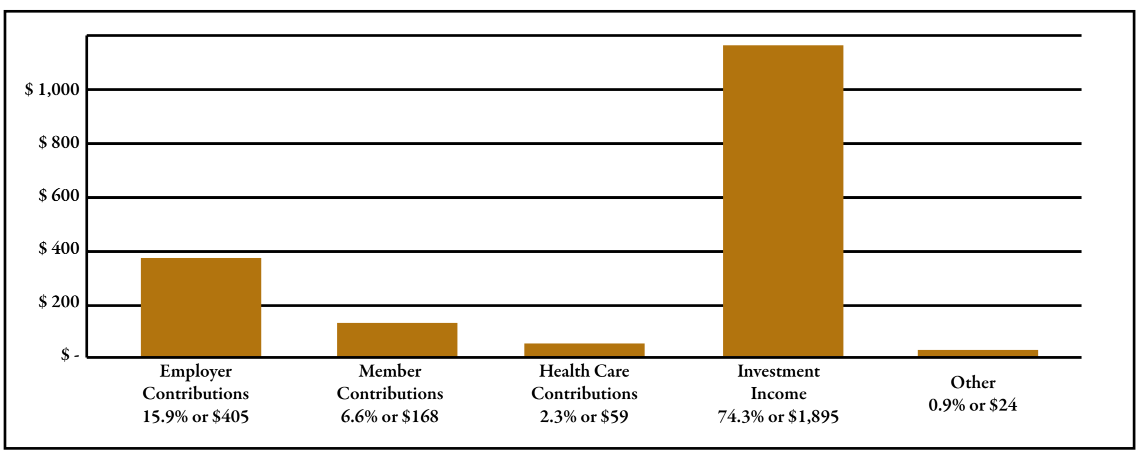
FINANCIAL HIGHLIGHTS

Plan additions are received primarily from investment income and employer and member pension contributions. For fiscal year 2009 these additions totaled $2,551.1 million and were negative $3,171.5 million in 2008, which is a 180.4 percent increase. This amount fluctuates dramatically because it includes realized and unrealized investment gains and losses based on performance of global capital markets.

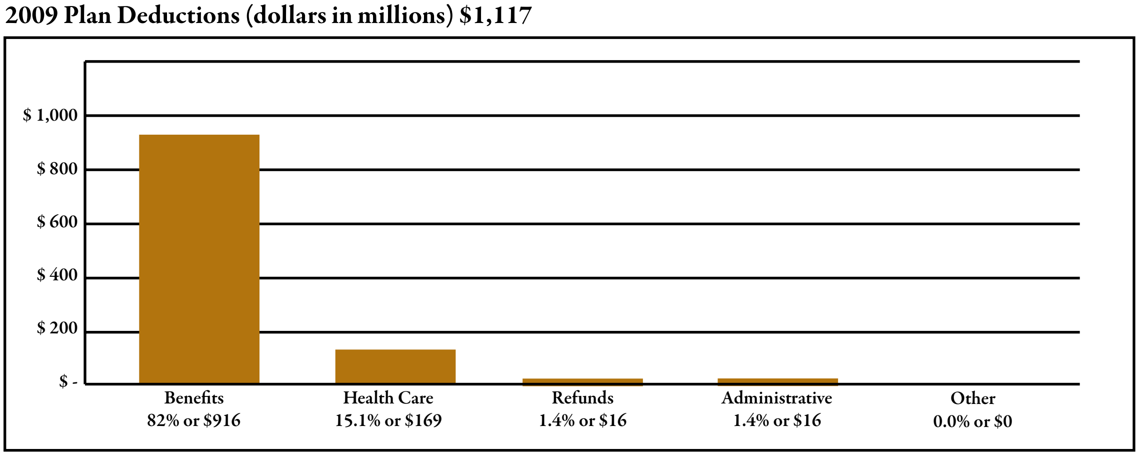
The employer and member contribution rates during 2009 remained unchanged from the prior year. Member contributions are 10 percent for all members, while employer contributions are 19.5 percent and 24 percent for police and fire employers, respectively.

Plan deductions are incurred primarily for the purpose for which OP&F was created, the payment of pension and survivor benefits. Included in the deductions from plan net assets for 2009 were benefits for retirement, deferred retirement, disability, health care, and survivor benefits. Also included were contribution refunds, administrative and other expenses. Pension benefits are funded through a combination of member and employer contributions, and investment income. Health care expenses are funded on a pay–as–you–go–basis through a portion of employer contributions, health care premiums, and investment income. Deductions totaled $1,117.1 million in 2009 and were $1,054.8 million in 2008, which is a 5.9 percent increase over 2008. Normal increases in benefit payments, health care and continued high levels of participation in our DROP program created an increase of 6.3 percent in benefit expenditures for the 2009 year.

2009 Plan Additions (dollars in millions) $2,551



2009 Plan Deductions (dollars in millions) $1,117



OVERVIEW OF FINANCIAL STATEMENTS

Following the MD&A are the Statements of Fiduciary Net Assets and the Statements of Changes in Fiduciary Net Assets. OP&F's financial statements are prepared using the accrual basis of accounting and are in compliance with applicable Governmental Accounting Standards Board Statements.

The Statements of Fiduciary Net Assets provides a snap–shot view at year–end for the amount the plan has accumulated in assets to pay for benefits. The Statements of Changes in Fiduciary Net Assets show what has happened to the plan assets during the fiscal year. If net assets increased, then additions were greater than the deductions. If net assets decreased, then additions to the plan were less than the deductions from the plan.

In addition to the financial statements and accompanying notes, certain required supplementary information (RSI) is provided. The schedule of funding progress shows on an actuarial basis whether OP&F's ability to pay for benefits is improving or deteriorating over time. Also included in the RSI is a schedule of employer contributions and notes to the RSI. Both schedules provide data over the past nine years. Following the RSI are schedules of administrative and investment expenses.

A condensed version of our financial information is being provided as part of this discussion.

Condensed Fiduciary Net Asset Information (dollars in millions)

				2009 Change		2008 Change	
	2009	2008	2007	Amount	Percent	Amount	Percent
Cash & Short-term Investments	$410.2	$454.8	$486.1	$(44.6)	(9.8)%	$(31.3)	(6.4)%
Receivables	267.7	262.9	228.5	4.8	1.8%	34.4	15.1%
Investments, at Fair Value	11,562.9	9,505.8	14,183.4	2,057.1	21.6%	(4,677.6)	(33.0)%
Capital Assets, Net of Depreciation	23.4	25.0	25.0	(1.6)	(6.4)%	0.0	0.0%
Other Assets	2.2	0.5	0.5	1.7	340.0%	0.0	0.0%
Total Assets	**12,266.4**	**10,249.0**	**14,923.5**	**2,017.4**	**19.7%**	**(4,674.5)**	**(31.3)%**
Benefits & Accounts Payable	1,032.6	818.0	636.0	214.6	26.2%	182.0	28.6%
Investments Payable	1,603.6	1,234.8	1,865.0	368.8	29.9%	(630.2)	(33.8)%
Total Liabilities	**2,636.2**	**2,052.8**	**2,501.0**	**583.4**	**28.4%**	**(448.2)**	**(17.9)%**
Net Assets Available	**$9,630.2**	**$8,196.2**	**$12,422.5**	**$1,434.0**	**17.5%**	**$(4,226.3)**	**(34.0)%**

Condensed Changes In Fiduciary Net Asset Information (dollars in millions)

				2009 Change		2008 Change	
	2009	2008	2007	Amount	Percent	Amount	Percent
Contributions	$632.7	$636.2	$622.1	$(3.5)	(0.6)%	$14.1	2.3%
Net Investment Gain/(Loss)	1,894.9	(3,832.9)	1,163.0	5,727.8	149.4%	(4,995.9)	(429.6)%
Other Additions	23.5	25.2	21.4	(1.7)	(6.7)%	3.8	17.8%
Total Additions	**2,551.1**	**(3,171.5)**	**1,806.5**	**5,722.6**	**180.4%**	**(4,978.0)**	**(275.6)%**
Benefits	1,085.0	1,021.0	965.1	64.0	6.3%	55.9	5.8%
Refunds	15.7	17.7	15.1	(2.0)	(11.3)%	2.6	17.2%
Administration Expenses & Other	16.4	16.1	16.2	0.3	1.9%	(0.1)	(0.6)%
Total Deductions	**1,117.1**	**1,054.8**	**996.4**	**62.3**	**5.9%**	**58.4**	**5.9%**
Net Increase/Decrease	**1,434.0**	**(4,226.3)**	**810.1**	**5,660.3**	**133.9%**	**(5,036.4)**	**(621.7)%**
Net Assets, Beginning Of Year	**8,196.2**	**12,422.5**	**11,612.4**	**(4,226.3)**	**(34.0)%**	**810.1**	**7.0%**
Net Assets, End Of Year	**$9,630.2**	**$8,196.2**	**$12,422.5**	**$1,434.0**	**17.5%**	**$(4,226.3)**	**(34.0)%**

FINANCIAL ANALYSIS

Fiduciary Net Assets

Net assets available for benefits and expenses in 2009 were $9,630.2 million versus $8,196.3 million in 2008, which represents a 17.5 percent overall net increase. The overall net increase can be primarily attributed to net appreciation on the fair value of investments, an increase related to benefit payments, and a slight decrease in employer contributions received. Refund payments to members were down slightly in 2009. Please refer to the Investment Section for additional information on our investment activities in 2009.

Revenue Additions to Fiduciary Net Assets

Overall contributions received by OP&F decreased 0.6 percent or $3.5 million. Pension contributions from employers and members decreased $5.7 million or 1 percent in 2009 due to a decrease in the gross pensionable salary earned by active members. This is attributed to a combination of economic impacts such as furloughs, delayed or lower pay increases and reduction in hours worked. While the active member population or contributing members increased by 194 to 28,927 or by 0.7 percent and the overall average annual salary actually increased by 3.2 percent, the net result for the year was that member contributions actually decreased by $4.1 million or 2.4 percent. This is because of the timing of the statistics in this report and the actual events on active member earnings during the 2009 plan year. We expect this to somewhat balance in the next report.

Contributions paid by members and beneficiaries for their share of the health care costs increased by 3.9 percent from $56.9 million to $59.1 million in 2009. This reflects a slight increase in the number of members and beneficiaries selecting to participate in the OP&F program.

Contributions received through the state subsidy decreased 8.7 percent or negative $0.1 million from $0.9 million to $0.8 million which is a normal decline in the population of survivors receiving this subsidized benefit.

Investment net appreciation totaled $1,704.2 million in 2009 and can be directly attributed to the overall positive 20.7 percent return on investments experienced on our assets versus the negative 28.1 percent return of 2008. Net investment income/appreciation increased by $5,793.2 million or 141.7 percent in 2009 over 2008 as the U.S. and international markets continued to find positive territory as signs of economic recovery impacted the financial markets.

Expense Deductions from Fiduciary Net Assets

Benefit deductions for retirement, deferred retirement, disability and survivors increased $48.6 million or 5.6 percent in 2009. The majority of the increase is due to our DROP program having better than expected participation, and an increasing scale upon which contributions are allocated to the actual accounts, which allows active members to accrue pension benefits, contributions and interest in a separate account. Other increases are due to the increase in the retirees and beneficiaries rolls by 439 individuals or 1.8 percent, plus a 3 percent cost of living adjustment for eligible recipients, and a decrease in member refunds.

Health care benefits increased by 10 percent in 2009. Gross health care payments totaled $168.7 million in 2009 and represented nearly 15.1 percent of all plan deductions. These benefits are not guaranteed or prepaid so cost sharing is required to offset costs.

Refunds to members decreased by 11 percent in 2009. This includes actual refunds of pension contributions and liabilities incurred for inactive members who are non–vested and who have accumulated contributions on deposit with OP&F.

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Statement of Fiduciary Net Assets as of Dec. 31, 2009

	Pensions	Post-employment Health Care	2009 Total	Death Benefit Fund
Assets:				
Cash and Short-Term Investments	$388,253,048	$21,911,959	$410,165,007	$241,308
Receivables:				
Employers' Contributions	74,728,731	34,094,091	108,822,822	-
Members' Contributions	15,308,042	-	15,308,042	-
Accrued Investment Income	32,641,816	1,842,216	34,484,032	-
Investment Sales Proceeds	72,040,376	4,065,765	76,106,141	-
Local Funds Receivable	32,965,580	-	32,965,580	-
Total Receivables	**227,684,545**	**40,002,072**	**267,686,617**	**-**
Investments, At Fair Value:				
Bonds	1,377,321,061	77,732,300	1,455,053,361	-
Mortgage & Asset Backed Securities	519,272,041	29,306,319	548,578,360	-
Stocks	3,981,331,706	224,695,664	4,206,027,370	-
Real Estate	602,723,350	34,016,086	636,739,436	-
Commercial Mortgage Funds	42,347,653	2,389,988	44,737,641	-
Private Equity	336,947,662	19,016,421	355,964,083	-
International Securities	2,737,808,621	154,514,562	2,892,323,183	-
Total Investments	**9,597,752,094**	**541,671,340**	**10,139,423,434**	**-**
Collateral on Loaned Securities	1,347,445,007	76,046,176	1,423,491,183	-
Capital Assets, net of accumulated depreciation, where applicable:				
Land	3,200,000	-	3,200,000	-
Building and Improvements	15,598,390	-	15,598,390	-
Furniture and Equipment	293,017	-	293,017	-
Computer Software and Hardware	4,266,298	-	4,266,298	-
Total Capital Assets, Net	23,357,705	-	23,357,705	-
Prepaid Expenses and Other	2,213,651	-	2,213,651	-
Total Assets	**11,586,706,050**	**679,631,547**	**12,266,337,597**	**241,308**
Liabilities:				
Health Care Payable	-	20,562,725	20,562,725	-
Investment Commitments Payable	170,516,486	9,623,492	180,139,978	-
Accrued Administrative Expenses	8,957,160	-	8,957,160	-
Other Liabilities	16,667,125	-	16,667,125	-
Due to State of Ohio	-	-	-	241,308
DROP Liabilities	986,326,684	-	986,326,684	-
Obligations Under Securities Lending	1,347,445,007	76,046,176	1,423,491,183	-
Total Liabilities	**2,529,912,462**	**106,232,393**	**2,636,144,855**	**241,308**
NET ASSETS HELD IN TRUST FOR PENSION AND POST-EMPLOYMENT HEALTH CARE BENEFITS	**$9,056,793,588**	**$573,399,154**	**$9,630,192,742**	**$ -**

See Notes to Basic Financial Statements.

Statement of Fiduciary Net Assets as of Dec. 31, 2008

	Pensions	Post-employment Health Care	2008 Total	Death Benefit Fund
Assets:				
Cash and Short-Term Investments	$433,363,128	$21,405,397	$454,768,525	$87,499
Receivables:				
Employers' Contributions	66,090,544	36,174,243	102,264,787	-
Members' Contributions	15,210,930	-	15,210,930	-
Accrued Investment Income	33,680,198	1,663,589	35,343,787	-
Investment Sales Proceeds	72,789,800	3,595,356	76,385,156	-
Local Funds Receivable	33,648,583	-	33,648,583	-
Total Receivables	**221,420,055**	**41,433,188**	**262,853,243**	**-**
Investments, At Fair Value:				
Bonds	1,083,205,421	53,503,495	1,136,708,916	-
Mortgage & Asset Backed Securities	678,476,381	33,512,441	711,988,822	-
Stocks	3,214,034,570	158,752,973	3,372,787,543	-
Real Estate	832,912,240	41,140,595	874,052,835	-
Commercial Mortgage Funds	45,719,405	2,258,249	47,977,654	-
Private Equity	303,286,625	14,980,440	318,267,065	-
International Securities	1,977,029,854	97,652,766	2,074,682,620	-
Total Investments	**8,134,664,496**	**401,800,959**	**8,536,465,455**	**-**
Collateral on Loaned Securities	923,804,532	45,630,099	969,434,631	-
Capital Assets, net of accumulated depreciation, where applicable:				
Land	3,200,000	-	3,200,000	-
Building and Improvements	16,136,328	-	16,136,328	-
Furniture and Equipment	403,965	-	403,965	-
Computer Software and Hardware	5,248,557	-	5,248,557	-
Total Capital Assets, Net	24,988,850	-	24,988,850	-
Prepaid Expenses and Other	498,067	-	498,067	-
Total Assets	**9,738,739,128**	**510,269,643**	**10,249,008,771**	**87,499**
Liabilities:				
Health Care Payable	-	13,490,207	13,490,207	-
Investment Commitments Payable	252,890,803	12,491,206	265,382,009	-
Accrued Administrative Expenses	7,930,394	-	7,930,394	-
Other Liabilities	14,913,197	-	14,913,197	-
Due to State of Ohio	-	-	-	87,499
DROP Liabilities	781,569,950	-	781,569,950	-
Obligations Under Securities Lending	923,804,532	45,630,099	969,434,631	-
Total Liabilities	**1,981,108,876**	**71,611,512**	**2,052,720,388**	**87,499**
NET ASSETS HELD IN TRUST FOR PENSION AND POST-EMPLOYMENT HEALTH CARE BENEFITS	**$7,757,630,252**	**$438,658,131**	**$8,196,288,383**	**$ -**

See Notes to Basic Financial Statements.

Statement of Changes in Fiduciary Net Assets Year Ended Dec. 31, 2009

	Pensions	Post-employment Health Care	2009 Total
Additions:			
From Contributions:			
Employers'	$277,684,445	$126,649,859	$404,334,304
Members'	168,404,393	-	168,404,393
State of Ohio - Subsidies	782,060	-	782,060
Health Care	-	59,148,831	59,148,831
Total Contributions	**446,870,898**	**185,798,690**	**632,669,588**
From Investment Income:			
Net Appreciation (Depreciation)			
Value of Investments	1,611,034,647	93,176,163	1,704,210,810
Bond Interest	106,940,002	6,185,006	113,125,008
Dividends	82,966,453	4,798,466	87,764,919
Allocated Income	8,220,286	475,430	8,695,716
Foreign Securities	315,428	18,243	333,671
Other Investment Income	4,559,803	263,722	4,823,525
Less Investment Expenses	(25,487,334)	(1,474,091)	(26,961,425)
Net Investment Income	**1,788,549,285**	**103,442,939**	**1,891,992,224**
From Securities Lending Activities:			
Securities Lending Income	7,234,458	418,414	7,652,872
Securities Lending Expenses	(4,498,155)	(260,156)	(4,758,311)
Net Income from Securities Lending	**2,736,303**	**158,258**	**2,894,561**
Interest on Local Funds Receivable	1,411,682	-	1,411,682
Other Income	7,314,036	14,775,646	22,089,682
Total Additions	**2,246,882,204**	**304,175,533**	**2,551,057,737**
Deductions:			
Retirement Benefits	423,682,229	-	423,682,229
DROP Benefits	215,411,730	-	215,411,730
Disability Benefits	211,061,116	-	211,061,116
Health Care Benefits	-	168,744,032	168,744,032
Survivor Benefits	66,080,624	-	66,080,624
Contribution Refunds	15,720,010	-	15,720,010
Administrative Expenses	15,620,575	690,478	16,311,053
Other Expenses	142,584	-	142,584
Total Deductions	**947,718,868**	**169,434,510**	**1,117,153,378**
Net Increase (Decrease)	1,299,163,336	134,741,023	1,433,904,359
Net assets held in trust for pension and post-employment health care benefits:			
Balance, Beginning of year	**7,757,630,252**	**438,658,131**	**8,196,288,383**
BALANCE, END OF YEAR	**$9,056,793,588**	**$573,399,154**	**$9,630,192,742**

See Notes to Basic Financial Statements.

Statement of Changes in Fiduciary Net Assets Year Ended Dec. 31, 2008

	Pensions	Post-employment Health Care	2008 Total
Additions:			
From Contributions:			
Employers'	$276,358,483	$129,544,343	$405,902,826
Members'	172,522,234	-	172,522,234
State of Ohio - Subsidies	856,413	-	856,413
Health Care	-	56,948,977	56,948,977
Total Contributions	**449,737,130**	**186,493,320**	**636,230,450**
From Investment Income:			
Net Appreciation (Depreciation)			
Value of Investments	(3,944,136,509)	(144,855,134)	(4,088,991,643)
Bond Interest	128,812,704	4,730,866	133,543,570
Dividends	101,901,137	3,742,493	105,643,630
Allocated Income	26,962,406	990,240	27,952,646
Foreign Securities	1,042,651	38,293	1,080,944
Other Investment Income	10,876,057	399,442	11,275,499
Less Investment Expenses	(28,629,016)	(1,051,449)	(29,680,465)
Net Investment Income	**(3,703,170,570)**	**(136,005,249)**	**(3,839,175,819)**
From Securities Lending Activities:			
Securities Lending Income	38,262,631	1,405,260	39,667,891
Securities Lending Expenses	(32,219,777)	(1,183,326)	(33,403,103)
Net Income from Securities Lending	**6,042,854**	**221,934**	**6,264,788**
Interest on Local Funds Receivable	1,444,531	-	1,444,531
Other Income	8,447,927	15,311,904	23,759,831
Total Additions	**(3,237,498,128)**	**66,021,909**	**(3,171,476,219)**
Deductions:			
Retirement Benefits	407,441,914	-	407,441,914
DROP Benefits	194,898,358	-	194,898,358
Disability Benefits	202,147,892	-	202,147,892
Health Care Benefits	-	153,421,375	153,421,375
Survivor Benefits	63,132,381	-	63,132,381
Contribution Refunds	17,656,879	-	17,656,879
Administrative Expenses	15,066,477	941,252	16,007,729
Other Expenses	30	-	30
Total Deductions	**900,343,931**	**154,362,627**	**1,054,706,558**
Net Increase (Decrease)	(4,137,842,059)	(88,340,718)	(4,226,182,777)
Net assets held in trust for pension and post-employment health care benefits:			
Balance, Beginning of year	**11,895,472,311**	**526,998,849**	**12,422,471,160**
BALANCE, END OF YEAR	**$7,757,630,252**	**$438,658,131**	**$8,196,288,383**

See Notes to Basic Financial Statements.

Notes to Basic Financial Statements **Dec. 31, 2009 and 2008**

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the Ohio Police & Fire Pension Fund (OP&F).

Basis of Accounting

OP&F's financial statements have been prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred. Contributions are earned based on statutory requirements under Chapter 742 of the Ohio Revised Code (ORC).

New Accounting Pronouncement

During the year ended Dec. 31, 2009, OP&F adopted the provisions of GASB Statement No. 56 Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.

During the year ended Dec. 31, 2008, OP&F adopted the provisions of GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets, GASB Statement No. 52 Land and Other Real Estate Held as Investment by Endowments, and GASB Statement No. 55 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

Management Use of Estimates

The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to estimates and assumptions include the market value of certain investments, carrying amount of capital assets, and assets and obligations related to employee and member benefits. Actual results could differ from those estimates.

Reclassifications

Any reclassifications are also done on a comparative basis for each year displayed.

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 are recognized when earned.

Investments are reported at fair market value. Short-term investments are valued at amortized cost, which approximates fair market 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 market value. Private equity limited partnership interest is based on values established by each partnership's valuation committee.

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 proceeds from sales of investments at fair value. Investment expense consists of administrative expenses directly related to the OP&F's investment operations and a proportional amount of all other administrative expenses allocated based on the ratio of OP&F's investment staff to total OP&F staff.

Federal Income Tax Status

OP&F was determined to be a trust under section 401(a) of the Internal Revenue Code that is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code.

Administrative Costs

The cost of administering the plan is financed by investment income.

Contributions, Benefits, and Refunds

Employer and member contributions are recognized when due or 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.

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 and improvements:	40 years
Furniture and equipment:	3 to 10 years
Computer software and hardware:	2 to 10 years

	Jan. 1, 2009	Additions & Disposals	Depreciation & Disposals	Dec. 31, 2009
Non–depreciable Capital Assets				
Land	$3,200,000	$ -	$ -	$3,200,000
Depreciable Capital Assets				
Building & Improvements	21,303,060	6,523	-	21,309,583
Furniture & Equipment	4,326,354	26,931	(5,642)	4,347,643
Computer Software & Hardware	11,412,161	605,386	(21,716)	11,995,831
Depreciable Capital Assets	**37,041,575**	**638,840**	**(27,358)**	**37,653,057**
Accumulated Depreciation				
Building & Improvements	(5,166,733)	-	(544,460)	(5,711,193)
Furniture & Equipment	(3,922,389)	5,642	(137,879)	(4,054,626)
Computer Software & Hardware	(6,163,603)	21,714	(1,587,645)	(7,729,534)
Total Accumulated Depreciation	**(15,252,725)**	**27,356**	**(2,269,984)**	**(17,495,353)**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**$21,788,850**	**$666,196**	**$(2,297,342)**	**$20,157,704**

2 – DESCRIPTION OF THE SYSTEM

Organization

OP&F is a cost–sharing, multiple–employer public employee retirement system established by Chapter 742 of the Ohio Revised Code (ORC) in 1965 to consolidate the various individual local police and firefighter's relief and pension funds into one statewide plan. OP&F is administered by a nine member Board of Trustees, consisting of four active members, two retired members, and three statutory members, which have changed with the enactment of Senate Bill 133 in September 2004. Each statutory member—one appointed by the Governor, one by the Treasurer of State, and one appointed jointly by the Senate President and Speaker of the House—must have professional investment expertise. OP&F administers pension, disability and health care benefits to qualified participants. In addition, OP&F administers survivor benefits, death benefits and sponsors health care programs for qualified retirees, survivors, spouses, children and dependent parents. OP&F is a separate financial reporting entity in accordance with criteria established by Governmental Accounting Standards Board Statement No.14. Because OP&F 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. OP&F also has a variety of professional consultants and money managers as listed on page iii and page 43.

Plan Membership

Employer and member data as of Jan. 1, 2009 and 2008, based on the most recent actuarial valuation, is as follows:

	2009			2008		
Employee Members	Police	Fire	Total	Police	Fire	Total
Retirees and Beneficiaries						
Currently receiving benefits	14,567	10,750	25,317	14,295	10,583	24,878
Terminated employees entitled to benefits but not yet receiving them	82	40	122	90	45	135
TOTAL BENEFIT MEMBERS	**14,649**	**10,790**	**25,439**	**14,385**	**10,628**	**25,013**
Current Members						
Vested	6,891	6,018	12,909	6,613	5,822	12,435
Nonvested	8,998	7,155	16,153	9,216	7,213	16,429
Total Current Members	15,889	13,173	29,062	15,829	13,035	28,864
TOTAL EMPLOYEE MEMBERS	**30,538**	**23,963**	**54,501**	**30,214**	**23,663**	**53,877**
Employer Members						
Municipalities	252	229	481	251	228	479
Townships	0	121	121	0	123	123
Villages	287	32	319	287	34	321
TOTAL EMPLOYEE MEMBERS	**539**	**382**	**921**	**538**	**385**	**923**

Benefits

Plan benefits are established under ORC Chapter 742. Members are eligible for normal retirement benefits at age 48 with 25 years of service credit. The normal retirement benefit is equal to 2.5 percent of annual earnings for each of the first 20 years of service, 2.0 percent for each of the next 5 years of service and 1.5 percent for each year of service thereafter. However, this normal retirement benefit is not to exceed 72 percent of the member's "average annual salary" or "recalculated average salary" as the case may be, for the three 12 consecutive months during which the total "salary" was greatest. With 15 years of service credit, retirement with reduced benefits is available upon reaching age 48, and 25 years from the date the member became a qualified employee in a police or fire department, whichever date is later. An age/service commuted benefit is available to members, age 62 with at least 15 years of service, which is computed the same as the normal retirement benefits.

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

OP&F also administers the Ohio Public Safety Officers Death Benefit Fund, which provides special benefits to eligible survivors of public safety officers who are killed in the line of duty or who die from injuries or disease incurred in the performance of official duties. These eligible survivors are entitled to receive the member's full monthly salary, which will be reduced at the member's retirement eligibility date. The dependent's benefit 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 Fund Benefits is received from the State of Ohio.

Deferred Retirement Option Plan (DROP)

Effective January 2003, the Deferred Retirement Option Plan (DROP) is an optional benefit that allows eligible police officers and firefighters to accumulate a lump sum of money for retirement, subject to the member meeting certain criteria. OP&F is proud to offer this benefit to its membership, which has been the most requested addition to OP&F's benefit offerings in many years.

OP&F members who are eligible for a normal service retirement (48 years of age or older with 25 years or more of service credit) can enter the DROP program by delaying retirement and continuing to work as police officers or firefighters. Upon the DROP effective date, a member's pension is calculated as if that were the date of retirement. While the member continues to work and draw their normal salary, the amount they would have received in retirement benefits, plus annual 3 percent cost–of–living adjustments (COLAs), accumulate tax–deferred at OP&F on their behalf. As the DROP participant continues to work, a portion of their OP&F member contribution, plus 5 percent interest, also accumulates into DROP.

When members end their active employment and retire within the required period, which terminates their DROP participation, they begin to receive their monthly pension that was determined on their DROP effective date (plus COLAs) and will be eligible for health care benefits based on the eligibility guidelines in place at the time of their retirement. Members who have terminated employment can begin to withdraw funds from their DROP accrual in a lump–sum payment or installments, as long as three full years have elapsed from their DROP effective date. To receive the benefit of DROP, without penalty, members must work at least three more years in an OP&F–covered position and they must terminate employment and retire within eight years of their DROP effective date.

Health Care Plan

OP&F sponsors a comprehensive health care program for eligible benefit recipients and their eligible dependents. This program is not guaranteed and the benefits are subject to change at any time upon action of the Board of Trustees. The program includes prescription drugs and reimbursement of Medicare Part B premiums. Benefit recipients pay a portion of the health care cost through a monthly contribution.

Under Ohio law, health care costs paid, from the funds of the plan, are included in the employer contribution rates, which are currently 19.5 percent and 24 percent of salaries for police and fire employers, respectively. The Board of Trustees allocated employer contributions equal to 6.75 percent of annual covered payroll to the Health Care Stabilization Fund, which was part of the Pension Reserve Fund for 2009 and allocated 6.75 percent in 2008.

OP&F maintains funds for health care in two separate accounts. One for health care benefits and one for Medicare Part B reimbursements. An Internal Revenue Service (IRS) Code Section 401 (h) is maintained for Medicare Plan B and a separate trust accrual account is maintained for health care benefits under an IRS Code Section 115 trust.

Refunds

Upon termination of employment, members may withdraw their accumulated employee contributions to OP&F. Acceptance of a refund cancels the member's rights and benefits in OP&F. Employer contributions to OP&F are not refundable.

Funded Status and Funding Progress – OPEB Plans

In April 2004, the GASB issued Statement No. 43, Financial Reporting for Post Employment Benefits Plans Other Than Pension Plans. This Statement establishes uniform financial reporting standards for post employment benefits other than pension plans and supersedes the interim guidance included on Statement No. 26 Financial Reporting for Post Employment Healthcare Plans Administered by Defined Benefit Plans. The disclosures below are required by this Standard.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarial calculations of the OPEB plan reflect a long-term perspective and are under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point.

Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the basic financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for these benefits.

Additional information as of the latest actuarial valuation follows:

Defined Benefit Plan – Pension Trust

Valuation date: Jan. 1, 2009
Actuarial cost method: Entry Age
Amortization method: Level percent of Payroll, open
Remaining amortization period: 30 years (Infinite, on an actual basis)
Funding Ratio: 65.1%
Asset valuation method: 5–year adjusted market value with a corridor of 20% of the market value

Actuarial assumptions:

Investment rate of return 8.25%
Projected salary increases 5.0–11.0%
Payroll Increases 4%
Cost–of–living adjustments 3.0% simple
Inflation 3.25%

Retiree Health Care Benefits – Health Care Trust

Valuation date: Jan. 1, 2009
Actuarial cost method: Entry Age
Amortization method: Level percent of Payroll, open
Remaining amortization period: 30 years
Asset valuation method: Fair Market Value

Actuarial assumptions:

Investment rate of return 6.00%
Projected salary increases 5.0–11.0%
Payroll Increases 4.00%
Inflation 3.25%

Health Care Cost Trends	Initial Rate	Ultimate Rate	Ultimate Year
Non-Medicare	8.50%	5.00%	2017
Non-AARP	8.50%	5.00%	2017
AARP	7.00%	5.00%	2018
Rx Drug	9.00%	5.00%	2018
Medicare Part B	5.90%	5.00%	2019

Schedule of Funding Progress

For the year ending Dec. 31, 2008

Pension Trust (dollars in millions)

Valuation Year (Dec. 31)	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2008	$9,309	$14,307	$4,998	65.1%	$1,901	262.9%

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

Retiree Health Care Trust (dollars in millions)

Valuation Year (Dec. 31)	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2008	$439	$3,164	$2,725	13.8%	$1,901	143.3%

3 - CONTRIBUTIONS AND RESERVES

Contributions

The ORC requires contributions by active employers and their members. The contribution requirement was not actuarially determined, but rather established by law in the ORC. Contribution rates are, however, subject to annual review by the Ohio Retirement Study Council (ORSC). 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. Rates are at the statutory maximums and the maximum rates have been taken into consideration in the projection of pension benefits for financial accounting measurement purposes.

Rates established by the ORC at Dec. 31, 2009 and 2008:

(% of active member payroll)	Police	Fire
Employer	19.50	24.00
Member	10.00	10.00
TOTAL STATUTORY RATE	**29.50**	**34.00**

Senate Bill 82 of the 121st General Assembly established the length of the amortization period for unfunded pension liability as the primary measure of OP&F's financial status, with a period of 30 years or less being considered satisfactory. This 30–year target was to be attained by Dec. 31, 2006 and maintained thereafter. As of Jan. 1, 2009, the amortization period under the current statutory rates is infinite. OP&F has submitted another approved funding plan to the ORSC and is currently working in conjunction with ORSC staff to answer questions and provide additional information as requested.

Combined employer and member contributions as a percentage of the total active member payroll required and made for 2009 and 2008 represented 29.5 percent for police and 34 percent for firefighters. Employer and member contributions were $196,210,437 and $90,391,754 respectively, for police and $208,123,867 and $78,012,639, respectively, for firefighters for the year ended Dec. 31, 2009. Employer and member contributions were $197,599,395 and $93,163,747, respectively, for police and $208,303,431 and $79,358,487, respectively, for firefighters for the year ended Dec. 31, 2008.

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 of Ohio was $782,060 and $856,413 for the years ended Dec. 31, 2009 and 2008, 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 firefighter's relief and pension funds that were merged to form OP&F in 1967. The ORC designates this obligation of the local governments the "Employers' Accrued Liability." Interest on the outstanding balance is being accrued at the rate of 4.25 percent, compounded semi-annually. 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 semi-annual rates ranging from 2 percent to 4 percent of the original receivable balance. Between 1973 and 2035, semi-annual payments of principal and interest are required to be made by the local governments at a rate of 5 percent of the original receivable balance. The underpaid balance due at Dec. 31, 2009 and 2008, respectively, is $97,697 and $99,563 due from local governments, which had previously underpaid their semi-annual payment and from local governments that joined OP&F 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 2010	$2,140,206
Year ending December 2011	2,140,103
Year ending December 2012	2,139,113
Year ending December 2013	2,139,113
Year ending December 2014	2,139,024
Thereafter	43,441,505
Total projected payments	**54,139,064**
Less interest portion	(21,173,484)
BALANCE AT DEC. 31, 2009	**$32,965,580**

Reserves

As required by the ORC, the following accounts have been established for the reserves held for current and future benefits and are separated between police and fire:

The Police Officers' and Firefighters' Contribution Fund accumulates the contributions deducted from the salaries of members. Upon retirement, a member's accumulated contributions are transferred to the Police Officers' or Firefighters' Pension Reserve Fund.

The Police Officers' and Firefighters' Employers' Contribution Fund is the depository for employer contributions. Based on actuarial valuations, amounts are transferred from this account to the Police Officers' and Firefighters' Pension Reserve Fund.

The Police Officers' and Firefighters' Pension Reserve Fund is the account from which all retirement, disability, health care and survivor benefits are paid. Included in this Fund is the Health Care Stabilization Fund from which payments for the health care benefits are made. Amounts are transferred into the Pension Reserve Fund from the Contribution Fund and the Guarantee Fund.

The Guarantee Fund records all investment earnings of OP&F. 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 Fund and the Expense Fund, as defined below.

Any deficit occurring in any other fund that will not be covered by payments to that fund, as otherwise provided by sections 742.01 to 742.61 of the Ohio Revised Code, shall be paid by transfers of amounts from the guarantee fund to such funds or funds. Should the amount in the Guarantee Fund be insufficient at any time to meet that amounts payable there from, the amount of such deficiency, with regular interest, shall be paid by an additional employer rate of current contributions as determined by the actuary and shall be approved by the Board of Trustees of the Ohio Police & Fire Pension Fund, and the amount of such additional employer contribution shall be credited to the guarantee fund.

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

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

	2009	2008
Members' Contribution	$1,983,242,188	$1,901,352,827
Employers' Contribution	674,594,554	(524,866,444)
Pension Reserve	6,972,356,000	6,819,802,000
TOTAL	**$9,630,192,742**	**$8,196,288,383**

4 – CASH AND INVESTMENTS

Cash and Investments

A summary of cash and short-term securities and investments held at Dec. 31, 2009 and 2008 is as follows:

Category	2009 Fair Value	2008 Fair Value
Cash and cash equivalent*	$402,224,300	$440,804,450
U.S. Government Bonds	392,657,883	349,061,111
U.S. Government Agencies	12,471,896	3,261,148
U.S. Government Treasury STRIPS	54,081,896	54,071,064
Municipal Bond Obligations	255,465	-
Corporate Bonds and Obligations	995,586,221	730,315,593
Mortgage and Asset-Backed Obligations	548,578,360	711,988,822
Domestic Stocks	2,128,498,905	1,598,486,340
Domestic Pooled Stocks	2,077,528,465	1,774,301,202
International Securities	2,892,323,183	2,074,682,620
Real Estate	636,739,436	874,052,835
Commercial Mortgage Funds	44,737,641	47,977,654
Private Equity	355,964,083	318,267,065
GRAND TOTAL	**$10,541,647,734**	**$8,977,269,904**

*Cash and cash equivalents are included in cash and short-term investments on the Statement of Fiduciary Net Assets.

Custodial Credit Risk

The custodial credit risk for **deposits** is the risk that, in the event of the failure of a depository financial institution, an organization will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for **investments** is the risk that, in the failure of the counterparty to a transaction, an organization will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

In accordance with Ohio Revised Code (ORC) 135.18, the Treasurer of State of Ohio, the statutory custodian for OP&F, requires that the amount in any demand deposit account not covered by federal deposit insurance be collateralized with securities permitted under ORC 135.18 at 102 percent of the value of the cash. Collateral is held in the Treasurer of State's name by a third party trustee for the benefit of OP&F. All of OP&F's depository-eligible securities are held in the custodial bank or its agent's nominee, for the benefit of OP&F. Any physical securities are held in the vaults of the custodial bank or its agent. The custodial bank provides book entry accounting for OP&F's real estate and private equity assets. The custody agreement between the custodial bank and the Treasurer of State restricts the right of the custodial bank or its agents from putting any right, charge, security interest, lien or claim of any kind on the securities they hold. The cash held in foreign local banks for immediate settlement of pending trade transactions are not collaterized.

Deposits exposed to Custodial Credit Risk as of Dec. 31, 2009

Uninsured deposits collateralized with securities held by the pledging financial institution	$7,078,522
Uninsured and uncollateralized deposits	$9,404,762

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating institution. OP&F's risk management policy over credit risk includes a 5 percent target allocation of the total investment portfolio to high yield bonds. As with all asset class targets, OP&F allows a range around the targeted percentage. In the case of high yield bonds, the policy allows plus or minus 2 percent around the 5 percent target.

Core Fixed-Income

OP&F's three core fixed-income portfolios, all managed externally, contain government, mortgage and asset-backed securities, U.S. Agency and corporate bonds. These external managers invest in securities based on guidelines provided by the OP&F Board of Trustees. It is the policy of OP&F that a security in the core fixed-income portfolio shall be rated BBB- or better by two standard rating services at the time of purchase. OP&F allows some of its investment managers to purchase securities that are "not rated" as long as they deem these securities to be at least equivalent to the minimum ratings at the time of purchase.

- Government instruments include those issued by the U.S. Treasury as well as fixed-income instruments, other than mortgage-backed securities, of an agency or instrumentality of the United States government.
- Mortgage-backed instruments include collateralized mortgage obligations and real estate mortgage investment conduits (REMIC's), whose payment of principal and interest is insured by the full faith and credit of the United States government, or an agency or instrumentality thereof. Also included in this category are Government National Mortgage Association (GNMA) project loans, pools and participation certificates, Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC).
- U.S. Agency debt instruments include those obligations issued by agencies which are explicitly guaranteed by the full, faith and credit of the U.S. government. For the purpose of this presentation, they exclude mortgage-backed instruments issued by agencies and government sponsored enterprises; these are classified as mortgage-backed securities.
- Corporate bonds consist of debt instruments issued by domestic corporations or U.S. dollar-denominated debt issued by foreign entities and managed by a U.S. based investment manager.

High Yield Fixed-Income

OP&F has three high yield fixed-income portfolios, all managed externally. The high yield bond asset class consists of the portion of the U.S. corporate bond market that is rated below BBB- by S&P or below Baa3 by Moody's. Accordingly, credit risks associated with these bonds are greater than with core fixed-income bonds. OP&F's policy is to invest in high yield bonds issued by U.S. Corporations with a minimum credit rating of CCC or equivalent. OP&F allows some of its investment managers to purchase securities that are "not rated" as long as they deem these securities to be at least equivalent to the minimum ratings at the time of purchase. It is possible after purchase that the security is downgraded. In the event of an investment guideline violation and in the event of a security downgrade, such that the ratings (Moody's, S&P, or Fitch Investor's Service) are below the allowable minimum security quality, the Manager will inform OP&F in writing within five business days of such violation. Such notice will include the action the Manager intends to take with regard to the violation and over what time period that action will be taken. Both the method and timing of the violation resolution must be agreeable to OP&F.

The following tables show ratings by asset class in OP&F's fixed-income portfolio as of Dec. 31, 2009 and 2008:

Ratings By Asset Class – 2009

Moody's Ratings	A3 and Above	Baa3 to A3	B3 to Baa3	C to B3			
S&P Ratings	A- and Above	BBB-to A-	B- to BBB-	C to B-	Full Faith and Credit	Not Rated	GRAND TOTAL
Corporate Bond Obligations	$225,583,200	$142,742,993	$510,457,564	$100,198,397	$ -	$16,604,067	$995,586,221
Mortgage and Asset-Backed Securities	423,630,242	17,978,250	30,479,417	45,756,287	30,734,164	-	548,578,360
Municipal Bond Obligations	-	255,465	-	-	-	-	255,465
U.S. Government Agencies	12,471,896	-	-	-	-	-	12,471,896
U.S. Government Treasury STRIPS	1,437,341	-	-	-	52,644,555	-	54,081,896
U.S. Government Treasury Notes	-	-	-	-	392,657,883	-	392,657,883
GRAND TOTAL	**$663,122,679**	**$160,976,708**	**$540,936,981**	**$145,954,684**	**$476,036,602**	**$16,604,067**	**$2,003,631,721**

Ratings By Asset Class - 2008

Moody's Ratings	A3 and Above	Baa3 to A3	B3 to Baa3	C to B3			
S&P Ratings	A- and Above	BBB-to A-	B- to BBB-	C to B-	Full Faith and Credit	Not Rated	GRAND TOTAL
Corporate Bond Obligations	$ 135,790,885	$102,464,912	$371,427,488	$120,186,832	$ -	$445,476	$730,315,593
Mortgage and Asset-Backed Securities	570,945,351	38,419,817	48,571,861	17,901,442	36,150,351	-	711,988,822
U.S. Government Agencies	3,261,148	-	-	-	-	-	3,261,148
U.S. Government Treasury STRIPS	-	-	-	-	54,071,064	-	54,071,064
U.S. Government Treasury Notes	-	-	-	-	349,061,111	-	349,061,111
GRAND TOTAL	**$709,997,384**	**$ 140,884,729**	**$419,999,349**	**$ 138,088,274**	**$ 439,282,526**	**$445,476**	**$1,848,697,738**

Short-Term Investments

The short-term investment portfolio consists mainly of commercial paper. OP&F's policy is that, at the time of purchase, the short-term instrument must be rated within the two highest classifications established by two standard rating services. However, it is possible that after the purchase the ratings could change. The following table lists the commercial paper ratings as of Dec. 31, 2009 and 2008:

S&P/Moody's Rating	Fair Value 2009	% 2009	Fair Value 2008	% 2008
A-1/P-1	$72,542,221	20.85%	$64,440,144	17.98%
A-1/P-2	-	-	21,304,308	5.94%
A-2/P-2	275,333,447	79.15%	272,614,624	76.07%
GRAND TOTAL	**$347,875,668**	**100.00 %**	**$358,359,076**	**100.00%**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. OP&F primarily uses the measurement of effective duration to mitigate the interest rate risk of the core fixed income portfolio. Each investment manager is required to monitor and report the effective duration on a monthly basis. The effective duration of the portfolio is required to be +/- a certain percentage of the benchmark's duration. The benchmark for part of the fixed income portfolio, the Barclays Capital Index, had duration of 4.57 years and 3.71 years modified adjusted duration as of Dec. 31, 2009 and 2008 respectively.

Duration is a measure of a fixed income security's cash flows using present values, weighted for cash flows as a percentage of the investment's full price. The duration measurement used is "effective duration" and is provided for each core fixed-income portfolio and for the composite of all portfolios. All core fixed-income managers are given a range of permissible durations around the duration of their benchmark index. Since portfolio level duration is the best measure of interest rate risk, OP&F does not require its managers to measure or report on the duration of each security sector. OP&F does not measure the duration of our high yield portfolios because interest rate risk is a very small part of the total risk of high yield securities. The major risks for high yield bonds are credit risk and interest rate spread risk. The following table lists the effective duration for OP&F's fixed-income portfolio as of Dec. 31, 2009 and 2008:

Collateralized Mortgage Obligations

In general, mortgage-backed securities entitle their holders to receive both principal and interest payments from the payments made by the borrowers of the underlying mortgages over the lives of those loans. The life of the mortgage that underlies a mortgage-backed security can be shortened by several economic events, including borrower refinancing. When interest rates fall and remain very low, a growing number of borrowers will refinance their existing loans causing mortgage-backed security holders to be repaid more quickly than anticipated. This early repayment is a form of market risk assumed by OP&F and other owners of mortgage-backed securities.

To the contrary, when interest rates begin to rise, the refinancing of existing mortgages begins to slow. If the rates remain high for long periods of time, fewer borrowers refinance their mortgages. This causes mortgage-backed security holders to be repaid over longer periods of time. This prolonged repayment is known as extension risk and is another form of market risk assumed by OP&F and other owners of mortgage-backed securities.

These securities are based on cash flows from interest payments on underlying loans. Therefore, they are sensitive to prepayments by the debtor, which may result from a decline in interest rates.

Variable Rate Securities

OP&F's core fixed-income and high yield managers are permitted to hold variable-rate coupons whose rates

Investment Type	Fair Value 2009	Effective Duration 2009	Fair Value 2008	Effective Duration 2008
U.S. Government Obligations	$392,657,883	4.72	$349,061,111	7.19
U.S. Government STRIPS	54,081,896	7.14	54,071,064	8.13
U.S. Government Agencies	12,471,896	8.31	3,261,148	7.24
Mortgage and Asset-Backed Securities	548,578,360	3.20	711,988,822	3.43
Municipal Bond Obligations	255,465	11.24	-	-
Corporate Bonds Obligations	341,012,979	4.27	306,249,617	4.17
TOTAL PORTFOLIO EFFECTIVE DURATION	**$1,349,058,479**	**4.11**	**$1,424,631,762**	**4.88**

may vary directly or inversely with changes in a related interest rate. As of Dec. 31, 2009 and 2008, OP&F did not hold any security with a variable-rate coupon that had a multiplier greater than one or any security with an inverse variable rate.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. OP&F does not permit more than 10 percent of the core fixed-income portfolio to 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. For the high yield portfolio, no more than 10 percent of the entire portfolio at market shall be invested in securities of a single issue or issuer, unless otherwise approved by the Board of Trustees. At Dec. 31, 2009 and 2008, OP&F did not hold investments in any one issuer that represented 5 percent or more of the plan net assets.

Securities Lending

OP&F participates in domestic and international securities lending programs, as authorized by the Board of Trustees. Securities are loaned to investment broker/dealers (borrower). Securities loaned are collateralized by the borrower at 102 percent of the domestic and 105 percent of the international loaned securities' fair value. OP&F has minimized its exposure to credit risk due to borrower default by having the lending agent bank determine daily that required collateral meets the specified collateral requirements. There are no restrictions on the amount of the securities that can be loaned. Contracts with lending agents require them to indemnify OP&F if the borrowers fail to return the securities or fail to pay OP&F for income distributions by the securities' issuer while the securities are on loan. All securities loans can be terminated on demand and the maturities of the investments made with an acceptable form of collateral generally match the maturities of the securities loans.

OP&F has not experienced any losses due to credit or market risk on securities lending activity since implementation of the program. OP&F does have the ability to pledge or sell collateral securities in case of a borrower default.

The following represents the balances relating to the securities lending transactions at Dec. 31, 2009 and 2008:

Securities Lent as of Dec. 31, 2009

Securities Lent	Underlying Security	Collateral Received	Collateral Fair Value	Type of Collateral
US Government and Treasuries	$373,162,486	$380,950,593	$380,950,593	Cash
Domestic Corporate Fixed Income	260,842,115	266,671,363	266,671,363	Cash
Domestic Equities	693,716,885	729,473,731	729,473,731	Cash
International Equities	44,660,544	46,395,496	46,395,496	Cash
TOTAL SECURITIES LENT	**$1,372,382,030**	**$1,423,491,183**	**$1,423,491,183**	

Securities Lent as of Dec. 31, 2008

Securities Lent	Underlying Security	Collateral Received	Collateral Fair Value	Type of Collateral
U.S. Government and Treasuries	$315,195,513	$325,072,582	$325,072,582	Cash
Domestic Corporate Fixed Income	113,003,723	115,589,356	115,589,356	Cash
Domestic Equities	462,230,168	469,254,166	469,254,166	Cash
International Equities	56,233,153	59,014,551	59,014,551	Cash
International Equities	480,977	503,976	503,976	Securities
TOTAL SECURITIES LENT	**$947,143,534**	**$969,434,631**	**$969,434,631**	

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. OP&F's target allocation for international equity is 20 percent of the total investment assets. While OP&F has no specific policy regarding the international custodial credit risk, OP&F limits its international investment managers to hold 5 percent or less of their total portfolio in cash. Apart from cash needed for immediate settlement of pending trade transactions, any excess cash received in OP&F's trust accounts is invested in a U.S. Dollar denominated Short Term Investment Fund (STIF). For the years ending Dec. 31, 2009 and 2008, OP&F's exposure to foreign currency risk is as follows:

2009 Exposure To Foreign Currency Risk

Currency	Fair Value (Cash Deposits)	Fair Value (Currency Contracts)	Fair Value (Equities)	Fair Value (Bonds)	Fair Value (Private Equities)	Total Fair Value (Cash Deposits and Securities)
Australian Dollar	$ 366,081	$ (29,501)	$ 77,432,730	$ -	$ -	$ 77,769,310
Brazilian Real	512,125	(318,489)	34,279,826	-	-	34,473,462
British Pound	936,422	2,544,766	332,991,363	109,792,418	-	446,264,969
Canadian Dollar	950,696	(626,510)	121,026,223	76,284,126	-	197,634,535
Czech Koruna	1,750	-	1,174,177	-	-	1,175,927
Danish Krone	940,433	-	33,801,107	-	-	34,741,540
Euro	753,625	10,825,272	635,338,221	235,019,652	29,515,346	911,452,116
Hong Kong Dollar	602,534	-	107,317,273	-	-	107,919,807
Hungarian Forint	498	-	5,253,762	-	-	5,254,260
Indian Rupee	31,045	-	6,950,856	-	-	6,981,901`
Indonesian Rupiah	6,979	-	3,617,004	-	-	3,623,983
Israeli Shekel	2,615	-	10,414,285	-	-	10,416,900
Japanese Yen	608,540	(444,976)	319,105,278	-	-	319,268,842
Malaysian Ringgit	316,582	-	13,616,039	-	-	13,932,621
Mexican Peso	231,193	(192,865)	29,087,651	-	-	29,125,979
New Turkish Lira	139,874	-	26,987,829	-	-	27,127,703
New Zealand Dollar	2,328	186,928	-	-	-	189,256
Norwegian Krone	833,882	43,449	25,247,042	-	-	26,124,373
Pakistan Rupee	-	-	751,793	-	-	751,793
Philippian Peso	189	-	176,401	-	-	176,590
Polish Zloty	227,393	-	6,989,563	-	-	7,216,956
Singapore Dollar	965,628	-	18,677,540	-	-	19,643,168
South African Rand	257,578	-	7,892,120	-	-	8,149,698
South Korean Won	-	-	60,033,895	-	-	60,033,895
Swedish Krona	2,727	785,334	42,068,254	33,459,864	-	76,316,179
Swiss Franc	293,212	(82,644)	151,295,456	-	-	151,506,024
Taiwanese New Dollar	461,662	-	48,323,805	-	-	48,785,467
Thailand Baht	-	-	16,010,574	-	-	16,010,574
GRAND TOTAL	**$ 9,445,591**	**$ 12,690,764**	**$ 2,135,860,067**	**$ 454,556,060**	**$ 29,515,346**	**$ 2,642,067,828**

2008 Exposure To Foreign Currency Risk

Currency	Fair Value (Cash Deposits)	Fair Value (Currency Contracts)	Fair Value (Equities)	Fair Value (Bonds)	Fair Value (Private Equities)	Total Fair Value (Cash Deposits and Securities)
Australian Dollar	$ 422,569	$ (226,973)	$ 29,474,315	$ -	$ -	$ 29,669,911
Brazilian Real	382	-	13,769,819	-	-	13,770,201
British Pound	640,956	4,766,713	190,974,646	104,744,489	-	301,126,804
Canadian Dollar	569,124	1,358,766	83,054,315	73,252,485	-	158,234,690
Czech Koruna	2,885	-	1,116,947	-	-	1,119,832
Danish Kroner	5,449	-	38,635,400	-	-	38,640,849
Euro	733,094	(20,901,626)	509,912,674	200,307,003	26,312,478	716,363,623
Hong Kong Dollar	177,785	-	72,606,584	-	-	72,784,369
Hungarian Forint	573	-	747,707	-	-	748,280
Indian Rupee	-	-	3,394,250	-	-	3,394,250
Indonesian Rupiah	-	-	225,929	-	-	225,929
Israeli Shekel	13	-	1,607,350	-	-	1,607,363
Japanese Yen	416,992	218,214	271,474,260	-	-	272,109,466
Malaysian Ringgit	1,281	(4)	2,657,920	-	-	2,659,197
Mexican Peso	361,985	(341,576)	11,971,525	-	-	11,991,934
New Turkish Lira	1,141,581	-	17,364,767	-	-	18,506,348
New Zealand Dollar	1,864	(182,338)	-	-	-	(180,474)
Norwegian Krone	1,447	33,638	7,026,420	-	-	7,061,505
Pakistan Rupee	-	-	54,948	-	-	54,948
Polish Zloty	1,515	-	7,898,182	-	-	7,899,697
Singapore Dollar	194,670	-	7,157,582	-	-	7,352,252
South African Rand	3,354	-	8,933,259	-	-	8,936,613
South Korean Won	-	-	30,176,768	-	-	30,176,768
Swedish Krona	158,239	(766,758)	34,468,761	30,334,707	-	64,194,949
Swiss Franc	271,719	(1,168,797)	147,513,007	-	-	146,615,929
Taiwanese New Dollar	226,456	-	28,646,411	-	-	28,872,867
Thailand Baht	-	-	4,045,888	-	-	4,045,888
GRAND TOTAL	**$ 5,333,933**	**$(17,210,741)**	**$1,524,909,634**	**$408,638,684**	**$ 26,312,478**	**$ 1,947,983,988**

Derivatives

Derivatives are generally defined as investment instruments whose value depends on, or is derived from, the value of an underlying asset, reference rate, or index. OP&F has classified the following as derivatives:

- Mortgage and Asset-Backed Securities: OP&F 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 prepayments 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 is viewed by the market as implicitly backing FHLMC and FNMA mortgage securities programs.
- Futures Contracts: Futures contracts are contracts to buy or sell units of an index or financial instrument on a specified future date at a price agreed upon when the contract is originated. OP&F invested in the State Street Global Advisors (SSGA) Russell 1000 Stock Index Fund. This fund, to a minor extent, utilized stock index futures contracts to equitize cash balances. In addition, OP&F, through its portable alpha program, used five external investment managers who utilize futures to gain market exposure. As of Dec. 31, 2009, OP&F had notional value exposure of $442 million in futures contracts managed by its three active managers. This amount represented about 4.2 percent of its total investment portfolio. In addition, the two commingled funds also held some futures contracts in their total portfolio.
- Forward-Currency Contracts: Forward currency contracts are legal agreements between two parties to purchase and sell a foreign currency, for a price specified at the contract date, with delivery and settlement in the future. OP&F, through its external investment managers, enters into forward currency contracts to hedge underlying foreign currency exposure in its non-U.S. equity portfolios back to the U.S. dollar or to provide the quantity of foreign currency needed to settle trades. In addition, OP&F employs two external currency managers, in its portable alpha program, to manage assets in an active currency strategy that attempts to add alpha and does not function merely as a hedging vehicle. This strategy seeks to add value by entering into long and short positions in both developed and emerging markets currencies. The risks associated with such contracts include changes in the value of foreign currency relative to the U.S. dollar and the risk of default by the counterparty. To manage counterparty risk, investment managers utilize various financially sound counterparties.

All the contracts are valued at the spot foreign exchange rate at Dec. 31, 2009 and 2008. The changes in the value of the open contracts are recognized as unrealized appreciation/depreciation. A realized gain or loss is recorded at the time of the delivery/closing of the contract. The realized gain or loss is the difference between the value of the original contract and the closing/delivery value of such contracts. Both realized and unrealized gains and losses are included in the Statement of Changes in Fiduciary Net Assets as net appreciation/depreciation. The following table represents the balances of the outstanding currency transactions as of Dec. 31, 2009 and 2008:

Open Currency Contracts as of Dec. 31, 2009

Purpose	Fair Value (Outstanding Purchases)	Fair Value (Outstanding Sales)	Unrealized Appreciation/ (Depreciation)
Trade Settlement	$ 5,106,453	$ 5,110,348	$ (3,895)
Position Hedging	520,263,571	507,386,701	12,876,870
Currency Management	119,593,331	119,775,541	(182,210)
GRAND TOTAL	**$ 644,963,355**	**$ 632,272,590**	**$ 12,690,765**

Open Currency Contracts as of Dec. 31, 2008

Purpose	Fair Value (Outstanding Purchases)	Fair Value (Outstanding Sales)	Unrealized Appreciation/ (Depreciation)
Trade Settlement	$ 20,739,395	$ 20,730,964	$ 8,431
Position Hedging	537,797,989	553,196,854	(15,398,865)
Currency Management	108,974,364	110,794,671	(1,820,307)
GRAND TOTAL	**$ 667,511,748**	**$ 684,722,489**	**$ (17,210,741)**

In 2009 and 2008, OP&F realized gains / (losses) of $(68,408,471) and $77,171,243 respectively on delivered/closed contracts.

- Options: An option is the right, but not the obligation, to buy or sell a specific amount of a given stock or commodity at a specified price during a specified period of time. OP&F invests in options as part of its portable alpha program. OP&F's exposure represented less than one percent of the total portfolio fair value at year-end.

OP&F has not violated any legal, regulatory, or contractual provisions by its participation in these types of derivative instruments and there is no known undue credit, market, or legal risk. These instruments were purchased in order to enhance OP&F's overall rate of return.

5 – DEFINED BENEFIT PENSION PLAN

OP&F contributes to the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing, multiple-employer plan for all staff. OPERS administers three separate pension plans, provides retirement, disability, and survivor benefits to qualified plan members and beneficiaries. Benefit provisions and contribution requirements are established by the Ohio legislature and are codified in Chapter 145 of the Ohio Revised Code. OPERS 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 OPERS, 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 10 percent of their annual covered salary, while employers are required to contribute 14 percent. OP&F's contributions to OPERS for the years ending Dec. 31, 2009, 2008, and 2007, were $1,237,357, $1,157,212, and $1,195,839, respectively, equal to the required contributions for each year.

6 – OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits, OPERS provides post-retirement health care coverage to qualifying members based on years of service at retirement and plan selection qualification. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPEB), as described in GASB Statement No. 12. At Dec. 31, 2009, the plan had 357,584 active contributing participants compared to 356,388 as of Dec. 31, 2008.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The 2009 employer rate was 14 percent of covered payroll, of which 7 percent was used to fund health care from January 1 through March 31, 2009 and 5.5 percent was used from April 1 through Dec. 31, 2009. OP&F's contributions submitted to OPERS that were allocated to the health care plan for the years ending Dec. 31, 2009, 2008 and 2007 were $519,772, $578,606 and $480,714, respectively.

The Ohio Revised Code provides statutory authority requiring public employers to contribute to the post-retirement health care through their contributions to OPERS.

The actuarial value of OPERS net assets available for OPEB at Dec. 31, 2008 was $10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.6 billion and $18.9 billion, respectively.

The actuarial present value of accrued post-employment benefits was determined based on the entry age normal method of funding. Significant actuarial assumptions based on OPERS latest Actuarial Review performed as of Dec. 31, 2008 are as follows: an investment rate of return of 6.5 percent, investments valued at market value, adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets, not to exceed 12 percent corridor, no change in the number of active members, base pay rate increases of 4 percent and annual pay increases over and above the 4 percent base increase ranging from .5 percent to 6.3 percent and health care cost were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5 percent to 3 percent for the next 6 years. In subsequent years, (7 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

7 – COMMITMENTS AND CONTINGENCIES

OP&F is a defendant in a number of lawsuits pertaining to matters that are incidental to performing routine business functions. OP&F management is of the opinion that ultimate resolution of such claims will not result in a material, adverse effect on OP&F's financial position as of Dec. 31, 2009.

OP&F is committed to making additional capital contributions of $331,497,518 and €49,951,250 toward our private equity program. Our private equity program had $355,964,083 and $318,267,065 in fair value at Dec. 31, 2009, and 2008, respectively.

8 – STATE OF OHIO PUBLIC SAFETY OFFICERS DEATH BENEFIT FUND

Pursuant to ORC Section 742.62, the Board of Trustees of the Ohio Police & Fire Pension Fund administers the State of Ohio Public Safety Officers Death Benefit Fund. This program was established by the State of Ohio to provide monthly benefit payments to eligible surviving family members of Ohio firefighters and law enforcement officers who have been killed in the line of duty or die of a duty – related injury or illness. Funds are disbursed to OP&F on a quarterly basis each state fiscal year (July1-June 30) and are paid monthly by OP&F to eligible recipients. The unused balance at June 30 is returned to the State. The Public Safety Officer's Death Benefit Fund is considered to be an agency fund administered by the Ohio Police & Fire Pension Fund and, accordingly, its assets of $241,308 and $87,499 and the related liability for unpaid benefits are included in the accompanying financial statements as of Dec. 31, 2009 and 2008, respectively.

9 – ADDITIONAL DISCLOSURES

The Ohio Ethics Commission and the Franklin County Prosecutor's Office each have on-going investigations regarding the activities of former Board of Trustees members and specific staff members of the Ohio Police & Fire Pension Fund (OP&F). OP&F management believes the Ethics Commission investigation is focusing on the lack of disclosures made by former trustees, as required by the Ohio Revised Code. It is also management's belief that the Franklin County Prosecutor's Office investigation focuses on actions of former Board members in the evaluation and retainment process relating to the performance of outside investment managers hired by OP&F. While the results of these investigations are not known as of the date of the audit report, management does not believe the outcome of either investigation will have material effect on the organization's financial statements taken as a whole.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Description of Schedule of Funding Progress

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

The Schedule of Funding Progress includes two ratios that provide information about whether the financial strength of OP&F is improving or deteriorating over time. An improvement is indicated when the funded ratio (assets expressed as a percentage of the actuarial accrued liability) is increasing and the ratio of the unfunded actuarial liability to payroll is decreasing.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated.

Additional information as of the latest actuarial valuation follows.

Schedule of Funding Progress

For the year ending Dec. 31, 2008

Pension Trust (dollars in millions)

Valuation Year (Dec. 31)	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2008	$9,309	$14,307	$4,998	65.1%	$1,901	262.9%
2007	11,213	13,728	2,515	81.7%	1,831	137.3%
2006	10,158	12,988	2,830	78.2%	1,783	158.7%
2005	9,551	12,190	2,639	78.3%	1,756	150.3%
2004	9,337	11,545	2,208	80.9%	1,684	131.1%
2003	9,337	10,798	1,461	86.5%	1,644	88.9%
2002	8,683	10,508	1,825	82.6%	1,606	113.7%
2001	9,076	9,786	710	92.8%	1,534	46.3%
2000	8,498	9,507	1,009	89.4%	1,408	71.7%

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

Retiree Health Care Trust (dollars in millions)

Valuation Year (Dec. 31)	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2008	$439	$3,164	$2,725	13.8%	$1,901	143.3%
2007	527	3,623	3,096	14.5%	1,831	169.1%
2006	437	3,274	2,837	13.3%	1,783	159.1%
2005	343	3,335	2,992	10.3%	1,756	170.4%

Schedule of Contributions From Employers and Other Contributing Entities

(dollars in thousands)

Pension Trust

	Annual Required Contributions*	Percentage Contributed
Year ended Dec. 31, 2008	$370,765	75%
Year ended Dec. 31, 2007	363,661	77%
Year ended Dec. 31, 2006	321,712	73%
Year ended Dec. 31, 2005	292,455	79%
Year ended Dec. 31, 2004	257,851	88%
Year ended Dec. 31, 2003	277,725	79%
Year ended Dec. 31, 2002	205,993	100%
Year ended Dec. 31, 2001	205,980	100%
Year ended Dec. 31, 2000	206,797	100%

*The amounts reported in this schedule do not include contributions for post-employment health care coverage. The Government Accounting Standards Board (GASB) required disclosure of the Annual Required Contributions (ARC) using a maximum amortizations period of 30 years. 2003-2006 were based on 40 years. Amounts shown as the ARC for each year may be different from the contributions required by state statue. The information here was determined as part of the actuarial valuations for the date indicated. Additional information as of the latest actuarial valuations is shown in the table below.

Retiree Health Care Trust (dollars in thousands)

	Annual Required Contributions*	Percentage Contributed
Year ended Dec. 31, 2009	**	**
Year ended Dec. 31, 2008	$ 285,844	48.8%
Year ended Dec. 31, 2007	250,163	51.6%
Year ended Dec. 31, 2006	264,137	52.6%

** The ARC for 2009 as a percentage of payroll is 13.38 percent. The expected contribution is 6.75 percent of payroll, or about 50.45 percent of the ARC rate. The ARC amount (dollars) is equal to the ARC rate times the 2009 payroll. The ARC amount and the actual percentage contributed will be determined after 2009 has ended and will be reported in the Jan. 1, 2010 valuation report.

Schedule of Administrative Expenses *

For the year ended Dec. 31	2009	2008
Personnel Services		
Salaries and wages	$8,660,213	$8,866,447
OPERS contributions	1,237,357	1,157,212
Insurance	2,152,422	1,835,971
Fringe benefits/employee recognition	22,368	27,578
Tuition reimbursement	24,040	36,331
Total Personnel Services	**12,096,400**	**11,923,539**
Professional Services		
Actuarial	495,183	329,080
Audit	90,170	88,922
Custodial Banking Fees	1,506,028	1,729,017
Investment Fees & Consulting	22,609,108	25,306,817
Other Consulting (Disability, Software, Legal, and Health Care)	981,663	957,753
Banking Expense	64,216	60,348
Total Professional Services	**25,746,368**	**28,471,937**
Communications Expense		
Printing and Postage	233,786	433,478
Telephone	91,223	95,746
Member/Employer Education	9,073	17,256
Other Communications	80,400	80,400
Total Communications Expense	**414,482**	**626,880**
Other Operating Expense		
Conferences and Education	144,125	117,287
Travel	132,433	144,949
Computer Technology	652,117	474,982
Other Operating	540,850	592,844
Warrant Clearing	1,136	4,043
ORSC Expense	28,612	39,541
Depreciation Expense - Capital	2,269,986	2,078,888
Total Other Operating Expenses	**3,769,259**	**3,452,534**
Net Building Expense (includes rent)	**1,245,969**	**1,213,304**
Total Operating Expenses	**43,272,477**	**45,688,194**
Investment Expenses	**(26,961,425)**	**(29,680,465)**
NET ADMINISTRATIVE EXPENSES	**$16,311,053**	**$16,007,729**

* Includes investment related administrative expenses

Schedule of Investment Expenses**

Category	2009	2008
Investment Manager Services	$21,312,650	$24,037,142
Custodial Banking Fees	1,506,028	1,729,017
Other Professional Services	1,296,457	1,269,675
Other Direct Investment Expenses	1,601,472	1,431,338
Allocation of Other Administrative Expenses	1,244,818	1,213,293
INVESTMENT EXPENSES	**$26,961,425**	**$29,680,465**

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

Combining Statement of Changes in Assets and Liabilities - Public Safety Officers' Death Benefit Fund

For the year ending Dec. 31, 2009

Public Safety Officers Death Benefit Fund

	Balance Dec. 31, 2008	Additions	Subtractions	Balance Dec. 31, 2009
Assets:				
Cash and Short-term Investments	$87,499	$20,000,000	$19,846,191	$241,308
Total Assets	**87,499**	**20,000,000**	**19,846,191**	**241,308**
Liabilities:				
Due to State of Ohio	87,499	20,000,000	19,846,191	241,308
Total Liabilities	**$87,499**	**$20,000,000**	**$ 19,846,191**	**$241,308**

For the year ending Dec. 31, 2008

Public Safety Officers Death Benefit Fund

	Balance Dec. 31, 2007	Additions	Subtractions	Balance Dec. 31, 2008
Assets:				
Cash and Short-term Investments	$359,196	$20,000,000	$20,271,697	$87,499
Total Assets	**359,196**	**20,000,000**	**20271,697**	**87,499**
Liabilities:				
Due to State of Ohio	359,196	20,000,000	20,271,697	87,499
Total Liabilities	**$359,196**	**$20,000,000**	**$20,271,697**	**$87,499**

The 2009 Comprehensive Annual Financial Report

Investment Section

The Ohio Police & Fire Pension Fund

Ohio Police & Fire Pension Fund

140 East Town Street • Columbus, Ohio 43215
www.op–f.org • 800–860–9599

Investment Report Prepared through a combined effort of the Investment Department

INTRODUCTION

The investment authority of the Ohio Police & Fire Pension Fund ("OP&F") is specified in Section 742 of the Ohio Revised Code. Importantly, the Code requires that 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 OP&F. Within the guidelines of the Code, OP&F 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. Investment performance returns are prepared by Wilshire Associates. Investment activities are presented on a trade date basis and measurements are calculated using time weighted rates of return consistent with investment industry standards.

SIGNIFICANT DEVELOPMENTS IN 2009

The vast majority of our efforts last year were focused on revisiting the Asset/Liability Study that we conducted in 2008. After the dramatic and painful events of that year, we began looking for ways to reign in the surprisingly high level of downside volatility we experienced during the sharp sell-off in the equity and credit markets. We also used the opportunity to incorporate new capital market assumptions resulting from the market rout and to include updated OP&F liability data. Revisiting the study allowed us to reconsider our risk tolerance following the surprisingly negative market environment in 2008. In addition, we took the opportunity to analyze strategies and concepts that might help insulate OP&F in future negative market environments. After educating ourselves on several different strategies and concepts, we narrowed our focus to the risk parity approach to asset allocation versus the traditional mean-variance framework. The potential benefit of using a risk parity approach is to produce policy portfolios where each asset class contributes more equally to overall portfolio risk rather than equities being the overwhelming contributor to portfolio risk under the traditional mean-variance framework. We saw that, under the risk parity approach, the use of modest leverage applied to lower risk assets allowed for policy portfolios whose expected return fell in the 8 percent to 8.5 percent range but with lower levels of total portfolio risk versus unlevered policy portfolios modeled within the mean-variance framework. We analyzed two different approaches to implement risk parity, one that considered broadly applying controlled leverage at the total portfolio level and the other that modeled an existing risk parity product as an asset class available to our total portfolio's asset allocation. After several months of intense evaluation of these two approaches, we chose to concentrate on the approach that broadly applied controlled leverage at the total portfolio level. In addition, we analyzed and settled on portfolios on the efficient frontier that allowed for a maximum of 1.2x leverage at the total portfolio level. Furthermore, as we entered 2010, the Board ultimately chose to focus on two levered portfolios, one of which matched the expected return of our former unlevered policy portfolio but with less total portfolio risk and another that matched the risk level of our former unlevered policy portfolio but with a higher expected return. It should be obvious that a vast amount of our time and efforts were spent on this endeavor in 2009 but with good reason since asset allocation is the most important determinant of the variation in a portfolio's total return and risk. In addition to the significant amount of work contributed to the Asset/Liability Study in 2009, other noteworthy investment accomplishments and issues addressed by OP&F last year were the following:

- Completed implementation of the following portable alpha initiative
  - Portable alpha – Market Neutral
    - Investcorp Investment Advisors LLC commenced trading
- Completed search for Derivative Overlay manager
  - Hired Russell Implementation Services Inc.
- Continued to work toward target allocation in private markets
  - Made commitments to Landmark Equity Partners XIV, L.P., Lexington Capital Partners VII, L.P. and TA Associates XI, L.P.
- Continued to work toward target allocation in real estate
  - Made commitment to LaSalle U.S. Property Fund
- Revised the total portfolio policy benchmark to address:
  - changes to reflect the asset allocation policy adopted in 2008
  - inclusion of Global Inflation Protected Securities (GIPS) index in the benchmark policy
  - correction to the real estate composite index

- Amended our Investment Manager Search Policy to provide flexibility in cases where only a limited number of candidates exist for a mandate and for searches where an expedited process is needed to capture a short-term market opportunity
- Amended our Investment Policy & Guidelines as it pertains to Cash Equivalents to allow repurchase agreements with entities other than our custodial bank and to allow use of money market funds to accelerate payment of warrant processing as well as a sweep function
- Amended and adopted the Real Estate Strategic Plan
- Amended and adopted our Proxy Voting Policy
- Approved the 2010 Real Estate Investment Plan
- Rebalanced between overweight/underweight asset classes vs. policy targets

ECONOMIC ENVIRONMENT

The U.S. economy was reeling as we tacked up a new calendar for 2009. Consumer confidence seemed to be in freefall, labor market conditions continued to deteriorate and the stock market unrelentingly spiked lower. Job losses in excess of 600,000 per month in late 2008 worsened further still as the monthly non-farm payroll losses pushed well above 700,000 in each month of the first quarter. These losses began to moderate in the second and third quarters falling to a still painful 200,000+ monthly rate entering the fourth quarter. November actually showed a small gain in jobs before giving way to a December loss of over 100,000 jobs. Naturally, the unemployment rate pushed higher as well. After ending 2008 at 7.4 percent, unemployment steadily rose to 8.6 percent, 9.5 percent and 9.8 percent at the end of the first three quarters of 2009, respectively. A 10.1 percent reading for October stands as the high point so far in this cycle as unemployment ended 2009 at an even 10 percent. First quarter Gross Domestic Product (GDP) dropped at a negative 6.4 percent annual rate after having fallen at a negative 5.4 percent rate in fourth quarter 2008. The second quarter GDP decline of negative 0.7 percent marked this recession, which began in December 2007, as the longest since the Great Depression. With the third quarter came a return to positive, albeit modest growth at a 2.2 percent annual rate. Quarter four improved upon that number further still with a 5.6 percent reading. For all of 2009, real GDP fell negative 2.4 percent, versus an increase of 0.4 percent the prior year. Ongoing, sizable job losses and further home price declines contributed to a drop in consumer confidence, taking it in February to its lowest point ever in the measure's forty-two year history. As the year progressed, consumer confidence improved somewhat thanks to the stock market rally, lower mortgage rates and hopes for a better job market. Notably and unfortunately, two of the big three U.S. automakers, General Motors and Chrysler tumbled into bankruptcy during the year. Chrysler later emerged under the control of Italy's Fiat, and General Motors found itself under the control of the U.S. government.

For the majority of 2009, inflation, on a year over year basis, actually became deflation before pushing back into positive territory in the fourth quarter. For all of 2009, inflation as measured by the Consumer Price Index (CPI) rose by 2.7 percent. General economic weakness and a depressed labor market helped keep price pressures in check early in the year while a rebound in energy prices aided a pick up later in the year. The CPI registered year over year growth rates ranging from negative 2.1 percent to 2.7 percent over the course of the year.

The Federal Reserve maintained its federal funds rate target at a range of 0 percent to 0.25 percent for the entire year and constantly signaled that it expected economic and financial conditions to remain such that it would keep rates at very low levels for an extended period. The Fed continued to use all its tools to help the financial markets and to support economic recovery. The Fed continued to buy U.S. Treasuries and agency mortgage-backed securities in an effort to keep market and mortgage interest rates low to aid the general economy and specifically the housing industry. The Treasury, Federal Deposit Insurance Corporation (FDIC) and Federal Reserve continued their unprecedented efforts to provide support to the banking system and the economy through their creative alphabet soup of special programs and facilities.

The economies of foreign developed market countries continued to tumble early in 2009 but began to bounce back as the year progressed due to improved financial conditions and increasing world trade. As in the U.S., difficult household finances, weak housing markets and persistently high unemployment created general economic problems in many of these countries. Early on, foreign central banks continued their easing actions and then left interest rates at very low levels for the remainder of the year. The Bank of England, the Bank of Japan and the European Central Bank all provided additional stimulus and liquidity through a variety of unusual monetary policies. Unlike most prior cycles, emerging market economies responded more quickly and more robustly as the global financial crisis began to wane. A rebound in emerging Asian countries, driven by the powerhouse China, helped push that region's economy and, to a degree, the world economy toward recovery. The Chinese government aggressively provided fiscal stimulus to encourage lending, investment and consumption and their efforts were rewarded with a surging, potentially too strong, economy. The threat of rising inflation has caused Chinese authorities to take more recent action to slow their rate of growth, which is being watched closely given that economy's growing importance on the world stage.

As we entered 2010, the economic and financial markets outlooks were considerably brighter than they were a year ago. Of course, that is faint praise given the depressing economic and market landscape of early 2009. Contributing to this improved outlook, a moderating trend of job losses has actually turned into job gains so far in 2010 with the most recent reading coming in at 230,000. Meanwhile, the unemployment rate has dipped back below 10 percent, but has leveled off just beneath that level as previously discouraged people have returned to the job market to find employment. Many companies have begun hiring again as they have seen their own sales and profitability return to solid growth. First quarter GDP was reported as having risen at a 3.2 percent annual rate continuing the trend of positive readings that started in the third quarter of 2009. Interestingly, the recession, which was officially declared to have begun in December 2007, has yet to be declared over. The CPI has so far returned to positive year over year increases above 2 percent each month of the first quarter. There is a healthy debate about the direction of inflation as some believe that the massive monetary and fiscal stimulus programs will drive prices higher while others point to the still high unemployment numbers that suggest wage gains will remain weak at best. The final truth may only be a matter of when, not if, price pressures reemerge. The improvement in the jobs market and the ongoing rally in stocks have helped lift consumer confidence numbers off a multi-decade low, but they remain at depressed levels. The 2009 uptrend in the Institute of Supply Management (ISM) Manufacturing Index has continued into this year, while the Non-Manufacturing Index, representing service sector trends, grew but not as robustly. While the Federal Reserve continues to keep the federal funds rate at 0 percent to 0.25 percent, it has removed some of the support and liquidity mechanisms it provided during the financial crisis. The Fed has now ceased its purchases of mortgage backed securities returning that support effort to the public markets. Federal Reserve members, while recognizing that economic recovery is under way, expect only gradual growth kept in check by a weak labor market and a slow recovery of private sector credit conditions. Elsewhere, there is very real concern about the so called PIIGS countries (Portugal, Italy, Ireland, Greece and Spain) and their very high debt levels. Greece is at the leading edge of this problem and will apparently require a rescue package from its fellow European Union members and the International Monetary Fund. The other PIIGS countries are being cast in a similar light by the markets and there is fear that a full blown contagion could spread among these nations and eventually to other heavily indebted, weakly growing countries around the world.

TOTAL FUND

Aided by strong returns in U.S. and international equity markets, and exceptional high yield bond returns, our portfolio as well as our policy index registered very good returns in 2009. Last year saw almost a mirror image of the dreadful asset class returns recorded in 2008. Only our real estate and private markets (both returns lagged by one quarter) turned in negative years. Our total portfolio, on a trade date basis, was valued at $8.79 billion at the beginning of the year and ended the year at $10.44 billion. This significant increase led to a healthy return of 20.73 percent gross of fees for the year compared to a policy index return of 22.81 percent. This result brought our 3-year annualized gross of fees return to negative 1.37 percent and our 5-year annualized gross of fees return to 3.98 percent. Our poor 2009 relative performance versus our policy index dragged our 3-year relative return below the policy index return of negative 1.31 percent for the same period, while our 5-year return was slightly better than the policy return of 3.92 percent. While a strong absolute return last year was certainly nice to see, the effect of last year's considerable underperformance versus our policy index will linger for several years to come.

We believe that a well-diversified portfolio will serve OP&F well over the long-term. As much of the discussion of our efforts in 2009 and so far in 2010 should clearly demonstrate, our approach to creating a well-diversified portfolio has definitely changed. Still, in an effort to maintain that diversity and to cope with the volatility and illiquidity of certain markets over the past year, we periodically rebalanced the portfolio assets back to the outer bounds of our allocation ranges according to investment policy. In addition to forcing us to sell high and buy low, a disciplined rebalancing policy removes human emotion from the decision making process. As evident in recent asset allocation and structural decisions as well as in our future initiatives, we have and will continue to evaluate non-correlated, non-traditional strategies and asset classes in our search for optimal risk-adjusted returns.

EQUITIES

Worldwide stock markets extended losses in early 2009 amid the deepening global economic crisis, adverse economic outlook, worries over the capital adequacy of financial institutions in the U.S. and Europe and deleveraging activities amid credit tightening and fund withdrawals by investors. In early March 2009, major benchmark indices were roughly 2 percent to 25 percent lower than their year-end 2008 levels. Central banks lowered interest rates, injected liquidity into banking systems and loosened monetary policies to stimulate their economies and support financial institutions. Given some early signs of economic recovery, worldwide equity markets surged on optimism over an improving economic outlook and better corporate earnings. At the end of 2009, major benchmark indices were from 19 percent to 87 percent higher than their year-end 2008 levels.

The U.S. stock market, as measured by the Russell 3000, rose 28.3 percent, while the Wilshire 5000 also finished the year strong. For the year, the Wilshire 5000 shook off a negative 24.49 percent sell off through its March 9th low, to rally 69.92 percent and close the year with an impressive 28.3 percent return. This was its highest yearly gain since a 31.64 percent advance in 2003. The market ended 2009 with three consecutive quarterly gains and a return of 43.46 percent over that nine month stretch. Since its Oct. 9, 2007 high, however, the Wilshire 5000 was still down negative 24.21 percent.

The broad U.S. equity market as measured by the Russell 1000 Index finished the year gaining 28.4 percent. The large-cap oriented S&P 500 Index gained 26.5 percent for the year. Our 2009 U.S. equity composite return was 32.82 percent gross of fees which was ahead of its benchmark, the Wilshire 5000, by 452 basis points (bps).

Despite a modest recovery in the U.S. dollar over the fourth quarter, major global equity markets continued their 2009 rallies through year-end. European shares found strong favor with global investors. Japan continued to struggle against the worldwide trade slowdown, dragging down Pacific region shares relative to other world markets. The December run-up in Japanese stocks may hint of a belated rally into 2010, but the yen still weakened against the dollar. Emerging markets stocks enjoyed sterling performance throughout the year with MSCI Emerging Markets Index returning 78.5 percent for 2009.

Returns from international equity markets bested those of U.S. stocks. The MSCI All Country World ex-U.S. Index (Net), representing both developed and emerging international markets, outpaced all major domestic indices for the year posting a 41.44 percent increase. Our international managers combined posted a 39.58 percent gross of fees return but trailed our international equity benchmark, the MSCI ACWI ex-U.S. index, by 1.86 percent.

FIXED INCOME

The 2009 rally in U.S. credit markets, fueled in large part by government provided liquidity and stimulus programs, hit a headwind in the form of inflation anticipation. A year-end rotation out of U.S. Treasuries pushed long-term yields sharply higher and made long-term Treasuries the worst-performing market sector year-to-date. U.S. credit continued to find favor with investors as risk stayed in fashion. Over the quarter, investment grade credit spreads to Treasuries fell almost 21 percent to 157 bps, while high yield credit spreads fell 19 percent to 617 bps. The strong performance of U.S. Treasury Inflation Protected Securities (TIPS) reflected growing concern about future increases in inflation. Non-U.S. developed markets bonds performed on par with their U.S. counterparts, while emerging markets, local currency denominated debt rallied ahead on a relative basis.

Most spread sectors outdistanced their same duration Treasury securities. The Commercial Mortgage-Backed Securities (CMBS) sector led the pack, as strong technicals outweighed signs of weakening fundamentals. Although the government's Term Asset-Backed

Securities Loan Facility (TALF) program continued to offer technical support to the ABS sector, cash investors played a more prominent role in driving strong relative returns. In the credit sector, credit quality showed signs of improvement while demand for corporate issuance was high. Meanwhile, the Mortgage-Backed Securities (MBS) sector underperformed, as the outlook for mortgage rates became uncertain as the anticipated completion of the Federal Reserve's purchases of Agency MBS grew nearer.

Our core fixed income composite returned 11.76 percent gross of fees versus the Barclays Aggregate Index return of 5.93 percent for 2009. The Inflation Linked Policy return was 9.19 percent for the year, while our GIPS manager's return was better at 9.84 percent gross of fees.

HIGH YIELD

The high yield market concluded the year with another strong quarter as the Merrill Lynch U.S. High Yield Master II Constrained Index gained 6.03 percent during the last three months of 2009. Over the course of the year, this index posted positive returns in every month but February and gained an unprecedented 58.10 percent for all of 2009. Many of the same themes that propelled the high yield market higher earlier in the year continued during the fourth quarter. These included encouraging economic data, better than expected corporate profits and strong demand from investors seeking incremental yield in the low interest rate environment. High yield spreads narrowed by 155 bps during the quarter, from 795 bps to 640 bps. During the year as a whole, spreads narrowed by 1,170 bps, from 1,810 bps to 640 bps. Lower quality securities continued to outperform their higher quality counterparts in the fourth quarter as CCC-rated bonds in the index returned 10.38 percent and BB-rated securities rose 4.59 percent. During 2009, CCC and BB bonds in the index returned 96.79 percent and 45.21 percent, respectively.

Our composite high yield return was 47.02 percent gross of fees in 2009, while our benchmark, the CSFB Developed Countries High Yield Index, had a return of 54.33 percent.

REAL ESTATE

2009 saw the most dramatic re-pricing of private U.S. real estate in the 32-year history of the market's primary indices. The National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index, a widely-accepted, unlevered, core real estate index, fell by negative 22 percent during the year. Prior to the current downturn, the worst four-quarter period in the index's history was a decline of negative 13.4 percent.

Losses were driven by a re-pricing of risk and by deterioration in market fundamentals, particularly the weak job market. Although equities corrected faster than private real estate and began recovering by the end of the year, the lag in private real estate valuations caused it to enter the downturn later and to stabilize more slowly. Capitalization rates and discount rates rose steadily throughout the year, while income forecasts continued to decline. Core funds ended the year with a ten-year blended discount rate of 9 percent. Values began to stabilize by year-end as a large amount of capital assembled to seek buying opportunities.

Our real estate portfolio was impacted significantly by this global re-pricing. Total net returns for the lower-risk Strategic Portfolio were negative 30.4 percent for the year and were essentially flat over the trailing five-year period. Total net returns for the higher-risk Tactical Portfolio were negative 33.8 percent for the year, and negative 1.5 percent per year for the past five years. Overall, our real estate investments returned negative 31.4 percent for the year and negative 0.6 percent annually for the trailing five years. This performance lagged the benchmark, but generally exceeded the performance delivered by comparable funds, which can be largely explained by appraisal lag and a lower risk profile in the benchmark.

At the end of 2009, the market value of our real estate portfolio was approximately $637 million, or roughly half of the 12 percent target allocation to real estate, which is bounded by a range of 10 percent to 14 percent. Another $112 million was committed but not yet invested.

We made one new real estate commitment of $60 million to a new core fund at the end of 2009. In January 2010, the Board approved a slightly revised Strategic Plan for real estate, as well as a 2010 Investment Plan. Highlights of the investment plan include:

- Maintaining an overweight to the lower-risk Strategic Portfolio.
- Taking specific steps to modify the composition of the Strategic Portfolio, with a comprehensive rebalancing of that portfolio planned for the second quarter of the year.

- Exploring non-U.S. investments in the higher-risk Tactical Portfolio to provide enhanced diversification and to access a broader opportunity set.

The Strategic Portfolio rebalancing is currently underway, and one commitment to a non-U.S. investment is pending.

PRIVATE MARKETS

For the year ended Sept. 30, 2009 (private market returns are lagged by one quarter), our allocation to private markets provided a return of negative 11.61 percent versus its public markets-based benchmark, the Wilshire 5000 +3%, return of negative 3.56 percent. In terms of the two most prominent private markets subclasses, for the one-year ended Sept. 30, 2009, U.S. venture capital returned negative 12.44 percent and U.S. private equity, including U.S. buyouts, private equity energy, growth equity and mezzanine, returned negative 8.94 percent, according to Cambridge Associates LLC.

Performance of the private markets subclasses in the U.S. reversed course in 2009, based on preliminary returns, after a challenging year in 2008. The preliminary return for U.S. venture capital for calendar year 2009 was 2.68 percent while U.S. private equity returned 13.74 percent. This compares to 2008's returns for U.S. venture capital of negative 16.17 percent and U.S. private equity of negative 23.26 percent, according to Cambridge Associates LLC. In 2009, private markets returns were subdued in the first half of the year but rebounded strongly in the third and fourth quarters as exit markets improved and valuations increased thanks partly to strong increases in public market comparables. In 2009, there were twelve venture-backed Initial Public Offerings (IPO)s, valued at $1.6 billion, in the U.S. according to Thomson Reuters and the National Venture Capital Association. This compares to only six venture-backed IPO valued at $470 million in the U.S. in 2008. With regards to venture capital-backed Merger and Acquisitions (M&A) activity, there were 263 total transactions in the U.S. in 2009, representing $12.3 billion of value for those 86 transactions with disclosed deal terms according to Thomson Reuters and the National Venture Capital Association. In terms of the liquidity environment for the private equity subclass and in particular the buyout industry, a dichotomy existed between M&A and IPO activity. Regarding IPOs, the number of buyout-backed companies that went public in 2009 increased to a total of sixteen versus a total of six in 2008, according to Thomson Reuters. On the other hand, the number of buyout-backed company exits via M&A activity decreased nearly 40 percent from the number in 2008.

On the international front, for the year ended Dec. 31, 2009, European venture capital returned negative 1.3 percent and European buyouts returned 3.5 percent, according to Thomson Reuters in association with the European Venture Capital Association. Although these returns are not strong on an absolute basis, they are significantly better than those of calendar year 2008, which saw European venture capital return negative 17.9 percent and European buyouts return negative 26.4 percent.

The U.S. venture capital subclass saw investments of $17.7 billion in 2,795 financings in 2009, according to the MoneyTree Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters. This represents an approximate 37 percent decrease in dollars invested versus 2008 and a 30 percent decrease in deal volume. The Biotechnology industry led the way in dollars invested in 2009 followed by Software and the Medical Device industry. Although the Clean Technology sector saw a decline in the amount of dollars invested and in the number of investments, it still accounted for 11 percent of all venture capital dollars invested in 2009. As for the U.S. private equity subclass, particularly the buyout industry, 2009, like 2008, was again a difficult year as the value of announced deals tumbled approximately 75 percent. The number of deals this volume represented also declined by approximately 40 percent from year ago levels. The reason for the lower deal activity was tied mainly to the limited availability of leverage to finance transactions.

The continued decline in the amount of capital raised by private markets funds is encouraging for private markets as history suggests that years with limited amounts of capital raised often lead to better vintage year performance. Fundraising across U.S. private markets declined 68.1 percent in 2009 compared to 2008, according to Dow Jones Private Equity Analyst. Similar to the U.S., European private markets saw a dramatic decline in the amount of capital raised in 2009 as fundraising dropped 75 percent from the year earlier period according to Dow Jones Private Equity Analyst. To monitor prospects for the private markets asset class we will be keeping tabs on the IPO market for venture-backed companies, availability of financing in the private equity industry, valuations or pricing, distribution activity, investment activity and limited partners appetite for the asset class.

We continue to prudently work toward our 7 percent target allocation to the private markets asset class. On an invested basis, private markets comprised 3.3 percent of OP&F's assets as of year-end. Our total committed capital since inception of our private markets program through Dec. 31, 2009 was $898.8 million, of which $331.5 million has yet to be called. In addition, we have €80.5 million in Euro commitments, of which €50.0 million has yet to be called. Distributions since inception of the program have totaled $375.4 million and €15.1 million. In the future, we will continue to review existing relationships for further investment and to look at a limited number of new managers. As always, we will continue to look for ways to diversify our private markets program in order to achieve the highest risk-adjusted returns as well as to manage the private markets portfolio to comply with its policy objectives and constraints.

2010 DEVELOPMENTS AND CHALLENGES AHEAD

As mentioned earlier, the Board, investment consultant and staff spent a great deal of time and effort last year revisiting our Asset/Liability Study. By the end of 2009, the Board had narrowed their preferences to two portfolios on the efficient frontier allowing for a maximum of 1.2x leverage at the total portfolio level. One portfolio matched the expected return of our former unlevered policy portfolio but with less expected total risk and the other matched the expected risk level of our former unlevered policy portfolio but with a higher expected rate of return. In February 2010, the Board voted to adopt the 1.2x levered policy portfolio that matched the expected rate of return of our former unlevered policy portfolio but with less expected portfolio risk (see below for the specifics of our new long-term asset allocation policy). The Board voted to adopt this new long-term asset allocation policy based on a risk parity approach for several reasons: (a) it does not increase the portfolio's expected return but does reduce total portfolio expected risk by 91 bps relative to our former unlevered policy; (b) it increases the portfolio's Sharpe Ratio relative to our former unlevered policy; (c) it reduces the worst case benefits funding cost relative to our former unlevered policy; (d) it allows for a reduction in equity risk exposure and an increase in fixed income risk exposure, which reduces total portfolio expected risk without sacrificing the expected return relative to our former unlevered policy; and (e) it better allocates risk based on the relationship between asset classes and economic environments than our former unlevered policy. It must be noted that although this new risk parity approach should strategically outperform over the long-term, it will not outperform every single year versus a traditional unlevered policy based on the mean-variance framework. As discussed with our Board, this does expose us to "peer risk" in years when equities significantly outperform bonds, which means other investors allocated more heavily to stocks are likely to outperform us by a wide margin. This is a critical point that must be revisited frequently by the Board and explained clearly to other interested parties. While it is still early in the year, we are off to a good start in our efforts to evaluate and implement ways to provide prudent and competitive returns for our membership. Below are some of the items already addressed in 2010 and a number that still lie ahead:

- Completed Asset/Liability Study resulting in the following Long-Term Asset Allocation Policy:
  - U.S. Equity....................21.7%
  - Non-U.S. Equity....................21.7%
  - Long Duration Bonds....................23.7%
  - Global Inflation Protected Securities....................12.9%
  - High Yield Bonds....................15.0%
  - Real Estate....................12.0%
  - Private Markets....................7.0%
  - Timber....................3.0%
  - Commodities....................3.0%
- Amended and adopted the Private Markets Investment Policy
- Approved the 2010 Private Markets Investment Plan
- Completed implementation of a pending portable alpha initiative
  - Portable alpha – Market Neutral
    - Grosvenor Capital Management, L.P. commenced trading
- Completed implementation of the Derivative Overlay Investment Manager
  - Russell Implementation Services Inc. commenced providing beta overlay for a

portion of the assets within our portable alpha program

- Amended and adopted our Proxy Voting Policy
- Adopt Interim Total Fund Policy Benchmarks for the new long-term Asset Allocation Policy
- Manage to a risk-based implementation plan and to Interim Total Fund Policy Benchmarks adopted by the Board
- Complete asset class structure reviews (2nd step in Asset/Liability Study) and work toward implementation according to the risk based implementation plan
  - Public Equity (U.S. and Non-U.S.)
    - Review Portable Alpha Program strategies and target weights
    - Review existing mandates, possible manager searches and/or restructuring
  - Long Duration Fixed Income
    - Conduct search for investment manager(s) with experience in levered, long duration mandates
  - High Yield
    - Evaluate alternative high yield securities strategies
    - Conduct search for additional investment manager
    - Increase allocation while reducing U.S. Equity
  - GIPS mandate
    - Modify guidelines of current GIPS investment manager to allow levered approach
  - Private Markets
    - Implement 2010 Private Markets Investment Plan
  - Real Estate
    - Implement 2010 Real Estate Investment Plan
  - Commodities
    - Evaluate investment approaches and appropriate indices
    - Conduct search for investment manager(s)
  - Timber
    - Adopt Timberland Investment Policy
    - Conduct search for investment managers, commingled funds or both
- Adopt additional investment manager guidelines for Russell Implementation Services to include Policy Implementation and Transition Management Services
- Amend our Investment Policy & Guidelines
- Complete implementation of Treasury Management/Cash Management Software

Now that the Board has adopted a new long-term Asset Allocation Policy, we expect to devote a significant amount of time over the rest of the year to investment structure discussions. This will consume much of our time since it is the second most important decision in the investment process, accounting for a meaningful amount of the variation in a portfolio's total return and risk. From an operational standpoint, we will continue to look for ways to improve the efficiency of and reduce the costs of our operations.

Investment Portfolio Summary

Investment Portfolio Summary

Investment Type	% of Fair Value	Fair Value
Cash and Cash Equivalents	3.82%	$402,224,300
U.S. Government Bonds	3.72%	392,657,883
U.S. Government STRIPS	0.51%	54,081,896
U.S. Government Agencies	0.12%	12,471,896
Municipal Bond Obligations	0.01%	255,465
Corporate Bonds and Obligations	9.44%	995,586,221
Mortgage & Asset-Backed Obligations	5.20%	548,578,360
Domestic Stocks	20.19%	2,128,498,905
Domestic Pooled Stocks	19.71%	2,077,528,465
International Securities	27.44%	2,892,323,183
Real Estate	6.04%	636,739,436
Commercial Mortgage Funds	0.42%	44,737,641
Private Equity	3.38%	355,964,083
Total Fair Value - Cash and Securities	**100.00%**	**$10,541,647,734**
Net Investments Commitments Receivable/(Payable)		**(104,033,837)**
Total Portfolio Value (Trade Date Basis)		**$10,437,613,897**

Ten Largest Common Stocks (by Fair Value)

Stock	Shares	Fair Value
Nestle SA-Registered	680,460	$33,043,862
BP Amoco PLC	3,160,286	30,620,305
Telefonica SA	1,091,498	30,568,822
BNP Paribas	379,272	30,418,552
Exxon Mobil Corporation	421,200	28,721,628
Sanofi-Aventis	356,318	28,148,154
Roche Holdings AG-Genusschein	152,328	25,904,970
Novartis AG-Reg Shs	467,817	25,568,716
Fanuc	263,256	24,404,096
BHP Billiton LTD.	613,172	23,778,796

Ten Largest Bonds and Obligations (by Fair Value)

Description	Coupon	Maturity Date	Par Value	Fair Value
U.S. Treasury Note	3.000	July 15, 2012	$19,900,000	$25,734,728
U.S. Treasury Note	2.375	Jan. 15, 2025	20,700,000	25,066,865
U.S. Treasury Note	3.875	April 15, 2029	14,780,000	25,056,107
U.S. Treasury Note	4.500	Aug. 15, 2039	25,449,000	24,872,326
FNMA TBA	5.000	Jan. 01, 2040	21,400,000	21,969,240
France (Govt Of)	2.500	July 25, 2013	11,300,000	19,738,295
Buoni Poliennali Del Tes	1.850	Sept. 15, 2012	12,300,000	19,322,098
Fannie Discount Note	0.000	Jan. 25, 2010	19,275,000	19,275,000
U.S. Treasury Note	3.625	April 15, 2028	11,300,000	18,675,543
France (Govt Of)	1.000	July 25, 2017	12,000,000	18,334,739

Ten Largest Real Estate Holdings (by Fair Value)

Description	Fair Value
INVESCO Core R.E	$182,514,702
JP Morgan Strategic Property Fund	67,623,181
Prudential PRISA	57,035,981
Heitman Core Property Fund	56,150,755
Morgan Stanley Prime Property	34,712,336
RREEF America REIT II	31,311,116
TA Realty Associates Fund VIII	16,364,903
LaSalle Income and Growth Fund	14,961,947
Lone Star Fund VI	14,143,337
Heitman Value Partners Fund	13,923,807

Schedule of Investment Results For the Year Ended Dec. 31, 2009

	Annualized Rates of Return		
	1-Year	3-Year	5-Year
U.S. Equity			
OP&F	**32.82%**	**(4.63)%**	**1.39%**
Wilshire 5000	28.30%	(5.25)%	0.93%
Int'l Equity			
OP&F	**39.58%**	**(2.96)%**	**6.27%**
MSCI ACWI ex-US (Net)	41.44%	(3.49)%	5.83%
Fixed Income			
OP&F - Core	**11.76%**	**6.11%**	**5.11%**
Barclays Aggregate	5.93%	6.04%	4.97%
OP&F - High Yield	**47.02%**	**6.50%**	**6.44%**
CSFB Developed Countries HY	54.33%	5.36%	5.94%
OP&F - GIPS	**9.84%**	**7.78%**	**5.83%**
Barclays Global Inflation Linked Bond Index	9.19%	6.89%	4.75%
OP&F - Commercial Mortgages *	**(0.63)%**	**0.78%**	**3.39%**
Barclays Mortgage Index *	9.86%	7.40%	5.92%
Real Estate *			
OP&F	**(37.27)%**	**(8.24)%**	**4.28%**
NCREIF	(22.11)%	(1.29)%	6.16%
Private Equity *			
OP&F	**(11.61)%**	**4.42%**	**11.13%**
Wilshire 5000 + 3%	(3.56)%	(1.92)%	5.43%
Total Portfolio			
OP&F	**20.73%**	**(1.37)%**	**3.98%**
** Policy Index	22.81%	(1.31)%	3.92%

* One quarter in arrears.

****Policy Index:** 39 percent Wilshire 5000, 10 percent Barclays Aggregate, 24 percent MSCI ACWI ex-US (N), 10 percent NCREIF Property Index Lagged, 7 percent CSFB Dev. Countries HY, 6 percent Global TIPS Custom, 4 percent Wilshire 5000 + 3% Lagged.

Time Weighted methodology, based upon market values, is used when calculating performance.

Investment Consultants and Money Managers

For the Year Ended Dec. 31, 2009

Investment Consultants

Wilshire Associates
The Townsend Group

Investment Managers – Private Equity

Abbott Capital Management, LLC
Adams Street Partners
Athenian Venture Partners
Blue Chip Venture Partners, LP
Blue Point Capital Partners, LP
Brantley Venture Partners
Harbourvest Partners, LLC
Horsley Bridge Partners, LLC
Kirtland Capital Partners
Landmark Equity Partners
Lexington Capital Partners
Linsalata Capital Partners
MV Economic Development, Ltd.
Montauk TriGuard Management, Inc.
Morgenthaler Venture Partners
Northgate Capital Group
Park Street Capital
Peppertree Partners, LLC
Primus Venture Partners
Riverside Capital Associates
TA Associates, LP
Wilshire Private Markets, LLC

Investment Managers – Fixed Income

Bridgewater Associates LP
JPMorgan Investment Advisors Inc.
Neuberger Berman
Loomis Sayles & Company, LP
MacKay Shields, LLC
Prima Capital Advisors, LLC
Quadrant Real Estate Advisors, LLC
Western Asset Management

Other Professionals Consultants

(see page iii)

Investment Managers – US Equity

AQR Capital Management
Bridgewater Associates LP
Chicago Equity Partners, LLC
Columbia Asset Management
Earnest Partners, LLC
INTECH Investment Management, LLC
FX Concepts, LLC
Mellon Capital Management
N.A. Investcorp, LLC
State Street Global Advisors
Western Asset Management

Investment Managers – Real Estate

AEW Capital Management
The Blackstone Group
CB Richard Ellis Investors, LLC
Capmark Investments, LP
Colony Capital, LLC
DLJ Real Estate Capital Partners, Inc.
Fremont Realty Capital, LP
Heitman Capital Management, LLC
INVESCO Realty Advisors
JP Morgan Investment Management, Inc.
LaSalle Investment Management
Lone Star Funds
Lubert-Adler Management Co., LLC
Morgan Stanley Real Estate Advisors, Inc.
Prudential Investment Management, Inc.
RREEF America, LLC
Starwood Capital Group
Stockbridge Real Estate Fund
TA Realty Associates
Tricon Capital Group, Inc.
Walton Street Capital, LLC
Westbrook Partners, LLC

Investment Managers–International Equity

Acadian Asset Management, Inc.
Causeway Capital Management, LLC
Pyramis Global Advisors
Thornburg Investment Management, Inc.

Schedule of Brokers' Fees Paid For the Year Dec. 31, 2009

Broker Name	Fees Paid	Units Traded	Average Cost Per Unit
Credit Suisse	$441,458	74,274,000	0.0059
Merrill Lynch	335,264	96,520,000	0.0035
Morgan Stanley & Co., Inc	283,781	62,734,000	0.0045
Goldman Sachs & Co	271,385	29,977,000	0.0091
UBS Securities	221,370	50,189,000	0.0044
Deutsche Bank	183,501	17,954,000	0.0102
Citigroup	174,121	68,089,000	0.0026
JP Morgan Securities Inc.	170,378	14,891,000	0.0114
Investment Technology Group	153,718	12,382,000	0.0124
Instinet	119,056	13,327,000	0.0089
Liquidnet Inc.	110,952	6,297,000	0.0176
ABN Amro	98,955	56,996,000	0.0017
Nomura Securities	83,965	22,822,000	0.0037
BNY Convergex Execution Solutions LLC	77,588	5,337,000	0.0145
Societe Generale	74,609	24,898,000	0.0030
Brockhouse & Cooper Inc	68,940	13,209,000	0.0052
Weeden & Co. LP	65,925	5,578,000	0.0118
Bloomberg Tradebook	65,786	13,281,000	0.0050
Credit Agricole Cheuvreux North America Inc.	58,457	2,908,000	0.0201
Sanford C. Bernstein	54,949	3,502,000	0.0157
Knight Securities	51,972	3,674,000	0.0141
Macquarie Securities	51,420	6,041,000	0.0085
Barclays Capital Inc	49,816	2,385,000	0.0209
Jefferies & Co., Inc.	49,604	4,530,000	0.0110
Guzman & Co.	32,468	2,818,000	0.0115
Keefe Bruyette & Woods Inc.	32,094	1,007,000	0.0319
Pipeline Trading	26,487	1,640,000	0.0162
Stifel, Nicolaus & Co.	23,496	643,000	0.0365
Daiwa Securities	23,007	2,857,000	0.0081
HSBC Securities Inc.	22,947	2,491,000	0.0092
Rosenblatt Securities Inc	22,035	1,912,000	0.0115
G Trade Services Ltd.	20,740	15,971,000	0.0013
Broker Fees Less Than $20,000	459,545	33,919,000	0.0135
Total	**$3,979,789**	**675,053,000**	**0.0059**

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 (OP&F). This Statement is intended to provide general principles for establishing the goals of OP&F, the allocation of assets and the employment of outside asset management. The statutory investment authority of the Board is set forth in Sections 742.11 to 742.113 and sections 742.114, 742.116 of the Ohio Revised Code (ORC), as more fully outlined in this Policy and Guidelines.

The objectives of OP&F 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 OP&F's assets.
- To achieve and maintain a fully funded status with regard to the accumulated benefit obligation.
- To control the costs of administering OP&F and managing the investments.

In order to achieve these objectives, the Board of Trustees conducts itself in accordance with ORC Section 742.11, which provides "The Board and other Fiduciaries shall discharge their duties with respect to OP&F solely in the interest of the participants and beneficiaries." These duties are 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", as referenced in ORC Section 742.11. At least annually, the Board adopts policies, objectives or criteria for the operation of the investment program.

Investment Policies and Manager Guidelines referenced in this document are not reproduced in their entirety, but the essence of each Policy and Manager Guideline is reflected herein.

II. DEFINITION OF RESPONSIBILITIES

A. Investment Committee/Board of Trustees' Responsibilities

- Establish the strategic investment policy for OP&F (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 OP&F's assets recognizing the goals set forth in ORC Sections 742.11 and 742.116.
- 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 at least annually.
- Review, on a continuing basis, the current Investment Policies of OP&F and make such changes as appropriate.
- Review the annual investment plan prepared by the staff. As conditions warrant, revise the annual investment plan as the year progresses.
- Review and approve or disapprove real estate transactions when required by Board policy.
- Monitor investment activity for compliance with Board policies and adherence by investment managers to strategy and direction.
- Review the overall investment performance to determine whether it meets established benchmarks.
- Evaluate and assign all investment managers to a rating category (except that only the Board may assign categories 4 and P4, termination), as outlined in the Investment Manager Monitoring and Evaluation Policy.
- Review suggested changes or additions to the functions and operations regarding the Investment operations of similar institutional investors.
- Review the proposed Investment department annual operating budget and report its recommendations to the Finance Committee.

B. Staff Responsibilities

- Manage OP&F assets under its care, custody and/or control in accordance with the Investment Policy Statement objectives and guidelines set forth herein.

- Monitor both internally and externally managed assets to ensure compliance with guidelines set forth in this policy statement.
- Promptly vote all proxies and related actions in a manner consistent with OP&F's long-term interests and objectives set forth herein. Maintain detailed records of said voting of proxies and related actions and comply with all regulatory objectives 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.

C. 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

D. Investment Managers' Responsibilities

- Manage OP&F assets under its care, custody and/or control in accordance with the Investment Policy Statement objectives and guidelines set forth herein and its governing agreement with OP&F.
- 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 in the governing agreement with OP&F.
- 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 OP&F's long-term interests and objectives 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 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.

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 OP&F.

The procedure for determining the allocation will consider the relevant characteristics of the liabilities and potential assets of OP&F. 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 OP&F 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 ORC Section 742.11.

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	Target Allocation (%)	Range (%)
Domestic Equity	46	±5
Non-U.S. Equity	20	±3
Fixed Income	18	±2
High Yield	5	±2
Real Estate	8	±2
Private Equity	3	±2
Cash Equivalents	0	+0.5
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 October 2004. A long term 4 percent 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).

OP&F 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 over the long-term.

OP&F shall attempt to achieve these return goals without unnecessary risk to principal. The risk/return characteristics of OP&F 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 ORC Sections 742.11 to 742.113, 742.114, 742.116 and with the Ohio-Qualified Investment Manager Policy and the Ohio-Qualified Broker Policy.

Where appropriate, OP&F 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 Investment 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 to 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 Board. 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 and such firm offers quality, services, and safety comparable to other investment managers otherwise available to the Board.

VI. SPECIFIC GUIDELINES

A. Domestic Equity

Investment Objectives
Total return of the domestic equity composite portfolio should exceed the return of the Dow Jones Wilshire 5000 Index over a three-year period on an annualized basis. Total return of each manager's portfolio should rank above the median when compared to their peer group over a three-year period on an annualized basis and should exceed their benchmark return as specified in each manager's guidelines.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the ORC Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. The main focus of investing will be on companies headquartered and/or domiciled in the United States.
2. The composite portfolio shall have similar portfolio characteristics as that of the Dow Jones Wilshire 5000 Index. Each individual manager's portfolio shall have similar characteristics to the manager's style benchmark.
3. For diversification purposes, each manager's portfolio has a maximum threshold for the amount of cash and individual security weightings that may be held at any one time. Each manager's portfolio is also required to hold a minimum number of issues.
4. Trading shall be left to the discretion of the investment manager with the exception that OP&F may direct a reasonable amount of commissions to help defray qualified OP&F expenses.
5. The ability to purchase private placements, Rule 144A stock and purchase securities on margin is prohibited.

Investment Structure
The domestic equity allocation will have a target of 46 percent of total fund assets. The structure of the domestic equity allocation will be diversified among passive and active capitalization managers as follows:

1. **Passive Large Capitalization Core Exposure**
   The passive large capitalization core component has a target allocation of 37.5 percent of the domestic equity allocation. This is an index fund portfolio intended to provide broad market exposure for and diversification to OP&F's equity portfolio through holdings in large capitalization equities and is to be constructed so as to match the characteristics and return of the Russell 1000 Index.
2. **Active Large Capitalization Core Exposure**
   The active large capitalization core component has a target allocation of 16.5 percent of the domestic equity allocation. The overall objective is to provide risk-adjusted returns greater than the return of the Russell 1000 Index. This exposure will be intended to provide diversification to OP&F's passive large capitalization core exposure.
3. **Active Large Capitalization Alpha Transfer Exposure**
   The active large capitalization alpha transfer component has a target allocation of 21 percent of the domestic equity allocation. The overall objective is to provide risk-adjusted returns greater than the return of the Standard & Poor's 500 Index (S&P). S&P 500 market exposure, obtained through the use of derivatives, will be combined with strategies that represent diversified sources of alpha with a broad range of risk characteristics. For a complete description of the appropriate use of derivatives, please see OP&F's Derivatives Policy Statement.
4. **Active Small/Mid Capitalization Core Exposure**
   The active small/mid capitalization core component has a target allocation of 25 percent of the domestic equity allocation. The diversification of the equity base into small/mid capitalization companies will lower overall portfolio risk while providing the opportunity for enhanced returns by exploiting the inefficiencies in this segment of the marketplace. This component shall consist of several complementary managers.

B. Non-U.S. Equity

Investment Objectives
Total return of the Non-U.S. equity composite portfolio should exceed the return of the Morgan Stanley Capital International All Country World Index ex-U.S. (MSCI ACWI-ex U.S.) over a three-year period on an annualized basis. Total return of each manager's portfolio should rank above the median when compared to their peer group over a three-year period on an annualized basis and should exceed their benchmark return as specified in each manager's guidelines.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the ORC Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. The main focus of investing will be companies headquartered or domiciled in the MSCI ACWI-ex-U.S. countries.

2. The composite portfolio shall have similar portfolio characteristics as that of the MSCI ACWI-ex U.S. Each manager's portfolio shall have similar characteristics to the manager's style benchmark.
3. For diversification purposes, each manager's portfolio has a maximum threshold for the amount of cash and individual security weightings that may be held at any one time.
4. While the geographic and economic sector diversification will be left to the manager's discretion, each manager's portfolio shall be appropriately diversified with the manager's stated investment approach.
5. Trading shall be left to the discretion of the investment manager. OP&F may direct a reasonable amount of commissions to help defray qualified OP&F expenses.
6. The ability to leverage the portfolio, sell securities short and purchase securities on margin is prohibited.
7. The use of swaps and the ability to purchase any type of unlisted security for which there is not a public market is prohibited.
8. 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 Structure
The Non-U.S. equity allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in the Non-U.S. equity markets. The Non-U.S. equity allocation will have a target of 20 percent of total fund assets. This allocation may be satisfied with any combination of ACWI-ex U.S., EAFE and Emerging Market managers.

C. Fixed Income

1. Investment Grade

Investment Objectives
Total return of the investment grade fixed income composite portfolio should exceed the return of the Barclays Aggregate Index over a three-year period on an annualized basis. Total return of each manager's portfolio should rank above the median when compared to their peer group over a three-year period on an annualized basis and should exceed their benchmark return as specified in each manager's guidelines.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the ORC Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. The main focus of investing will be on dollar denominated fixed income securities. Non-U.S. dollar denominated securities are prohibited.
2. The composite portfolio as well as each manager's portfolio shall have similar portfolio characteristics as that of the Barclays Aggregate Index.
3. Issues must have a minimum credit rating of BBB- or equivalent at the time of purchase.
4. Each manager's portfolio has a specified effective duration band.
5. For diversification purposes, sector exposure limits exist for each manager's portfolio. In addition, each manager's portfolio will have a minimum number of issues.
6. Each manager's portfolio has a maximum threshold for the amount of cash that may be held at any one time.
7. Each manager's portfolio must have a dollar-weighted average quality of A or above.

Investment Structure
The investment grade fixed income allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in the investment grade fixed income markets and will have a target of 12 percent of total fund assets. For diversification purposes, the allocation will be divided between at least two active managers.

2. Global Inflation Protected Securities (GIPS)

Investment Objectives
Total return of the GIPS composite portfolio should exceed the return of a custom weighted-average mix of the Barclays country indexes within the Global Inflation-Linked Bond Index over three-year period on an annualized basis. Total return of each manager's portfolio should exceed their benchmark return as specified in each manager's guidelines.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the ORC Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. Permitted countries include any country issuing Inflation Linked bonds with a sovereign local currency credit rating (S&P) of A- or better.
2. The net exposure to individual countries may vary between a specified duration band.
3. The net duration of each manager's portfolio may vary between a specified duration band.
4. No active foreign currency exposure is permitted. All foreign currency exposure must be fully hedged back to the USD.
5. Nominal U.S. Treasury bonds may be used as a substitute for Inflation Linked bonds up to a stated maximum amount. Non-U.S. nominal bonds may not be purchased.
6. The ability to leverage the portfolio, purchase securities on margin, purchase Rule 144A securities or private placements is prohibited.
7. The ability to purchase equity instruments or any securities that may convert to equity is prohibited.

Investment Structure
The GIPS allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in Inflation Protected Securities markets and will have a target of 6 percent of total fund assets.

3. Commercial Mortgages

Investment Objective
Total return of the commercial mortgage composite portfolio should equal a real rate of return of 4 percent, net of investment management fees, over rolling ten-year periods. The Board of Trustees has determined that inclusion of commercial mortgage investments secured by real estate, may, depending on market circumstances, enhance the risk/return characteristics of OP&F.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the ORC Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. The main focus of investing will be on commercial mortgage whole loans which provide for fixed income payments derived from underlying property cash flows.
2. Risk shall be controlled through diversification strategies and the retention of qualified managers with acceptable loan underwriting and/or commercial mortgage acquisition experience

Investment Structure
The commercial mortgage allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in the commercial mortgage market. The commercial mortgage allocation will have a target of 0 percent of total fund assets but will allow for up to a 2 percent allocation, which shall be included within the Fixed Income allocation. OP&F will utilize commingled fund investments to manage its commercial mortgage allocation.

D. High Yield

Investment Objectives
Total return of the high yield fixed income composite portfolio should exceed the return of the CS First Boston High Yield Index, Developed Countries Only over a three-year period on an annualized basis. Total return of each manager's portfolio should rank above the median when compared to their peer group over a three-year period on an annualized basis and should exceed their benchmark return as specified in each manager's guidelines.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the ORC Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. The main focus of investing will be on fixed income securities issued by U.S. corporations. Non-U.S. dollar denominated securities are prohibited.
2. The composite portfolio as well as each manager's portfolio shall have similar portfolio characteristics as that of the CS First Boston High Yield Index, Developed Countries Only.
3. Issues must have a minimum credit rating of CCC or equivalent at the time of purchase.
4. Each manager's portfolio will be diversified by economic industry.
5. Each manager's portfolio has a maximum threshold for the amount of cash that may be held at any one time.
6. Purchased issues must meet the minimum original issue size as stated in each manager's investment guidelines.

Each manager's portfolio must have a dollar-weighted average quality of B-/B3 or above.

Investment Structure
The high yield fixed income allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in the high yield markets and to minimize the probability of exposure to securities in default. The high yield fixed income allocation will have a target of 5 percent of total fund assets.

E. Real Estate

Investment Objectives
Total return of the real estate composite portfolio should exceed, prior to investment advisor fees, the NCREIF Property Index by 100 basis points measured over rolling three-year periods. The role of real estate in OP&F'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. Real estate must also provide a total return that is competitive on a risk–adjusted basis with stocks and bonds.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the ORC Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. The main focus of investing will be on core properties (i.e., operating, substantially leased, well located, institutional quality in the traditional property types which include office, apartment, retail and industrial). OP&F will opportunistically make investments in non-core, institutional quality properties (i.e., hotels, senior housing, etc.) to capture superior risk-adjusted returns caused by imbalances in the real estate and capital markets.
2. For diversification purposes, properties will be diversified by type, location and size of investment and by advisor.
3. Leverage will be utilized only if acceptable debt service coverage, loan to value ratios and other protection can be provided.

Investment Structure
The real estate allocation will have a target of 8 percent of total fund assets. The real estate allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in the real estate market. OP&F will utilize both separately managed accounts and commingled funds to manage its allocation to real estate. OP&F's preferred investment vehicle is a separate account because it affords OP&F the highest degree of control over its investments. OP&F also prefers to own 100 percent of each core property investment. Commingled fund investments will be made to allow OP&F to invest in higher return, higher risk assets and in extraordinarily large properties.

F. Private Equity

Investment Objective
Total return, net of fees, of the private equity composite portfolio should exceed the Wilshire 5000 by 300 basis points calculated over a rolling ten-year period. Returns shall be calculated on a time-weighted rate of return basis. Each partnership should rank in the top quartile when compared to their vintage year peer group. Returns for each partnership shall be calculated on an internal, or dollar-weighted, rate of return basis. The private equity allocation is designed to provide an attractive risk-adjusted rate of return to OP&F.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the ORC Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. For diversification purpose, OP&F will seek to maintain exposure to the following private equity asset classes as such: 30 percent to 50 percent venture capital, 45 percent to 70 percent buyouts and 0 percent to 10 percent distressed debt/others.
2. OP&F will seek to maintain geographic diversification as such: 75 percent to 100 percent U.S. and 0 percent to 25 percent Non-U.S.
3. OP&F will seek to maintain stage, vintage year, capitalization and industry diversification within the private equity composite portfolio.
4. OP&F shall not invest in any individual partnership in which the capital commitment of the general partner is not equal to or greater than 1 percent of the total capital committed at the time of the final closing of the partnership. OP&F shall not invest in any fund of funds in which the capital commitment of the general partner does not represent a significant commitment in relation to the financial circumstances of the general partner.

5. The maximum and minimum percentage interest and dollar amount of total capital committed for each partnership and fund of funds at the time of the final closing is as follows:

Partnerships		
Guideline	Min	Max
Percentage Interest	n/a	10%
Dollar Amount	$5mm	n/a
Fund of Funds		
Guideline	Min	Max
Percentage Interest	n/a	15%
Dollar Amount	$10mm	n/a

The minimum dollar amount shall not apply to individual partnerships or fund of funds which, due to over-subscription, choose to limit our capital commitment to less than $5 and $10 million, respectively.

Investment Structure
The private equity allocation will have a target of 3 percent of total fund assets. OP&F may utilize any of the following types of vehicles in implementing our private equity strategy: fund of funds, partnerships, limited liability companies or group trusts. OP&F may also participate in secondary offerings or purchase private equity placements from other investors on the secondary market. Individual partnerships will be used on an opportunistic basis and will either be partnerships also held by one of our fund of funds or partnerships with a significant presence in the state of Ohio. Significant presence will be defined as having a fully operational office within the state comprised of at least two investment professionals, one of which is a managing member of the general partner.

G. Cash Equivalents

Investment Objective
Total return of the portfolio should exceed the 91-day Treasury Bill rate of return over rolling twelve-month periods. To provide effective cash management when investing cash balances, emphasis is 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.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the ORC Sec. 742.11.

The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. Authorized investments include: commercial paper or money market funds rated A2/P2 or better, repurchase agreements, reverse repurchase agreements, agency discount notes and U.S. Treasury Bills.
   a. Repurchase agreements and reverse repurchase agreements shall be limited to transactions with counterparties with a long term credit rating of at least "A" or the equivalent. Repurchase transactions shall require that the securities OP&F purchases (collateral) are held at OP&F's domestic sub-custodian bank.
   b. Certificates of deposit and banker's acceptances may also be purchased. All obligations shall mature within two hundred seventy days of the date of purchase.
2. Credit reviews of approved issuers of commercial paper shall be performed on a regular basis, but no less than every six months for issuers rated A1/P1 and every three months for issuers rated A2/P2 or split rated.
3. Total holdings of commercial paper in any one industry shall not exceed the greater of 0.50 percent of the total fund assets or $50 million.
4. Repurchase agreements and reverse repurchase agreements shall be limited to the greater of $50 million or 0.70 percent of total fund assets.
5. Agency discount notes and U.S. Treasury bills shall have no exposure limits.
6. Commercial paper exposure limits shall be based upon credit rating and current outlook as described in OP&F's Short Term Cash Management Policies and Guidelines.

Investment Structure
Cash or cash equivalents have a target allocation of 0 percent of total fund assets but will allow for up to 0.5 percent allocation. Investment staff is responsible for the cash management function.

VII. PROXY VOTING

OP&F'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. Common stock proxies may be executed by the Sr. Investment Officer or the Chief Investment Officer, or their designees, and by designated outside money managers. Staff or any manager 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." The internal staff shall provide a semi-annual summary report of proxy voting actions to the Investment Committee/Board of Trustees.

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 percent collateral shall be diligently maintained. Securities lending reports shall be provided monthly by the agent to the staff. Staff will present a semi-annual summary report to the Investment Committee/Board of Trustees.

IX. INVESTMENT MANAGER 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;

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;

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

MONITORING RESPONSIBILITIES

It is important for 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.

Investment Committee/Board of Trustees - Responsible for the overall management of OP&F 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. Also responsible for the overall management of OP&F's investment program. This shall include ongoing review of the asset allocation plan, investment structure, investment performance and other related issues. The Committee/Board shall be responsible for approving investment policies and procedures and shall assign investment managers to a monitoring category (except that only the Board may assign categories 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/Board of Trustees at least annually:

1. Retain the investment manager with no material changes in the relationship;
2. Retain the investment manager with issues of a 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/Board of Trustees 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/Board of Trustees, the following review schedule will be followed for managers rated either a '2' or '3':

'2' - The staff and the Investment Committee/Board of Trustees 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/Board of Trustees, 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/Board of Trustees 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 assignments.

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 OP&F.

Where potentially material and adverse issues arise in OP&F's current investment manager relationships, the Investment Committee/Board of Trustees 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 OP&F'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, including the Ohio-Qualified Investment Manager Policy.

B. The RFP minimum criteria will be consistent with the search investment strategy and will be established by the Investment Committee/Board of Trustees, 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 OP&F or where there is approval to reconsider the finalists of a prior search concluded within the preceding two years, by an affirmative vote of at least 75 percent of the members of the Board of Trustees who have been elected or appointed and are serving on OP&F's Board at the time of the meetings. The retention of a manager in a closed universe search shall be subject to a due diligence review by the Investment Committee/Board of Trustees, 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 addition, as required by the statute, OP&F will provide public notice of an open universe search along with the search criteria through an advertisement issued in an industry publication and/or by a posting on OP&F's website. In closed universe searches, the Investment Committee/Board of Trustees shall approve all potential candidates with the assistance of the staff and consultant.

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

F. Staff and the Board's investment consultant will evaluate all RFPs having met established criteria and produce written reports summarizing the findings and manager rankings to the Investment Committee/Board of Trustees.

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

H. The Investment Committee/Board of Trustees will interview and evaluate the finalists with the assistance of staff and the investment consultant.

I. The staff, investment consultant and/or Investment Committee/Board of Trustees may conduct a due diligence visit with the finalists.

J. 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.

The 2009 Comprehensive Annual Financial Report

Actuarial Section

The Ohio Police & Fire Pension Fund

140 East Town Street • Columbus, Ohio 43215
www.op–f.org • 800–860–9599

REPORT OF ACTUARY

buckconsultants
an ACS company

September 30, 2009

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

Members of the Board:

Ohio Police & Fire retained Buck Consultants, LLC ("Buck") to complete this actuarial valuation of the Ohio Police & Fire Pension Fund ("OP&F"). This report presents the results of the annual actuarial valuation of the assets and liabilities of OP&F as of January 1, 2009, prepared in accordance with Chapter 742 of the Ohio Revised Code. The valuation takes into account all of the promised benefits to which members are entitled, including pension and survivor benefits.

The principal results of the valuation do not take into account Medicare Part B premium reimbursements or any other health care benefits. However, at the request of the Ohio Retirement Study Council ("ORSC"), supplemental results have been prepared that do take into account Medicare Part B premium reimbursements and are presented in a table in the report.

The purpose of the valuation is to determine the financial status of OP&F on an actuarial basis and to provide disclosure information in accordance with and in compliance with the parameters set forth in Governmental Accounting Standards Board Statement No. 25 (Buck has prepared a seperate valuation of OP&F retiree health care benefits in accordance with and in compliance with the paramenters set forth in Statement No. 43). Use of this report for any other purpose may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the report for that purpose. No one may make any representations or warranties based on any statements or conclusions contained in this report without the written consent of Buck.

The valuation was based on the actuarial assumptions and methods that have been adopted by the Board of Trustees, including a valuation interest rate of 8¼ percent per annum compounded annually. The assumptions and methods are unchanged from the prior valuation.

Assets and Membership Data

OP&F reported to the actuary the individual data for members as of the valuation date. While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness. The amount of assets in the pension trust fund taken into account in the valuation was based on financial statements prepared for us by OP&F.

Funding Objectives and Progress

The actuary uses an actuarial cost method to determine the portion of OP&F's liabilities accrued by the members as of the valuation date and the portion that is attributable to future years of service. The rate of contribution necessary to systematically fund the future service liabilities, the normal cost rate, is calculated under the cost method to be a level percentage of active member payroll. The portion of the liabilities accrued as of the valuation date, the actuarial accrued liability, is compared to a market-related, actuarial value of OP&F's assets. The amount of liabilities in excess of the assets is called the unfunded actuarial accrued liability.

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The total of DROP accruals reported as of December 31, 2008 was $782 million. It should be noted that the financial statements prepared by OP&F treats the balance of DROP accruals as a benefit payable, which is subtracted from (i.e., not included in) the net asset value. For consistency with this exclusion from the asset value, the actuarial accrued liability also has been reduced by the same amount. By treating the DROP accruals as a benefit payable, and excluding the accruals from both the liabilities and the assets, the unfunded actuarial accrued liability is the same as if both the assets and liabilities included the DROP accruals.

The actuary determines how many years are required by OP&F to completely amortize the unfunded actuarial accrued liability (the funding period), using the member and employer contributions reduced by the amount allocated to health care and the amount of normal cost for the year. For 2009, and each year since 2003, the funding period is infinite years, meaning the annual contribution toward the unfunded when compared to the unfunded amount is not sufficient to pay it off. The infinite funding period is attributable to an increase in the unfunded amount due to less than assumed investment performance, including the negative investment return during 2008, the level of funding (contributions to OP&F), and other adverse experience.

Section 742.16 of the Revised Code, as adopted by Senate Bill No. 82, sets forth an objective that the funding period is no more than 30 years. If the funding period exceeds 30 years, a plan shall be developed and presented by the Board of Trustees to reduce the funding period to not more than 30 years. The Board of Trustees presented a plan to the ORSC in April 2006 for the ORSC's consideration. Included in the plan was a reduction in the allocation of employer contributions for retiree health care from 7.75 percent to 6.75 percent of covered payroll, a change the Board adopted and implemented effective January 1, 2007. The plan to reach 30-year funding also included increases in member and employer contribution rates, which have not been acted upon by the Ohio legislature and, therefore, are not reflected in this valuation. The Board of Trustees presented an updated plan to the ORSC in September, 2009.

The funded ratio (i.e., the ratio of actuarial assets to the actuarial accrued liability) determined as of January 1, 2009 is 65.1 percent, compared to 81.7 percent determined as of January 1, 2008. Taking into account the Medicare Part B premium reimbursements, the funded ratio would be 63.6 percent.

Financial Results and Membership Data

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

Qualified actuaries completed the valuations in accordance with accepted actuarial procedures as prescribed by the Actuarial Standards Board. The qualified actuaries are members of the American Academy of Actuaries and are experienced in performing actuarial valuations of public employee retirement systems. To the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice.

Respectfully submitted,

Paul R. Wilkinson

Larry Langer, ASA, EA, MAAA
Principal, Consulting Actuary

Paul R. Wilkinson, ASA, EA, MAAA
Director, Consulting Actuary

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Description of Actuarial Assumptions and Methods

Assumptions

Interest Rate

8.25 percent per annum, compounded annually.

Salary Increase

Assumed annual salary increases are as follows:

Years of Service	Salary Increase Rate
1 or less	11.0%
2	9.5%
3	8.5%
4	6.5%
5 or more	5.0%

Withdrawal Rates

The following sample withdrawal rates are based on age and service (for causes other than death, disability, or retirement).

Police

Age	Years of Service										
	0	1	2	3	4	5	6	7	8	9	10+
25	0.03660	0.03660	0.03713	0.03047	0.02618	0.02267	0.02130	0.02076	0.01827	0.01967	0.01967
30	0.03084	0.03084	0.03170	0.03018	0.02736	0.02412	0.02178	0.02033	0.01817	0.01752	0.01752
35	0.03464	0.03464	0.03600	0.03564	0.03237	0.02795	0.02402	0.02108	0.01845	0.01589	0.01437
40	0.04524	0.04524	0.04695	0.04563	0.04073	0.03419	0.02799	0.02298	0.01907	0.01454	0.00885
45	0.06156	0.06156	0.06306	0.05916	0.05187	0.04269	0.03371	0.02613	0.02006	0.01379	0.00467
50	0.08252	0.08252	0.08319	0.07518	0.06509	0.05315	0.04106	0.03062	0.02174	0.01436	0.00449
55	0.10733	0.10733	0.10668	0.09299	0.07983	0.06525	0.04991	0.03654	0.02432	0.01686	0.01106
60	0.13557	0.13557	0.13322	0.11220	0.09585	0.07887	0.06020	0.04397	0.02790	0.02157	0.02157

Firefighters

Age	Years of Service										
	0	1	2	3	4	5	6	7	8	9	10+
25	0.00795	0.01124	0.01296	0.01355	0.01287	0.01124	0.00911	0.00765	0.00680	0.00651	0.00651
30	0.01368	0.01323	0.01236	0.01124	0.01026	0.00948	0.00882	0.00824	0.00773	0.00725	0.00725
35	0.01718	0.01484	0.01298	0.01151	0.01071	0.01049	0.01049	0.01019	0.00947	0.00821	0.00626
40	0.01916	0.01623	0.01467	0.01397	0.01374	0.01385	0.01388	0.01340	0.01199	0.00942	0.00539
45	0.01962	0.01739	0.01742	0.01863	0.01940	0.01961	0.01905	0.01790	0.01533	0.01094	0.00468
50	0.01863	0.01827	0.02118	0.02550	0.02769	0.02777	0.02595	0.02372	0.01953	0.01275	0.00423
55	0.01623	0.01886	0.02592	0.03459	0.03863	0.03836	0.03465	0.03086	0.02460	0.01490	0.00408
60	0.01247	0.01913	0.03164	0.04590	0.05220	0.05135	0.04512	0.03935	0.03057	0.01739	0.00428

Rates Of Disability And Death Before Retirement

Rates of death are based on the RP2000 Combined Table (sex distinct) set back five years. The following sample rates apply to active members:

Police Officers

Age	Annual Rate of Death—Male	Annual Rate of Death—Female	Annual Rate of Disability
20	0.027%	0.017%	0.002%
30	0.038%	0.021%	0.177%
40	0.077%	0.048%	1.102%
50	0.151%	0.112%	2.359%
55	0.214%	0.168%	2.583%
60	0.362%	0.272%	2.513%
62	0.469%	0.348%	2.545%
65	0.675%	0.506%	—

Firefighters

Age	Annual Rate of Death—Male	Annual Rate of Death—Female	Annual Rate of Disability
20	0.027%	0.017%	0.004%
30	0.038%	0.021%	0.100%
40	0.077%	0.048%	0.494%
50	0.151%	0.112%	2.390%
55	0.214%	0.168%	3.526%
60	0.362%	0.272%	4.172%
62	0.469%	0.348%	3.964%
65	0.675%	0.506%	—

Occurrence Of Disability

On duty permanent and total	35%
On duty partial	61%
Off duty ordinary	4%

Retirement Rates

The following rates apply to members upon reaching eligibility for retirement.

Annual Rate of Retirement

Age	Police	Firefighters
48	30%	25%
49	20%	15%
50	15%	15%
51	15%	15%
52	15%	15%
53	15%	20%
54	15%	20%
55	15%	20%
56	20%	20%
57	20%	20%
58	20%	20%
59	25%	25%
60	25%	25%
61	25%	25%
62	25%	30%
63	25%	30%
64	25%	30%
65	100%	100%

DROP Retirement Rates

DROP participants are assumed to retire at the retirement rates shown above, with the following exceptions: Second and third years of DROP: 5 percent, Eighth year of DROP: 100 percent.

Retirement Age For Inactive Vested Participants

Commencement at age 48 and 25 years of service from full–time hire date, whichever is later.

Deferred Retirement Option Plan (DROP) Elections

85 percent of members who do not retire when first eligible are assumed to elect DROP.

Death After Retirement

According to the RP2000 Combined Table (male only) for pensioners with one-year set forward for police and one-year set back for firefighters. RP2000 Combined Table (female only) with one-year set forward for all beneficiaries. RP2000 Combined Table (male only) for disableds, with six-year set forward for police and four-year set forward for firefighters.

Future Expenses

The normal cost is increased by all administrative expenses budgeted, net of the state subsidy received from the State of Ohio.

Unknown Data for Members

Same as those exhibited by members with similar known characteristics.

Percent Married

85 percent.

Age of Spouse

Wives are assumed to be three years younger than their husbands.

Optional Form Election

20 percent of retirees are assumed to elect the 50 percent Joint and Survivor pension.

Dependent Parents

Costs based upon allowance for mortality (same rates as for beneficiaries), but no specific allowance for change in dependency status.

Dependent Children

Each member is assumed to have two children, born when the member was age 26. Dependency is assumed to cease when the child is 22.

Medicare Part B Premium Trend Rates

The Medicare Part B premium ($96.50 per month for 2009) is assumed to increase as follows:

Year	Increase
2009	0.00%
2010	5.90%
2011	5.80%
2012	5.70%
2013	5.60%
2014	5.50%
2015	5.40%
2016	5.30%
2017	5.20%
2018	5.10%
2019 and Later	5.00%

METHODS

Actuarial Cost Method

Projected benefit method with individual level percentage entry age normal cost and actuarial accrued liability. Gains and losses are reflected in the accrued liability. To be consistent with the asset methodology employed by the Fund, DROP accruals are netted out of the liabilities.

Asset Valuation Method

A five-year moving average market value of assets that spreads the difference between the actual investment income and the expected income on the market value (based on the valuation interest rate) over a period of five years. The actuarial value shall not be less than 80 percent or more than 120 percent of market value.

Payroll Growth

Inflation rate of 3.25 percent plus productivity increase rate of 0.75 percent.

DATA

Census And Assets

The valuation was based on members of OP&Fas of the valuation date and does not take into account future members. All census and asset data was supplied by OP&F.

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

The following is intended to summarize the key provisions valued in this valuation. Members of OP&F and other parties should not rely on this summary as a substitute for the legal interpretation of the laws and rules covering this retirement plan.

Eligibility for Membership

Immediate upon commencement of employment.

Member Contributions

10 percent of salary.

Normal Service Retirement

Eligibility

Age 48 with 25 years of service.

Benefit

An annual amount equal to a percentage of allowable average annual salary, where the percentage equals 2.5

percent for each of the first 20 years of service, 2 percent for each of the next five years of service, and 1.5 percent for service in excess of 25 years to a maximum of 72 percent of the allowable average annual salary. Allowable average annual salary means one-third of the total salary during the three years for which the total earnings were greatest.

Age/Service Commuted Retirement

Eligibility

Age 62 with 15 years of service.

Benefit

Same as the normal service retirement benefit.

Termination Before Retirement with 25 Years Service

Benefit

Same as the normal service retirement benefit, except benefit commences when member reaches age 48.

Termination Before Retirement with 15 Years Service

Benefit

An annual amount equal to a percentage of allowable average annual salary, where the percentage equals 1.5 percent times full years of service. Benefit commences at the later of age 48 and 25 years from the date of full-time hire.

Termination Before Retirement with Less Than 15 Years Service

Benefit

A lump sum amount equal to the sum of the member's contributions to OP&F.

Deferred Retirement Option Plan (DROP)

Eligibility

Age 48 with 25 years of service.

Benefit

Member elects to defer retirement and must remain in DROP at least three years to receive full DROP benefits, but not more than eight years. At retirement, member (1) receives the normal service retirement benefit determined as of the date the member entered DROP, plus cost-of-living adjustments, and (2) may elect to withdraw funds from the DROP accrual provided at least three years have elapsed from DROP enrollment.

The DROP accrual is credited until retirement with the member's retirement benefit amount for the year, adjusted for cost-of-living, plus a portion of the member's contribution for the year, plus interest credited at 5 percent compounded annually. Annual member contributions are credited to the DROP accrual based on the following schedule:

Years 1 and 2	50% of member's contribution
Year 3	75% of member's contribution
Years 4–8	100% of member's contribution

If the member terminates employment in the first three years of participating in DROP, the member forfeits all interest credited to their DROP accrual. If the member terminates after eight years, the member forfeits all DROP benefits and receives a normal service retirement benefit determined as of their termination date, recalculated including service credit and allowable average salary as of the member's termination date.

If the member becomes disabled while participating in DROP and has not terminated employment, the member can choose to remain in DROP or may receive a disability benefit and therefore forfeit all DROP benefits.

If the member dies while participating in DROP, the member's spouse or beneficiary receives the DROP accrual and a monthly survivor benefit of 50 percent of the benefit the member would have received had the member retired the day before death and elected a 50 percent joint and survivor annuity. (If the member selected a percentage greater than 50 percent, that percentage applies.) All other death benefits apply as well.

Permanent and Total Disability (On Duty)

Eligibility

No age or service requirement.

Benefit

An annual amount equal to 72 percent of allowable average annual salary.

Partial Disability (On Duty)

Eligibility

No age or service requirement.

Benefit

An annual amount determined by the Board, not to exceed 60 percent of allowable average annual salary. If the member has 25 years of service, the amount will be equal to the normal service retirement amount.

Non-Service Incurred Disability (Off-Duty)

Eligibility

Five years of service.

Benefit

An annual amount determined by the Board, not to exceed 60 percent of allowable average annual salary.

Pre–retirement Survivor Annuity

Eligibility

Upon death before retirement, but after satisfying eligibility for normal service retirement or age/service commuted retirement.

Benefit

Surviving spouse or contingent dependent beneficiary receives 50 percent of the benefit the member would have received had the member retired on the date of death under the 50 percent joint and survivor annuity form of benefit.

Statutory Survivor Benefit

Eligibility

Upon death of any active or retired member.

Benefit

The benefit is paid to the surviving spouse for life, and to any surviving children until they reach age 18 (22 if a full-time student) or marry, whichever occurs first, and to any surviving disabled children for life. If the deceased member leaves no surviving spouse or children, a benefit is paid to any surviving dependent parents during their lifetime until dependency ceases or until remarriage.

The benefit amount depends on the beneficiary type. The amount is increased each July 1 by 3 percent of the base benefit. The benefit amounts are shown below.

Monthly Benefit Amount

Beneficiary Type	Base	Base Plus Increases Through July 1, 2008	Next Increase Effective July 1, 2009
Spouse	$ 550	$ 694.10	$ 16.50
Child	150	189.30	4.50
Parents			
If one	200	252.40	6.00
If two	100	126.20	3.00

Note: Spouse's benefit is $410 if spouse is receiving a full death benefit under the Death Benefit Fund statute.

Lump Sum Death Benefit

Eligibility

Upon death for any retired or disabled member.

Benefit

A lump sum payment of $1,000.

Optional Forms of Benefit

The standard form of benefit is a single life annuity. For married members, the standard form of benefit is an actuarially reduced benefit payable under the 50 percent joint and survivor annuity form, unless the member's spouse provides written consent for a lower survivor benefit.

Retiring members may elect to have actuarially reduced benefits payable under a life annuity certain and continuous and joint and survivor annuity forms under certain conditions. Such elections may require spousal consent. Elected options may be canceled within one year after benefits commence, with the consent of the beneficiary.

COLA or Terminal Pay

Members retiring after Jan. 1, 1989, and who have 15 or more years of service as of Jan. 1, 1989, are allowed to select between (1) a pension calculated on the basis of average salary which is increased to reflect terminal pay adjustments, or (2) a pension based on average salary excluding the terminal pay adjustment, but increasing by 3 percent of the initial pension each retirement anniversary after July 1, 1988. The additive 3 percent COLA annuity without terminal pay adjustment is the automatic form for active members with less than 15 years of service as of Jan. 1, 1989.

Medicare Part B

For service and disability retirements, as well as survivors, Ohio Police & Fire reimburses Medicare Part B premiums up to the statutory maximum provided the retiree is not eligible for reimbursement from any other sources. By law, OP&F is required to pay monthly to each recipient of service, disability, or survivor benefits not less than ninety-six dollars and forty cents, with the exception that OP&F cannot pay an amount that exceeds the amount paid by the recipient for the coverage. Note: This benefit is not included in the principal valuation results, but is included in the retiree health care valuation results.

Gains and Losses in Accrued Liabilities

Gains and losses in accrued liabilities resulting from differences between assumed and actuarial experience as of Jan. 1, 2009 and Jan. 1, 2008

Type of Activity	2009	2008
Turnover		
If more liabilities are released by withdrawal separations from active membership than assumed, there is a gain. If smaller releases, there is a loss.	$(1,668,502)	$(4,081,680)
Retirement	16,135,389	13,897,950
If members retire at older ages than assumed, there is a gain. If younger, there is a loss.		
Death among retired members and beneficiaries	2,827,961	(29,919,560)
If more deaths occur than assumed, there is a gain. If fewer deaths, than assumed, there is a loss.		
Disability Retirants	25,684,547	5,888,105
If disability claims are less than assumed, there is a gain. If more claims, a loss.		
Salary increase/decrease	47,529,758	78,838,091
If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.		
Return to work	(4,343,813)	(2,615,797)
If participants return to work with previous service restored, there is a loss.		
New Entrants	(7,050,576)	(3,054,176)
If new entrants join OP&F, there is a loss.		
Deaths among actives	(4,055,888)	(3,227,813)
If claims costs are less than assumed, there is a gain. If more claims, a loss.		
Investments	(2,416,367,847)	592,467,598
If there is greater investment return than assumed, there is a gain. If less return, a loss.		
Payroll Growth	51,207,826	3,260,102
If payroll increases more than assumed, there is a gain. If payroll increases less than assumed, a loss.		
TOTAL GAIN (OR LOSS) DURING THE YEAR	**$(2,290,101,145)**	**$651,452,820**

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 funding portion of liability 3 will increase over time. Liability 3 being fully funded is very rare.

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	2009	$1,026,597	$4,077,113	$2,832,235	$5,163,648	100%	100%	2%
Fire	2009	$874,756	$2,895,243	$2,601,180	$4,145,508	100%	100%	14%
Police	2008	985,169	3,992,482	2,671,816	6,248,107	100%	100%	48%
Fire	2008	830,439	2,827,320	2,420,526	4,964,761	100%	100%	54%
Police	2007	934,517	3,850,347	2,444,583	5,654,396	100%	100%	36%
Fire	2007	796,751	2,757,852	2,297,575	4,503,573	100%	100%	43%
Police	2006	894,963	3,654,099	2,297,575	5,364,003	100%	100%	35%
Fire	2006	747,714	2,572,229	2,023,823	4,186,577	100%	100%	43%
Police	2005	840,875	3,510,610	2,152,500	5,260,325	100%	100%	42%
Fire	2005	691,252	2,497,311	1,852,502	4,077,137	100%	100%	48%
Police	2004	792,449	3,390,164	1,911,501	5,269,436	100%	100%	57%
Fire	2004	639,074	2,448,043	2,448,043	4,067,667	100%	100%	61%
Police	2003	746,520	3,299,989	1,894,086	4,905,728	100%	100%	45%
Fire	2003	593,228	2,401,021	1,573,523	3,776,976	100%	100%	50%
Police	2002	699,146	3,099,628	1,711,626	5,110,052	100%	100%	77%
Fire	2002	551,227	2,275,967	1,448,172	3,966,417	100%	100%	79%
Police	2001	644,164	2,839,294	1,914,232	4,632,337	100%	100%	60%
Fire	2001	508,155	2,089,072	1,511,366	3,865,732	100%	100%	84%

Active Member Valuation Data

Year	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	
2009	539	382	15,889	13,173	$63,480	$65,097	3.1%	3.3%	$1,900.9
2008	538	385	15,829	13,035	61,545	62,989	1.5%	2.4%	1,831.4
2007	540	384	15,646	12,963	60,638	61,512	0.1%	(1.3)%	1,782.9
2006	536	376	15,304	12,722	60,573	62,326	3.1%	4.5%	1,756.2
2005	538	368	15,270	12,609	58,744	59,617	4.7%	3.9%	1,683.6
2004	540	363	15,746	12,695	56,081	57,367	(1.0)%	1.2%	1,644.4
2003	541	362	15,924	12,556	56,661	56,687	4.3%	4.2%	1,606.3
2002	559	354	15,877	12,451	54,335	54,402	10.6%	10.0%	1,534.3
2001	573	352	15,778	12,158	49,113	49,459	4.0%	4.3%	1,407.6
2000	590	350	15,775	11,867	47,241	47,416	5.2%	5.2%	1,338.5

*Includes rehired retirees

Retirants and Beneficiaries Added to and Removed from Rolls (dollars in thousands)

	Added to rolls		Removed from rolls		Rolls end of year				
Year Ended Dec. 31	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Percentage Change in Allowance	Average Annual Allowances	Percentage Change in Membership
2008	1,046	25,590	607	12,825	25,317	$679,769	4.18%	$26.85	1.76%
2007	1,128	27,877	933	14,586	24,878	652,474	3.55%	26.23	0.79%
2006	1,186	32,147	962	12,701	24,683	630,080	4.70%	25.53	0.92%
2005	916	19,803	797	12,132	24,459	601,775	3.64%	24.60	0.49%
2004	963	22,166	759	11,407	24,340	580,645	4.00%	23.86	0.85%
2003	975	23,887	762	10,722	24,136	558,305	2.82%	23.13	0.89%
2002	1,257		747		23,923	542,997	6.45%	22.70	2.18%
2001	1,174		774		23,413	510,080		21.79	1.74%
2000	1,456		832		23,013				2.79%
1999	1,382		727		22,389				3.01%

PLAN SUMMARY

PURPOSE

OP&F was established by the Ohio General Assembly to provide pension and disability benefits to members of OP&F and eligible benefits to their surviving spouses, children and dependent parents.

ADMINISTRATION

The administration, control and management of OP&F are vested in the Ohio Police & Fire Pension Board of Trustees which is comprised of the following nine members:

- Three representatives of police departments:
- Three representatives of fire departments;
- Three statutory members—one appointed by the Governor, one by the Treasurer of State, and one appointed jointly by the Senate President and Speaker of the House—must have professional investment expertise.

The representatives of police and fire departments are elected to four–year terms by the respective members, with one police and one fire position being a retired member or surviving spouse.

MEMBERSHIP

Membership in OP&F is mandatory under Ohio law for all full–time police officers employed by Ohio municipalities and appointed under the required statutory provisions. Full–time firefighters employed by townships, municipalities, joint fire districts or other political subdivisions who have satisfactorily completed or are required to satisfactorily complete a firefighter training course approved under former Section 3303.07, Section 4765.55 or conducted under Section 3737.33 of the Ohio Revised Code, are required to be OP&F members.

CONTRIBUTIONS

Contributions are established by statute. Employers of police officers pay 19.5 percent of salary; employers of firefighters pay 24 percent of salary. Members contribute 10 percent of salary.

BENEFITS

Service Retirement

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

Normal Pension
Eligibility—Age 48 and 25 years of service.

Benefit—An annual pension equal to a percentage of the "average annual salary. "The percentage equals 2.5 percent for each of the first 20 years of service, 2 percent for each of the next five years of service and 1.5 percent for each year of service in excess of 25 years, to a maximum of 72 percent of the "average annual salary."

Service Commuted
Eligibility—15 years of service.

Benefit—Commencing at age 48 plus 25 years from full–time hire date, whichever is later; an annual pension equal to 1.5 percent of the average annual salary multiplied by the number of full years of service.

Age/Service Commuted
Eligibility—Age 62 and 15 years of service.

Benefit—The same formula applies as for the normal service pension.

Disability Benefits

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

Disability 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, unless the Board waives this requirement based upon an OP&F physician's certification that the disability is ongoing and further evaluation would not be cost effective. OP&F further requires annual earnings statements to be submitted.

Permanent and Total Disability (On–Duty)
Eligibility—No age or service requirement.

Benefit—An annual benefit equal to 72 percent of the "average annual salary."

Partial Disability (On–Duty)
Eligibility—No age or service requirement.

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.

Non–service Incurred Disability (Off–Duty)
Eligibility—Any age and five years of service.

Benefit—An annual benefit is the percent awarded by the Board and may not exceed 60 percent of the "average annual salary." Service credit over 25 years cannot be used in calculating an off duty disability award.

Deferred Retirement Option Plan (DROP)
Eligibility—Normal Retirement.

Benefit—The Normal Retirement Benefit is determined at the date of DROP entry and receives annual cost–of–living adjustments (COLAs). DROP annual accrual is the sum of the Normal Retirement Benefit at DROP entry, with applicable COLA paid at DROP anniversary, member contributions credited to DROP and interest credited at a fixed rate of 5 percent compounded annually.

Member contributions are credited based on the number of years of DROP service under the following schedule:

Years 1 and 2
50 percent of member's contributions (5 percent of pay)

Year 3
75 percent of member's contributions (7.5 percent of pay)

Years 4–8
100 percent of member's contributions (10 percent of pay)

The minimum participation in DROP, without penalty, is three years and the maximum is eight years. If a member terminates within the first three years of joining DROP, then the member forfeits all of their DROP interest. If a member chooses to continue working after eight years in DROP, the member forfeits all DROP benefits and receives the Normal Retirement Benefit upon retirement, with service during the DROP period included.

At retirement, the member receives their Normal Retirement Benefit determined at the time of DROP entry, with the COLA adjustment to date of retirement when eligible and the DROP account balance as one of four distribution methods.

If the member dies while participating in DROP, the member's surviving spouse, designated beneficiary or estate will receive the entire DROP account balance determined at the time of death. The surviving spouse or contingent dependent beneficiary shall receive the greater of the retirement allowance made at the time of DROP entry or the Normal Retirement Benefit paid with COLA adjustments to the date of death, paid as if the member had elected a 50 percent joint and survivor option at death. All other statutory death benefits will apply.

If the member becomes disabled while in DROP, and has not terminated employment, the member can choose either to receive a disability benefit or stay in DROP. If the member stays in DROP, the disability benefit is forfeited. If the member chooses the disability benefit, the member forfeits all DROP benefits and receives the disability benefit, with service during the DROP period included.

Rights Upon Separation From Service

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 and filing the appropriate paperwork with OP&F. Refund of contributions—Upon separation from service, a member can receive the contributions made to the plan by themselves or, member contributions picked-up on their behalf, by their employer. Employer contributions are not refundable.

Statutory Survivor Benefits

Eligibility
Upon death of any member of OP&F, active or retired.

Benefit
Surviving Spouse's Benefit—An annual amount equal to $6,600, plus an annual cost of living allowance of 3 percent of the original base, paid each July 1, beginning July 1, 2000.

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 regardless of age at time of member's death, is entitled to a benefit until death or recovery. A cost–of–living allowance of 3 percent of the original base is payable each July 1.

Dependent Parents—If there is 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. A cost–of–living allowance of 3 percent of the original base is payable each July 1.

Lump Sum Death Benefit

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

Annuities

Effective Feb. 28, 1980, for those retiring on either service pensions or disability benefits, optional annuity plans can be chosen. Members can elect actuarially reduced benefits under a joint and survivor annuity, life annuity certain and continuous, or multiple beneficiary annuity plan. Effective April 25, 1984, Pre–retirement Survivor Annuity was added to the plan, as discussed in the following paragraphs.

Annuity Types

Pre–retirement Survivor Annuity
Eligibility—Upon death before retirement but after having satisfied the requirements for normal service retirement.

Benefit—The surviving spouse or contingent dependent beneficiary will receive the equivalent of a 50 percent joint and survivor annuity, calculated under the assumption that the decedent had retired effective the day following his/her death.

Single Life Annuity
For unmarried members, this is the standard annuity plan. Married members may elect this plan only if the spouse consents to the selection in writing. This plan pays the maximum retirement allowance that the member is entitled to receive and, upon the member's death, none of the pension or benefit is continued to any beneficiary.

Joint and Survivor Annuity
For married members, this is the standard annuity plan at the 50 percent continuation level. Any percent between 1 percent and 100 percent (if less than 50 percent, requires spouses consent) of the members reduced pension may be continued to the surviving nominated beneficiary if not spouse, the percent continued may be limited based on the beneficiary's age (if someone other than the surviving spouse, only with the spouse's consent). This plan automatically terminates upon death of the beneficiary, to be effective the month following OP&F's receipt of notice of death, or it may be cancelled upon divorce with the consent of the member's spouse or a specific court order.

Under the multiple beneficiary annuity plan, a member may designate up to four beneficiaries at the time of retirement so that, upon death, a certain percentage of reduced monthly allowance will be continued to the member's surviving beneficiaries for their lives.

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

Group Health Insurance and Medicare

Commencing Jan. 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 OP&F. Medical and prescription drug coverage sponsored by OP&F are not rights vested and are subject to change at any time upon action of the Board of Trustees.

Effective Jan. 1, 1977, OP&F is mandated to pay the premium for supplemental Medicare (Part B), upon obtaining the proper documentation from members of their enrollment in the medicare program.

Effective July, 1992, pensioners and survivors make monthly medical benefit contributions, which are credited to the Health Care Stabilization Fund. Effective July, 1992, retirees and survivors began making monthly medical/prescription contributions, which are credited to the Health Care Stabilization Fund. These contributions are reviewed on an annual basis to determine adequacy with the rising cost of health care. In 2004, a new contribution strategy was implemented. Retirees and survivors now pay a percentage of the full cost of the benefit. The percentage ranges from 25 percent to 100 percent for themselves and dependents based on the year of retirement.

Tiered Retirement Plan—COLA or Terminal Pay (Non–COLA)

Members retiring on or after July 24, 1986, who had 15 or more years of service as of Jan. 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, but subject to certain limitations, and these members do not receive cost of living adjustments. Under the COLA method, no terminal payments are added, but the pension is subject to annual increases equal to a 3 percent increase of the original base per year.

The COLA method is the automatic calculation method for an active member with fewer than 15 years of service as of Jan. 1, 1989. The COLA percentage equals a fixed 3 percent increase of the original base benefit per year.

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 cost–of–living increases. The annual increase is paid on July 1st of each year. The annual COLA increase is $360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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 re–employed in an OP&F covered position must contribute to OP&F at the same rate as other police officers or firefighters. The employer pays the normal rate as well. When the re–employed retirant terminates employment and becomes eligible, he or she has the option of receiving either a lump sum payment or a life time annuity paid monthly.

The lump sum payment is an amount equal to twice his/her 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.

In 2005, H.B. 449 now allows members who terminate before age 60, to no longer have to wait until age 60 to receive their account balance. They may apply for their account balance at termination, however, member contributions are not doubled, rather the calculation is based on the account balance plus interest. In addition, spousal consent is now required before any payout can occur, and a member can elect a joint and survivor benefit if a monthly annuity is payable.

The 2009 Comprehensive Annual Financial Report

Statistical Section

The Ohio Police & Fire Pension Fund

Statistical Objectives
Financial Trends
Revenue Capacity Information
Debt Capacity Information
Demographic and Economic Information
Operating Information
Death Benefit Fund

Ohio Police & Fire Pension Fund

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STATISTICAL OBJECTIVES

The objectives of the statistical section are to provide additional historical perspective, context, and relevant details to assist readers in using information in the financial statements, notes to the financial statements, and required supplementary information in order to understand and assess OP&F's overall financial condition. In support of these objectives, OP&F reports information in this section in compliance with GASB Statement 44, Economic Condition Reporting: The Statistical Section. This statement establishes standardized reporting requirements relative to the supplementary information provided in this section.

The schedules that follow show financial trend information about the growth of OP&F's assets for the past 10 years. These schedules provide detailed information about the trends of key sources of additions and deductions to OP&F's assets, which assist in providing a context framing of how OP&F's financial position has changed over time. The financial trend schedules presented are:

* Changes in Fiduciary Net Assets
* Benefit Expenses by Type
* Revenues by Source
* Expenses by Type
* DROP Program Accrued Liability

The schedules beginning on page 79 show revenue capacity information, demographic and economic information, and operating information. The demographic and economic information is designed to assist in understanding the environment in which OP&F operates. The operating information is intended to provide contextual information about OP&F's operations to assist in assessing OP&F's economic condition. The revenue capacity information, the demographic and economic information and the operating information presented include:

* Active Member & Total Payroll Base Statistics
* Active Member Data
* Retired Membership by Type of Benefits
* Retired Membership by Type of Benefits
* Retirees and Beneficiaries Statistics
* Average Monthly Benefit Payments
* Member Health Care Contributions
* State of Ohio Subsidy Payments
* Employer Contribution Rates
* Member Contribution Rates
* Actuarial Interest Rates
* Actuarial Valuation Information
* Historical Annual Investment Results
* Number of Employer Units
* Principal Participating Employers
* OP&F Employee Budgeted Position Counts
* Personnel Salaries by Year
* OP&F Budget
* Other Operating Statistics
* Death Benefit Funds

Financial Trends

Changes in Fiduciary Net Assets

Combine Trust Fund (dollars in millions)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Additions										
Employer Contributions	$406	$407	$402	$374	$357	$349	$337	$322	$312	$305
Member Contributions and Purchases	168	173	165	167	168	166	165	167	150	145
Investment Income	1,895	(3,833)	1,163	1,630	847	1,152	1,745	(870)	(443)	(165)
Health Care Contributions	59	57	56	59	55	56	17	13	7	6
Other Revenues	23	24	21	25	11	19	21	18	10	10
Total Additions	**2,551**	**(3,172)**	**1,807**	**2,255**	**1,438**	**1,742**	**2,285**	**(350)**	**36**	**301**
Deductions										
Benefit Payments	1,085	1,021	965	945	877	821	773	678	622	574
Administrative Expenses	16	16	16	17	16	16	17	15	13	13
Refund of Member Contributions	16	18	15	18	16	15	17	17	10	11
Discount on Early Payoff	-	-	-	-	-	-	-	-	4	22
Other Expenses	-	-	-	-	-	-	1	1	1	1
Total Deductions	**1,117**	**1,055**	**996**	**980**	**909**	**852**	**808**	**711**	**650**	**621**
Changes in Net Assets	**1,434**	**(4,227)**	**811**	**1,275**	**529**	**890**	**1,477**	**(1,061)**	**(614)**	**(320)**
Net Assets - Beginning of Year	**8,196**	**12,423**	**11,612**	**10,337**	**9,808**	**8,918**	**7,441**	**8,502**	**9,116**	**9,436**
Net Assets - End of Year	**9,630**	**8,196**	**12,423**	**11,612**	**10,337**	**9,808**	**8,918**	**7,441**	**8,502**	**9,116**
Reserve Fund Balances:										
Employers' Contribution Reserves	675	(525)	3,999	3,655	2,687	2,437	1,785	726	2,323	3,301
Members' Contribution Reserves	1,983	1,901	1,816	1,731	1,642	1,532	1,432	1,340	1,250	1,152
Health Care Contribution Reserves	573	439	527	437	343	294	231	205	251	277
Pension Reserves	6,399	6,381	6,081	5,789	5,665	5,545	5,470	5,170	4,678	4,386
TOTAL NET ASSETS	**$9,630**	**$8,196**	**$12,423**	**$11,612**	**$10,337**	**$9,808**	**$8,918**	**$7,441**	**$8,502**	**$9,116**

Changes in Fiduciary Net Assets

Pension Trust Fund (dollars in millions)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Additions										
Employer Contributions	$279	$278	$280	$235	$229	$224	$216	$204	$203	$204
Member Contributions	168	173	165	167	168	166	165	167	150	145
Investment Income	1,791	(3,697)	1,113	1,567	819	1,117	1,690	(847)	(433)	(162)
Health Care Contributions	-	-	-	-	-	-	-	-	-	-
Other Revenues	9	8	8	11	7	12	18	15	10	10
Total Additions	**2,247**	**(3,238)**	**1,566**	**1,980**	**1,223**	**1,519**	**2,089**	**(461)**	**(70)**	**197**
Deductions										
Benefit Payments	916	868	816	766	714	663	605	523	493	462
Administrative Expenses	16	15	14	15	13	14	15	13	10	10
Refund of Member Contributions	15	18	15	18	16	15	17	17	10	11
Discount on Early Payoff	-	-	-	-	-	-	-	-	4	22
Other Expenses	-	-	-	-	-	-	1	1	1	1
Total Deductions	**947**	**901**	**845**	**799**	**743**	**692**	**638**	**554**	**518**	**506**
Changes in Net Assets	**1,300**	**(4,139)**	**721**	**1,181**	**480**	**827**	**1,451**	**(1,015)**	**(588)**	**(309)**
Net Assets - Beginning of Year	**7,757**	**11,896**	**11,175**	**9,994**	**9,514**	**8,687**	**7,236**	**8,251**	**8,839**	**9,148**
Net Assets - End of Year	**9,057**	**7,757**	**11,896**	**11,175**	**9,994**	**9,514**	**8,687**	**7,236**	**8,251**	**8,839**
Reserve Fund Balances:										
Employers' Contribution Reserves	675	(525)	3,999	3,655	2,687	2,437	1,785	726	2,323	3,301
Members' Contribution Reserves	1,983	1,901	1,816	1,731	1,642	1,532	1,432	1,340	1,250	1,152
Pension Reserves	6,399	6,381	6,081	5,789	5,665	5,545	5,470	5,170	4,678	4,386
TOTAL NET ASSETS*	**$9,057**	**$7,757**	**$11,896**	**$11,175**	**$9,994**	**$9,514**	**$8,687**	**$7,236**	**$8,251**	**$8,839**

*Includes 401(h) Trust Account Balance.

Financial Trends

Changes in Fiduciary Net Assets

Health Care Trust Fund (dollars in millions)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Additions										
Employer Contributions	$127	$129	$122	$139	$128	$125	$121	$118	$109	$101
Member Contributions and Purchases	-	-	-	-	-	-	-	-	-	-
Investment Income	103	(136)	50	63	28	35	55	(23)	(10)	(3)
Health Care Contributions	59	57	56	59	55	56	17	13	7	6
Other Revenues	15	16	13	14	4	7	3	3	-	-
Total Additions	**304**	**66**	**241**	**275**	**215**	**223**	**196**	**111**	**106**	**104**
Deductions										
Benefit Payments	169	153	149	179	163	158	168	155	129	112
Administrative Expenses	1	1	2	2	3	2	2	2	3	3
Refund of Member Contributions	-	-	-	-	-	-	-	-	-	-
Discount on Early Payoff	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-
Total Deductions	**170**	**154**	**151**	**181**	**166**	**160**	**170**	**157**	**132**	**115**
Changes in Net Assets	**134**	**(88)**	**90**	**94**	**49**	**63**	**26**	**(46)**	**(26)**	**(11)**
Net Assets - Beginning of Year	**439**	**527**	**437**	**343**	**294**	**231**	**205**	**251**	**277**	**288**
Net Assets - End of Year	**573**	**439**	**527**	**437**	**343**	**294**	**231**	**205**	**251**	**277**
Reserve Fund Balances:										
Health Care Reserves	573	439	527	437	343	294	231	205	251	277
TOTAL NET ASSETS	**$573**	**$439**	**$527**	**$437**	**$343**	**$294**	**$231**	**$205**	**$251**	**$277**

Benefit Expenses by Type (dollars in millions)

Year	Service	DROP**	Disability	Health Care	Survivor	Total Benefits
2009	$423.7	$215.4	$211.1	$168.7	$66.1	$1,085.0
2008	407.4	194.9	202.1	153.4	63.1	1,020.9
2007	391.5	172.0	191.7	149.2	60.7	965.1
2006	377.0	147.7	183.5	178.9	58.4	945.5
2005	367.4	117.7	172.5	163.3	55.8	876.7
2004	360.0	86.5	162.2	157.8	54.4	820.9
2003	350.5	53.7	149.6	168.1	52.0	773.9
2002	336.0	-	137.6	153.7	50.4	677.7
2001	319.6	-	125.0	129.2	47.8	621.6
2000	301.3	-	115.1	111.8	45.6	573.8

** Implementation date of January 1, 2003.

Revenues by Source (dollars in millions)

Year	Employer Contributions	Member Contributions and Purchases	Employer Contribution as a Percentage of Covered Payroll	Investment and Securities Lending income	Health Care Contributions	Other Revenues	Total Revenues
2009	$405.7	$168.4	21.3%	$1,894.9	$59.1	$23.0	$2,551.1
2008	407.3	172.5	22.2%	(3,833.0)	57.0	24.6	(3,171.6)
2007	400.9	165.1	23.1%	1,163.1	56.0	21.4	1,806.5
2006	373.9	167.4	21.3%	1,629.8	58.5	25.1	2,254.7
2005	357.0	167.8	21.2%	847.4	55.3	11.4	1,438.9
2004	349.4	165.9	21.2%	1,152.4	55.7	18.8	1,742.2
2003	337.2	164.5	20.5%	1,745.2	17.2	21.2	2,285.3
2002	321.7	167.1	19.2%	(870.4)	12.6	18.5	(350.5)
2001	312.1	150.5	20.7%	(443.5)	6.9	9.9	35.9
2000	304.9	145.0	21.0%	(165.1)	5.7	10.8	301.3

Expenses by Type (dollars in millions)

Year	Benefit Payments	Administrative Expenses	Refund of Member Contributions	Discount on Early Payoff	Other Expenses	Total Expenses
2009	$1,085.0	$16.3	$15.7	$-	$-	$1,117.0
2008	1,021.0	16.0	17.7	-	-	1,054.7
2007	965.1	16.3	15.0	-	-	996.4
2006	945.4	16.8	18.0	-	(0.4)	979.8
2005	876.7	15.9	16.5	-	0.2	909.3
2004	820.8	15.9	15.3	-	0.2	852.2
2003	773.9	16.7	16.8	-	1.2	808.6
2002	677.6	14.9	16.8	-	1.0	710.3
2001	621.6	13.1	10.4	3.7	1.1	649.9
2000	573.8	13.2	11.1	22.3	0.7	621.1

DROP Program Accrued Liability (dollars in millions)

	2009	2008	2007	2006	2005	2004	2003
Police							
DROP Liability Beginning Balance	$436.9	$337.8	$246.8	$161.5	$87.7	$34.1	$ -
Accrued Pension & COLA	92.4	86.4	80.3	74.6	62.3	47.8	31.6
Accrued Member Share Contributions	13.0	11.8	12.1	9.0	5.6	2.9	1.8
Accrued Interest	23.9	18.7	14.2	10.0	6.0	2.9	0.7
Withdrawals	(21.3)	(17.8)	(15.6)	(8.3)	(0.1)	-	-
DROP Liability Ending Balance	**544.9**	**436.9**	**337.8**	**246.8**	**161.5**	**87.7**	**34.1**
Fire							
DROP Liability Beginning Balance	344.5	257.3	180.0	113.6	60.3	22.6	-
Accrued Pension & COLA	80.0	75.0	66.9	55.8	45.2	33.6	20.9
Accrued Member Share Contributions	11.3	10.0	9.5	6.9	3.9	2.1	1.2
Accrued Interest	19.2	14.7	10.6	7.2	4.2	2.0	0.5
Withdrawals	(13.6)	(12.5)	(9.7)	(3.5)	-	-	-
DROP Liability Ending Balance	**441.4**	**344.5**	**257.3**	**180.0**	**113.6**	**60.3**	**22.6**
Combine Police & Fire							
DROP Liability Beginning Balance	781.4	595.1	426.8	275.1	148.0	56.7	-
Accrued Pension & COLA	172.4	161.4	147.2	130.4	107.5	81.4	52.5
Accrued Member Share Contributions	24.3	21.8	21.6	15.9	9.5	5.0	3.0
Accrued Interest	43.1	33.4	24.8	17.2	10.2	4.9	1.2
Withdrawals	(34.9)	(30.3)	(25.3)	(11.8)	(0.1)	-	-
DROP LIABILITY ENDING BALANCE	**$986.3**	**$781.4**	**$595.1**	**$426.8**	**$275.1**	**$148.0**	**$56.7**

Revenue Capacity Information

Active Member & Total Payroll Base Statistics (dollars in millions)

Number and Average Annual Salary*

Year	Payroll base	Member Contributions	# of Members*	Percentage Change in Payroll Base	Percentage Change in Member Contributions	Percentage Change in Members
2009	$1,900	$168	29,062	3.8%	(2.9)%	0.7%
2008	1,831	173	28,864	5.4%	4.8%	0.9%
2007	1,737	165	28,609	(1.1)%	(1.2)%	2.1%
2006	1,756	167	28,026	4.3%	(0.6)%	0.5%
2005	1,684	168	27,879	2.4%	1.2%	(2.0)%
2004	1,644	166	28,441	2.4%	1.2%	(0.1)%
2003	1,606	164	28,480	4.7%	(1.8)%	0.5%
2002	1,534	167	28,328	8.9%	10.6%	1.4%
2001	1,408	151	27,936	5.2%	4.1%	1.1%
2000	1,339	145	27,642	7.2%	6.7%	1.9%

*Includes rehired retirees

Active Membership Data

Number and Average Annual Salary*

	Years of Service									
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40+**	**Total**
Under 25	622									622
	$42,223									$42,223
25-29	1,997	593	3							2,593
	$48,924	$61,060	$59,573							$51,712
30-34	1,198	2,120	620	4						3,942
	$50,581	$62,976	$66,100	$62,792						$59,700
35-39	700	1,695	2,706	753	13					5,867
	$51,145	$61,714	$65,605	$68,507	$71,005					$63,140
40-44	251	669	1,661	2,333	803	9				5,726
	$48,007	$60,485	$64,400	$68,025	$73,033	$64,716				$65,912
45-49	95	205	554	1,244	1,679	624	8			4,409
	$49,235	$57,747	$63,160	$66,825	$72,259	$75,499	$79,960			$68,884
50-54	45	82	203	458	767	1,303	568	19		3,445
	$51,397	$57,113	$61,022	$64,689	$70,237	$74,046	$77,665	$74,939		$71,089
55-59	6	21	67	147	245	466	584	218		1,754
	$37,349	$58,317	$59,628	$63,137	$67,580	$69,172	$75,325	$82,177		$71,506
60-64	3	12	22	28	56	49	96	188	19	473
	$55,398	$51,943	$58,317	$60,058	$61,934	$69,680	$71,156	$74,172	$80,415	$69,640
Over 64			3	7	6	11	4	22	43	96
			$76,234	$58,913	$65,729	$61,611	$68,218	$70,348	$81,108	$73,139
Total	4,917	5,397	5,839	4,974	3,569	2,462	1,260	447	62	28,927
	$48,768	$61,730	$64,830	$67,284	$71,500	$73,315	$76,069	$77,920	$80,896	$64,215

*Excludes rehired retirees

Retired Membership by Type of Benefits (Source: Actuarial Valuation)

	Service		Disability		Survivors		Total
Year	Police	Fire	Police	Fire	Police	Fire	Beneficiaries
2009	6,546	5,060	3,721	2,496	4,300	3,194	25,317
2008	6,523	5,036	3,682	2,470	4,090	3,077	24,878
2007	6,459	5,012	3,594	2,436	4,067	3,115	24,683
2006	6,419	5,045	3,521	2,403	3,982	3,089	24,459
2005	6,452	5,101	3,429	2,364	3,931	3,063	24,340
2004	6,459	5,173	3,291	2,300	3,912	3,001	24,136
2003	6,418	5,188	3,193	2,202	3,916	3,006	23,923
2002	6,321	5,155	3,055	2,088	3,798	2,996	23,413
2001	6,312	5,155	3,046	2,082	3,244	2,550	22,389
2000	6,204	5,125	2,947	2,021	3,211	2,451	21,959

Retired Membership by Type of Benefits (Source: Actuarial Valuation)

Age Last Birthday	Number	Annual Allowance	Average Annual Allowance
Service Retirees			
Under 60	2,431	$98,795,826	$40,640
60 - 64	2,596	106,573,073	41,053
65 -69	2,306	87,021,021	37,737
70 - 74	1,512	51,245,531	33,893
75 - 79	1,213	33,647,476	27,739
Over 79	1,548	35,592,568	22,993
Total	**11,606**	**$412,875,495**	**$35,574**
Survivors and Beneficiaries			
Under 60	1,529	$11,925,195	$7,799
60 - 64	640	6,500,574	10,157
65 -69	811	7,734,376	9,537
70 - 74	949	8,563,313	9,024
75 - 79	1,221	10,587,867	8,671
Over 79	2,344	19,265,857	8,219
Total	**7,494**	**$64,577,182**	**$8,617**
Disability Retirees			
Under 60	3,040	$105,352,436	$34,655
60 - 64	1,183	40,520,350	34,252
65 -69	884	28,320,945	32,037
70 - 74	549	15,579,208	28,377
75 - 79	277	6,668,670	24,075
Over 79	284	5,874,472	20,685
Total	**6,217**	**$202,316,081**	**$32,542**

Retirees and Beneficiaries Statistics (dollars in millions)

Year	Benefit Payments*	Refunds	Total Payments*	# of Benefit Recipients**	% Change in Benefit Recipients	% Change Total Benefit Payments
2009	$916	$16	$932	25,439	1.7%	5.2%
2008	868	18	886	25,013	0.7%	6.6%
2007	816	15	831	24,831	0.3%	6.0%
2006	766	18	784	24,766	0.8%	7.3%
2005	714	16	730	24,564	0.9%	7.7%
2004	663	15	678	24,347	1.1%	9.1%
2003	605	17	622	24,081	2.3%	15.2%
2002	523	17	540	23,546	2.3%	7.2%
2001	493	10	503	23,013	2.8%	6.4%
2000	462	11	473	22,389	3.0%	4.1%

*Excludes Health Care Benefits
**Includes Terminated employees entitled to benefits but not yet receiving them

Average Monthly Benefit Payments * for members placed on Retirement Rolls

Service Retirement

Year	Normal	Service Commuted	Age Commuted	Age / Service
2009	$3,301	$1,460	-	$2,359
2008	3,266	1,222	-	2,315
2007	3,251	1,265	-	1,928
2006	3,274	1,068	-	1,665
2005	3,125	1,102	-	1,231
2004	3,128	1,081	-	1,673
2003	3,150	990	-	1,569
2002	3,130	742	-	1,840
2001	2,987	830	-	1,500
2000	2,783	732	-	1,232

Disability Retirement*

Year	Permanent and Total	P&T Presumptive	Partial	Partial Presumptive	Off Duty
2009	$3,626	$3,810	$2,807	$2,966	$2,697
2008	3,509	3,424	2,874	2,696	2,511
2007	3,301	3,611	2,846	2,959	2,634
2006	3,341	2,930	2,793	2,939	2,306
2005	3,327	3,254	2,624	3,160	1,924
2004	3,209	3,163	2,712	3,080	2,167
2003	3,133	3,203	2,854	3,042	2,029
2002	2,970	3,029	2,672	2,965	1,993
2001	2,373	2,858	2,332	2,278	1,649
2000	2,380	2,061	2,380	2,258	1,760

* Source: Numbers calculated by taking an average of final placements for retirees as listed in OP&F Board of Trustees monthly reports.

Member Health Care Contributions (dollars in millions)

Year	Contributions	% Change in Contributions Received	Number of Covered Lives	Health Care Benefit Payments	% of Benefit Payments Covered by Member Contributions	Net Benefit Payment Per Covered Life
2009	$59	5%	25,211	$169	35%	$0.00446
2008	57	2%	25,563	153	37%	0.00376
2007	56	(4)%	26,601	149	38%	0.00350
2006	59	6%	28,100	179	33%	0.00428
2005	55	(1)%	29,006	163	34%	0.00372
2004	56	223%	29,708	158	35%	0.00344
2003	17	36%	35,513	168	10%	0.00425
2002	13	84%	35,452	154	8%	0.00398
2001	7	22%	35,290	129	5%	0.00347
2000	6	3%	34,499	112	5%	0.00308

State of Ohio Subsidy Payments (dollars in millions)

Year	Subsidy Amount	% Change
2009	$0.78	(20)%
2008	0.86	(11)%
2007	0.97	(10)%
2006	1.08	(9)%
2005*	1.19	(53)%
2004	2.50	(5)%
2003	2.64	(5)%
2002	2.78	(5)%
2001	2.93	(6)%
2000	3.11	(5)%

*In 2005, the State of Ohio repealed the annual $1.2 million subsidy provided to OP&F

Employer Contribution Rates (1967–present)*

Time Frame of Rates	Year	Employer Rates Police	Employer Rates Fire
Jan. 1, 1986 - Present	1986	19.50%	24.00%
Jan. 1, 1985 thru Dec. 31, 1985	1985	20.03%	24.59%
Jan. 1, 1984 thru Dec. 31, 1984	1984	21.35%	24.59%
Jan. 1, 1983 thru Dec. 31, 1983	1983	18.45%	23.57%
Jan. 1, 1982 thru Dec. 31, 1982	1982	16.62%	22.39%
Jan. 1, 1981 thru Dec. 31, 1981	1981	15.60%	20.72%
Jan. 1, 1980 thru Dec. 31, 1980	1980	15.70%	19.87%
Jan. 1, 1979 thru Dec. 31, 1979	1979	18.40%	20.11%
Jan. 1, 1978 thru Dec. 31, 1978	1978	17.53%	18.90%
Jan. 1, 1977 thru Dec. 31, 1977	1977	15.34%	16.77%
Jan. 1, 1976 thru Dec. 31, 1976	1976	14.02%	15.57%
Jan. 1, 1975 thru Dec. 31, 1975	1975	12.49%	13.78%
Jan. 1, 1974 thru Dec. 31, 1974	1974	12.88%	13.60%
Jan. 1, 1973 thru Dec. 31, 1973	1973	12.85%	13.41%
Jan. 1, 1972 thru Dec. 31, 1972	1972	12.96%	13.26%
Jan. 1, 1971 thru Dec. 31, 1971	1971	12.81%	12.96%
Jan. 1, 1970 thru Dec. 31, 1970	1970	15.52%	15.52%
Jan. 1, 1969 thru Dec. 31, 1969	1969	14.68%	14.49%
Jan. 1, 1968 thru Dec. 31, 1968	1968	13.66%	13.50%
Jan. 1, 1967 thru Dec. 31, 1967	1967	13.55%	13.13%

*For employer billing purposes, the Sept. 1988 billing was carried through Sept. 30, 1988 and was not cut off at Sept. 8, 1988. The same goes for the employee rates for the most part.

Member Contribution Rates

Time Frame of Rates	Member Rates Police	Member Rates Fire
Sept. 9, 1988 thru Present	10.00%	10.00%
Aug. 1, 1986 thru Sept. 8, 1988	9.50%	9.50%
March 1, 1980 thru July 31, 1986	8.50%	8.50%
Jan. 1, 1968 thru Feb. 28, 1968	7.00%	7.00%
Jan. 1, 1967 thru Dec. 31, 1967	6.00%	6.00%

Actuarial Interest Rates

Time Frame of Rates	Actuarial Interest Rates Police	Fire
Jan. 1, 1989 - Present	8.250%	8.250%
Jan. 1, 1986 thru Dec. 31, 1988	7.750%	7.750%
Jan. 1, 1983 thru Dec. 31, 1985	7.500%	7.500%
Jan. 1, 1980 thru Dec. 31, 1982	6.375%	6.375%
Jan. 1, 1979 thru Dec. 31, 1979	6.000%	6.000%
Jan. 1, 1974 thru Dec. 31, 1978	5.000%	5.000%
Jan. 1, 1972 thru Dec. 31, 1973	4.750%	4.750%
Jan. 1, 1970 thru Dec. 31, 1971	4.625%	4.625%
Jan. 1, 1967 thru Dec. 31, 1969	4.250%	4.250%

Actuarial Valuation Information

Pension Trust (dollars in millions)

As of January 1	Valuation Assets	Actual Accrued Actuarial Liabilities (AAL)	Unfunded/(Overfunded) Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	Funding Period in Years
2009	$9,309	$14,307	$4,998	65.07%	$1,901	Infinite
2008	11,213	13,728	2,515	81.68%	1,831	Infinite
2007	10,158	12,988	2,830	78.21%	1,783	Infinite
2006	9,551	12,190	2,639	78.35%	1,756	Infinite
2005	9,337	11,545	2,208	80.87%	1,684	Infinite
2004	9,337	10,798	1,461	86.47%	1,644	Infinite
2003	8,683	10,508	1,825	82.63%	1,606	Infinite
2002	9,076	9,786	710	92.75%	1,534	28.00
2001	8,498	9,506	1,008	89.39%	1,408	29.49
2000	7,989	8,996	1,007	88.81%	1,339	26.78

Retiree Health Care Trust (dollars in millions)

As of January 1	Valuation Assets	Actual Accrued Actuarial Liabilities (AAL)	Unfunded/(Overfunded) Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2009	$439	$3,164	$2,725	13.87%	$1,901	143.30%
2008	527	3,623	3,096	14.50%	1,831	169.10%
2007	437	3,274	2,837	13.35%	1,783	159.10%
2006	343	3,335	2,992	10.29%	1,756	170.40%

Debt Capacity Information

Historical Annual Investment Results

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
U.S. Equity										
OP&F	32.82%	(38.02)%	5.37%	14.80%	7.59%	13.11%	30.00%	(19.81)%	(7.47)%	(2.96)%
International Equity										
OP&F	39.58%	(45.71)%	20.61%	28.24%	14.10%	21.18%	35.92%	(17.70)%	(23.54)%	(18.49)%
Emerging Markets										
OP&F	N/A	N/A	N/A	N/A	26.24%	22.68%	58.23%	(8.69)%	(4.14)%	(29.40)%
Fixed Income										
OP&F - Core	11.76%	0.37%	6.50%	4.59%	2.67%	4.75%	5.35%	8.60%	10.76%	12.79%
OP&F - High Yield	47.02%	(20.17)%	2.91%	10.22%	2.61%	10.65%	N/A	N/A	N/A	N/A
OP&F - GIPS	9.84%	2.04%	11.72%	2.97%	2.96%	6.97%	N/A	N/A	N/A	N/A
OP&F - Commercial Mortgage*	(0.63)%	0.68%	2.31%	5.08%	9.83%	4.82%	N/A	N/A	N/A	N/A
Real Estate *										
OP&F	(37.27)%	2.07%	20.67%	26.60%	26.07%	14.14%	13.06%	5.70%	11.84%	9.30%
Private Equity *										
OP&F	(11.61)%	(2.32)%	31.88%	17.43%	26.76%	7.15%	(13.15)%	(21.61)%	(26.14)%	61.65%
Total Portfolio										
OP&F	20.73%	(28.06)%	10.47%	16.15%	9.07%	13.29%	24.96%	(9.90)%	(3.88)%	(1.10)%
** Policy Index	22.81%	(28.89)%	9.16%	15.69%	8.98%	12.84%	26.47%	(10.81)%	(6.60)%	(3.16)%

*One quarter in arrears.

**Policy Benchmark - OP&F's policy benchmark has changed over time - Current reflects 46 percent Wilshire 5000, 18 percent Barclays Aggregate, 20 percent of MSCI ACWI ex-US, 8 percent NCREIF Property Index, 5 percent CSFB Dev. Countries HY, 3 percent Wilshire 5000 + 3%.

Time Weighted methodology, based upon market values, is used when calculating performance.

Debt Capacity Information

OP&F does not have any outstanding debt, nor are there any plans to ever pursue issuing debt anytime in the future.

Demographic and Economic Information

Number of Employer Units

	Municipalities		Townships		Villages		Total		Total
Year	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Both
2009	252	229	0	121	287	32	539	382	921
2008	251	228	0	123	287	34	538	385	923
2007	251	229	0	122	289	33	540	384	924
2006	252	225	0	119	284	32	536	376	912
2005	251	224	0	113	286	31	537	368	905
2004	252	225	0	109	288	29	540	363	903
2003	252	223	0	110	289	29	541	362	903
2002	252	219	0	106	307	29	559	354	913
2001	251	215	0	105	322	32	573	352	925
2000	258	213	0	105	332	32	590	350	940

Operating Information

Principal Participating Employers

Employer Name	Covered Employees	Rank	% of Total Covered Members
City of Columbus	3,424	1	11.78%
City of Cleveland	2,621	2	9.02%
City of Cincinnati	1,989	3	6.84%
City of Toledo	1,122	4	3.86%
City of Akron	854	5	2.94%
City of Dayton	756	6	2.60%
City of Canton	349	7	1.20%
City of Youngstown	331	8	1.14%
City of Springfield	261	9	0.90%
City of Hamilton	233	10	0.80%
All Others	17,122		58.92%
TOTAL	**29,062**		**100.00%**

OP&F Employee Budgeted Position Counts

Department	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Administration	46	47	44	45	42	44	38	40	40	23
Finance	13	13	13	13	16	16	28	29	29	28
Health Care Services*	0	0	0	0	0	16	15	15	15	32
Information Services	24	24	25	25	25	26	29	31	31	29
Investments	15	14	14	14	14	17	15	18	18	18
Member Services	46	51	54	64	69	56	56	57	53	45
Projects	0	0	0	0	0	0	0	0	2	11
Total Full-Time Positions	**144**	**149**	**150**	**161**	**166**	**175**	**181**	**190**	**188**	**186**

*Health Care Services was combined with Member Services in 2006

Personnel Salaries by Year (dollars in thousands)

	2009	2008	2007	2006	2005	2004	2003	2002	2001
Salaries and Wages	$8,370.5	$8,373.4	$8,488.7	$8,763.8	$8,963.4	$9,037.8	$9,144.8	$7,667.9	$7,908.9
Average Salary per Budgeted Staff	$56.2	$55.8	$52.7	$52.8	$51.2	$49.9	$48.1	$40.8	$42.5

OP&F Budget* (dollars in millions)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating Expenses (Actual)		$43.3	$45.7	$45.9	$41.7	$38.7	$41.3	$35.9	$33.3	$30.0
Operating Expenses (Budget)	$45.6	46.5	54.6	61.0	48.5	44.1	45.0	35.9	38.4	37.0
% Budget vs Actual		93%	84%	75%	86%	88%	92%	100%	87%	81%

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Capital Actual		$0.6	$2.1	$1.2	$0.7	$2.0	$2.4	$3.2	$3.6	$3.0
Capital Budget	$4.4	3.2	4.6	3.8	5.8	2.8	2.8	4.4	5.0	6.0
% Budget vs Actual		19%	46%	32%	12%	71%	86%	73%	72%	50%

		2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating Expenses (Actual)		$16.3	$16.0	$16.7	$14.7	$13.9	$14.2	$15.4	$13.8	$12.1
Investment Expenses (Actual)		24.1	27.0	29.2	27.0	24.8	27.0	20.5	19.5	17.9

Other Operating Statistics

	2009	2008	2007	2006	2005	2004	2003	2002	2001
Total Staff	149	150	161	166	175	181	190	188	186
Investment Staff	14	14	14	14	17	15	18	18	18
Investment Actual Expenses	$24.1	$27.0	$29.2	$27.0	$24.8	$27.0	$20.5	$19.5	$17.9
Investment Income	$1,895	$(3,833)	$1,163	$1,630	$847	$1,152	$1,745	$(870)	$(443)
Investment Staff to Investment Expense Ratio	$2	$2	$2	$2	$1	$2	$1	$1	$1
Investment Staff to Investment Income Ratio	$12.7	$(25.6)	$7.2	$9.8	$4.8	$6.4	$9.2	$(4.6)	$(2.4)
Total Staff to Investment Income Ratio	$135.4	$(273.8)	$83.1	$116.4	$49.8	$76.8	$97.0	$(48.4)	$(24.6)

Death Benefit Fund

Pursuant to Section 742.63 of the Ohio Revised Code, the Board of Trustees of the Ohio Police and Fire 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 OP&F, on a quarterly basis, each State fiscal year (July 1-June 30) and benefits are paid monthly by OP&F 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 Dec. 31, 2009 as an agency fund. The following is a schedule of DBF financial activity:

Balance Jan. 1, 2009	**$87,499**
Less: Survivor Benefits Paid Jan. 1 to June 30, 2009	(9,858,351)
Balance returned to State of Ohio	(229,148)
State Funding Received	20,000,000
Less: Survivor Benefits Paid July 1 - Dec. 31, 2009	(9,758,692)
Balance Dec. 31, 2009	**$ 241,308**

Prudence Integrity Empathy

The Ohio Police & Fire Pension Fund (OP&F) is dedicated to providing retirement and related benefits, accurate information, dependable communication and valuable educational assistance to our members. As responsible fiduciaries, we will professionally manage the resources of OP&F and implement its practices, plans and benefit services with the highest ethical standards.

Ohio Police & Fire Pension Fund

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