Built to Last

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

OHIO POLICE & FIRE PENSION FUND

For the year ending December 31,2008

Ohio Police & Fire Pension Fund

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Ohio Police and Fire Pension Fund, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Police and Fire Pension Fund is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 5, 2009

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www.auditor.state.oh.us

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Comprehensive Annual Financial Report

For the year ending December 31, 2008

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

Left to Right

- Lawrence G. Petrick, Jr., Shaker Heights Fire, term began on 6/2/2008, expires on 6/3/2012
- William D. Gallagher, Retired, Cleveland Police, term began on 6/2/2008, expires on 6/3/2012
- J. David Heller, Investment Member, appointed by the Ohio Senate and House of Representatives, term began on 12/16/2008, expires on 12/4/2012
- Kathy Harrell, Chair, Cincinnati Police, term began on 6/2/2008, expires on 6/5/2011
- Scott K. Maynor, Chair Elect, Lyndhurst Fire, term began on 6/5/2005, expires on 6/4/2010
- Robert H. Baker, Investment Member, appointed by the Governor, term began on 1/13/2009, expires on 9/28/2012
- Edward L. Montgomery, Columbus Police, term began on 6/2/2008, expires on 6/3/2012
- William E. Deighton, Vice Chair, Retired, Cleveland Fire, term began on 6/4/2007, expires on 6/5/2011
- *Not Pictured Jack Reinhardt, Jr., Investment Member, appointed by the Ohio Treasurer of State, appointed in June 2009

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

Administrative Staff

Left to right

- Theodore G. Hall, Chief Investment Officer
- Mary Beth Foley, General Counsel
- Scott K. Miller, Internal Auditor
- William J. Estabrook, Executive Director
- Stewart A. Smith, Chief Financial Officer
- N. Kay Penn, Member Services Director
- J. Keith Byrd, Deputy Executive Director

Professional Consultants

Actuary
Buck Consultants

Legal Counsel
Ohio Attorney General,
the Honorable Richard Cordray

Independent Accountants
Clark, Schaefer, Hackett & Co.

Investment Consultants & Managers
(See page 43)

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Certificate of Achievement Award

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Ohio Police & Fire Pension Fund

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2007

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

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 15, 2009

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 ended December 31, 2008. This CAFR was prepared to aid interested parties in assessing OP&F's financial status at December 31, 2008, 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 January 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 $33.6 million as of December 31, 2008.

OP&F provides pension and disability benefits to qualified participants, survivor, 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 satisfactory completion 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 is required for employment. The table below is a tabulation of current participating employers at December 31, 2008:

Participating Employers

	Police	Fire	Total
Municipalities	251	228	479
Townships	–	123	123
Villages	287	34	321
Total	**538**	**385**	**923**

Major Initiatives and Accomplishments

During 2008, the Board of Trustees approved the elimination of monthly benefit statements along with a mandate for all benefit recipients to enroll in direct electronic deposit of benefits. These changes will be effective January 1, 2009. OP&F's communications campaign to enroll all members in direct deposit and alert them of the changes beginning in January 2009 has helped push direct deposit enrollment to nearly 98 percent as of December 1, 2008. Monthly benefit statements were available online via the Member Self-Serve Web prior to January 2009. Benefit recipients will receive a statement in the mail when the amount of their net benefit changes as well as one end-of-year annual benefit statement.

OP&F also began the Document Imaging/Day-Forward process. The Records Imaging and Mail Center is responsible for the front line operation of the imaging day-forward process and performs the daily tasks of prepping, scanning, indexing and releasing imaged documents to OP&F staff for completion of work flow processes. The document imaging process was implemented on September 8, 2008.

On January 1, 2008, UnitedHealthcare began administering the retiree and employee health care plans sponsored by OP&F. UnitedHealthcare administers all health care related benefits for eligible OP&F benefits recipients and their dependents including medical, prescription drug and optional dental and vision coverage. UnitedHealthcare also offers Medicare supplement plans through AARP Health Care Options. OP&F Staff continues to monitor the transition for OP&F benefit recipients and their dependents; however, for the calendar year the overall transition was successful and any pending issues are handled appropriately.

The market downturn in 2008 resulted in a loss of -28.1 percent, which is well below our 8.25 percent actuarial rate of return. However, the years prior to 2008 resulted in impressive growth for OP&F investments: A 24.96 percent return in 2003, 13.29 percent in 2004, 9.07 percent in 2005, 16.15 percent in 2006, and 10.47 percent in 2007.

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 lower by $3.2 billion in 2008 as a direct result of strong losses on investments.

Statutory contribution rates for 2008 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)	2008 Amount	2007 Amount
Net Investment Income	($3,832,911)	$1,163,063
Contributions	636,230	622,062
Interest on Local Funds Receivable	1,445	1,481
Other	23,760	19,912
Total	**($3,171,476)**	**$1,806,518**

Deductions to Plan Net Assets	2008		2007	
(dollars in thousands)	Amount	Percent	Amount	Percent
Benefits	$1,021,042	97%	$965,081	97%
Administrative Expenses	16,008	1%	16,262	2%
Refund of Member Contributions	17,657	2%	15,086	1%
Other	0	0%	6	0%
Total	**$1,054,707**	**100%**	**$996,435**	**100%**

Benefit payments represent the largest usage of plan net assets. In 2008, 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 13.3 percent over the last year. Pension and survivor benefits increased at normal levels due to new retirees and a lower than usual 2.8 percent increase in the amount of health care benefit payments resulting from the continued proactive efforts to hold costs to a minimum while still providing a quality program.

Administrative expenses are slightly lower again this year and are related to the Executive Director's continued costs saving efforts. Refunds of member contributions are higher than the prior year due to an increased amount of withdrawals. Other deductions to Plan Net Assets returned to normal levels in 2008 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 $4.2 billion decrease in plan net assets in 2008 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.

While OP&F believes our current funding ratios are strong, Ohio law requires OP&F's pension amortization period to be 30 years or less or a plan to bring the funding period in compliance must be submitted to the Ohio Retirement Study Council (ORSC). OP&F currently does not meet the 30-year requirement, based on the most recent valuation completed by our actuary, Buck Consultants, our funding ratio as of January 1, 2008, remains at 81.7 percent. The report confirms that we continue to be able to meet our current and future pension obligations even though the current actuarial analysis performed on the pension funding status reflects an "infinite" amortization period.

OP&F and the ORSC are working together to review all options related to the plan. Health care, benefits, member contribution increases, and employer contribution increases are the major topics under review. OP&F is expected to present a Board approved plan to the ORSC by September of 2009.

Additionally, OP&F continues to monitor the overall pension and health care funding situation. Given the significant losses in the market during 2008, OP&F does not expect to move toward the mandated funding period of 30 years or less in the future without contribution increases or a strong recovery in the investment markets.

As of January 1, 2008, OP&F's health care fund had a projected solvency into the year 2032 which currently exceeds the target of at least 15 years. While these benefits are not guaranteed, a disclosure is made on the basis of the current health care plan as it is currently defined. The funding ratio of the health care fund was projected to be 14.5 percent as of January 1, 2008.

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 for OP&F's assets. Over the past two years, OP&F's total rate of return on its investment portfolio was not favorable with a loss of 28.1 percent for 2008 and a gain of 10.47 percent for 2007. Obviously, the most recent rate of return did not allow us to meet our actuarial rate of return of 8.25 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 2008. See the "Actuarial Section" for the assumption used within this report.

Independent Audit

Clark, Schaefer, Hackett and Company, independent certified public accountants, audited the financial statements of OP&F for the year ended December 31, 2008, 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 December 31, 2007. 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

Stewart A. Smith, CPA
Chief Financial Officer

The 2008 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

Independent Auditors' Report

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, 2008 and 2007, 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, 2008 and 2007, and the 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 12, 2009 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.

The management's discussion and analysis and required supplementary information on pages 4 through 6 and 27 through 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our 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 express no opinion on them.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio

June 12, 2009

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Management's Discussion and Analysis (Unaudited)

This Management Discussion and Analysis (MD&A) of the Ohio Police & Fire Pension Fund financial performance provides a narrative overview of financial activities for the fiscal year ended December 31, 2008. 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.

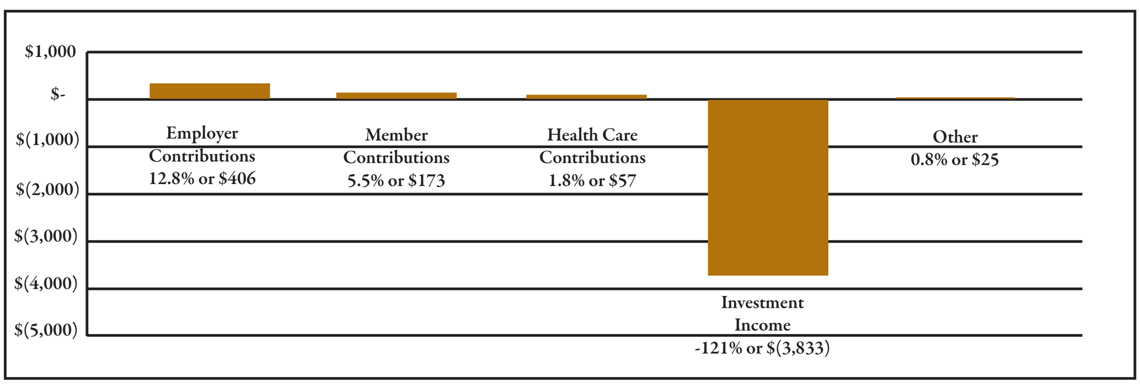
Financial Highlights

Plan additions are received primarily from employer and member pension contributions and investment income. For fiscal year 2008 these additions totaled -$3,172 million and were $1,806.5 million in 2007, which is a 275.6 percent decrease. This amount fluctuates dramatically because it includes realized and unrealized investment gains and losses based on domestic and international market performance.

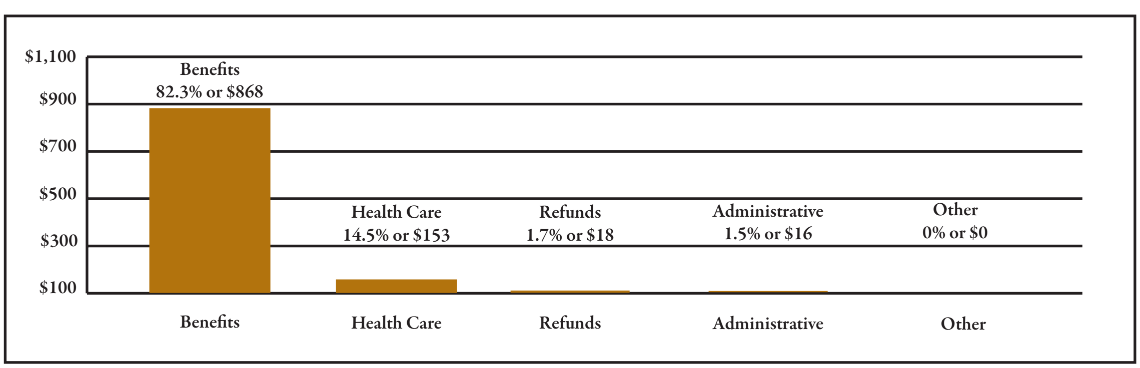
The employer and member contribution rates during 2008 remained unchanged from the prior year. Member contributions are 10 percent for all members, while employer contributions are 19.5 percent and 24 percent for police and fire employers, respectively.

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 2008 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 $1,054.8 million in 2008 and were $996.4 million in 2007, which is a 5.9 percent increase over 2007. Normal increases in benefit payments and continued high levels of participation in our DROP program created an increase in deductions by 5.8 percent for the 2008 year.

2008 Plan Additions (dollars in millions) $(3,172)



2008 Plan Deductions (dollars in millions) $1,055



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 basic financial statements and accompanying notes, certain RSI (Required Supplementary Information) 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 six 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)

				2008 Change		2007 Change	
	2008	2007	2006	Amount	Percent	Amount	Percent
Cash & Short-term Investments	$454.8	$486.1	$666.6	$(31.3)	(6.4)%	$(180.5)	(27.1)%
Total Receivables	262.9	228.5	535.7	34.4	15.1%	(307.2)	(57.3)%
Investments, at Fair Value	9,505.8	14,183.4	13,077.7	(4,677.6)	(33.0)%	1,105.7	8.5%
Capital Assets, Net of Depreciation	25.0	25.0	25.9	0.0	0.0%	(0.9)	(3.5)%
Other Assets	0.5	0.5	2.2	0.0	0.0%	(1.7)	(77.3)%
Total Assets	**10,249.0**	**14,923.5**	**14,308.1**	**(4,674.5)**	**(31.3)%**	**615.4**	**4.3%**
Benefits & Accounts Payable	818.0	636.0	465.9	182.0	28.6%	170.1	36.5%
Investments Payable	1,234.8	1,865.0	2,229.8	(630.2)	(33.8)%	(364.8)	(16.4)%
Total Liabilities	2,052.8	2,501.0	2,695.7	(448.2)	(17.9)%	(194.7)	(7.2)%
NET ASSETS AVAILABLE	**$8,196.2**	**$12,422.5**	**$11,612.4**	**$(4,226.3)**	**(34.0)%**	**$810.1**	**7.0%**

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

				2008 Change		2007 Change	
	2008	2007	2006	Amount	Percent	Amount	Percent
Contributions	$636.2	$622.1	$601.0	$14.1	2.3%	$21.1	3.5%
Net Investment Gain/(Loss)	(3,832.9)	1,163.0	1,629.8	(4,995.9)	(429.6)%	(466.8)	(28.6)%
Other Additions	25.2	21.4	23.9	3.8	17.8%	(2.5)	(10.5)%
Total Additions	**(3,171.5)**	**1,806.5**	**2,254.7**	**(4,978.0)**	**(275.6)%**	**(448.2)**	**(19.9)%**
Benefits	1,021.0	965.1	945.4	55.9	5.8%	19.7	2.1%
Refunds	17.7	15.1	18.0	2.6	17.0%	(2.9)	(16.1)%
Administration Expenses & Other	16.1	16.2	16.3	(0.1)	(0.6)%	(0.1)	(0.6)%
Total Deductions	**1,054.8**	**996.4**	**979.7**	**58.4**	**5.9%**	**16.7**	**1.7%**
Net Increase/(Decrease)	**(4,226.3)**	**810.1**	**1,275.0**	**(5,036.4)**	**(621.7)%**	**(464.9)**	**(36.5)%**
Net Assets, Beginning of Year	**12,422.5**	**11,612.4**	**10,337.4**	**810.1**	**7.0%**	**1,275.0**	**12.3%**
NET ASSETS, END OF YEAR	**$8,196.2**	**$12,422.5**	**$11,612.4**	**$(4,226.3)**	**(34.0)%**	**$810.1**	**7.0%**

Financial Analysis

Fiduciary Net Assets

Net assets available for benefits and expenses in 2008 were $8,196.3 million versus $12,422.5 million in 2007, which represents a 33.9 percent overall net decrease. The overall net decrease can be primarily attributed to depreciation on the fair value of investments, a slight increase in employer contributions received and increases related to benefit and refund payments. Please refer to the Investment Section for additional information on our investment activities in 2008.

Revenue Additions to Fiduciary Net Assets

Overall contributions received by OP&F increased 2.3 percent, or by $14.2 million. Pension contributions from employers and members increased $13.3 million, or 2.4 percent, in 2008 due to the increase in covered payroll, which is the contribution base. The active member population, or contributing members, also increased by 279 to 28,733, or by .98 percent, while the overall average annual salary actually increased by 1.9 percent. As a result, member contributions increased by $7.5 million, or 4.5 percent.

Contributions paid by members and beneficiaries for their share of the health care costs increased by 1.6 percent from $56.0 million to $56.9 million in 2008. This reflects a reduction in the number of members and beneficiaries electing to participate in the health care program sponsored by OP&F.

Contributions received through the state subsidy decreased 11.6 percent, or negative $.1 million, from $1 million to $.9 million, which is a normal decline in the population of benefit recipients, that this subsidy is based on.

Investment net depreciation totaled $4,089.0 million in 2008 and can be directly attributed to the overall negative 28.1 percent return on investments experienced on our assets versus the 10.47 percent return of 2007. Net investment income/appreciation decreased by $4,997.5 million, or 431.4 percent, in 2008 over 2007 as the U.S. and international markets continued to be impacted by the global credit crisis.

Expense Deductions from Fiduciary Net Assets

Benefit deductions for retirement, deferred retirement, disability and survivors increased $51.8 million or 6.3 percent in 2008. 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 195 individuals, or .8 percent, plus a 3 percent cost of living adjustment for eligible recipients, and a slight increase in member refunds.

Health care benefits increased by 2.8 percent in 2008. Gross health care payments totaled $153.4 million in 2008 and represented nearly 15 percent of all plan deductions. In 2008, retirees were switched to United Healthcare as the single provider for health care. These benefits are not guaranteed nor prepaid so cost sharing is required to offset costs.

Refunds to members increased by 17 percent in 2008. 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 December 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.

An unaudited schedule of funding progress is presented on page 28.

Statement of Fiduciary Net Assets as of December 31, 2007

	Pensions	Post-employment Health Care	2007 Total	Death Benefit Fund
Assets:				
Cash and Short-Term Investments	$466,918,830	$19,153,766	$486,072,596	$359,196
Receivables:				
Employers' Contributions	64,252,876	35,136,963	99,389,839	-
Members' Contributions	17,919,674	-	17,919,674	-
Accrued Investment Income	36,197,037	1,484,861	37,681,898	-
Investment Sales Proceeds	37,490,007	1,537,901	39,027,908	-
Local Funds Receivable	34,450,855	-	34,450,855	-
Total Receivables	**190,310,449**	**38,159,725**	**228,470,174**	**-**
Investments, At Fair Value:				
Bonds	1,497,283,638	61,420,999	1,558,704,637	-
Mortgage & Asset Backed Securities	1,036,776,024	42,530,231	1,079,306,255	-
Stocks	5,122,073,209	210,115,734	5,332,188,943	-
Real Estate	989,668,533	40,597,805	1,030,266,338	-
Commercial Mortgage Funds	60,312,157	2,474,102	62,786,259	-
Private Equity	343,931,049	14,108,608	358,039,657	-
International Securities	3,101,811,385	127,241,324	3,229,052,709	-
Total Investments	**12,151,855,995**	**498,488,803**	**12,650,344,798**	**-**
Collateral on Loaned Securities	1,472,663,276	60,411,031	1,533,074,307	-
Capital Assets, net of accumulated depreciation, where applicable:				
Land	3,200,000	-	3,200,000	-
Building and Improvements	16,617,649	-	16,617,649	-
Furniture and Equipment	456,213	-	456,213	-
Computer Software and Hardware	4,743,523	-	4,743,523	-
Total Capital Assets, Net	25,017,385	-	25,017,385	-
Prepaid Expenses and Other	548,796	-	548,796	-
Total Assets	**14,307,314,731**	**616,213,325**	**14,923,528,056**	**359,196**
Liabilities:				
Health Care Payable	-	15,723,911	15,723,911	-
Investment Commitments Payable	318,844,917	13,079,534	331,924,451	-
Accrued Administrative Expenses	10,791,496	-	10,791,496	-
Other Liabilities	14,408,071	-	14,408,071	-
Due to State of Ohio	-	-	-	359,196
DROP Liabilities	595,134,660	-	595,134,660	-
Obligations Under Securities Lending	1,472,663,276	60,411,031	1,533,074,307	-
Total Liabilities	**2,411,842,420**	**89,214,476**	**2,501,056,896**	**359,196**
NET ASSETS HELD IN TRUST FOR PENSION AND POST-EMPLOYMENT HEALTH CARE BENEFITS	**$11,895,472,311**	**$526,998,849**	**$12,422,471,160**	**$ -**

See Notes to Basic Financial Statements.

Statement of Changes in Fiduciary Net Assets Year Ended December 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 Expense, Borrower Rebates	(30,376,228)	(1,115,619)	(31,491,847)
Securities Lending Expense, Management Fees	(1,843,549)	(67,707)	(1,911,256)
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	(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.

An unaudited schedule of funding progress is presented on page 28.

Statement of Changes in Fiduciary Net Assets Year Ended December 31, 2007

	Pensions	Post-employment Health Care	2007 Total
Additions:			
From Contributions:			
Employers'	$278,282,782	$121,721,828	$400,004,610
Members'	165,056,925	-	165,056,925
State of Ohio - Subsidies	968,373	-	968,373
Health Care	-	56,031,875	56,031,875
Total Contributions	**444,308,080**	**177,753,703**	**622,061,783**
From Investment Income:			
Net Appreciation (Depreciation)			
Value of Investments	850,390,161	38,151,152	888,541,313
Bond Interest	122,907,796	5,514,027	128,421,823
Dividends	96,610,501	4,334,248	100,944,749
Allocated Income	33,370,774	1,497,117	34,867,891
Foreign Securities	1,612,521	72,343	1,684,864
Other Investment Income	33,964,638	1,523,760	35,488,398
Less Investment Expenses	(30,280,285)	(1,358,468)	(31,638,753)
Net Investment Income	**1,108,576,106**	**49,734,179**	**1,158,310,285**
From Securities Lending Activities:			
Securities Lending Income	95,684,698	4,292,714	99,977,412
Securities Lending Expense, Borrower Rebates	(89,743,377)	(4,026,168)	(93,769,545)
Securities Lending Expense, Management Fees	(1,393,059)	(62,497)	(1,455,556)
Net Income from Securities Lending	**4,548,262**	**204,049**	**4,752,311**
Interest on Local Funds Receivable	1,481,117	-	1,481,117
Other Income	6,282,839	13,629,565	19,912,404
Total Additions	**1,565,196,404**	**241,321,496**	**1,806,517,900**
Deductions:			
Retirement Benefits	391,513,163	-	391,513,163
DROP Benefits	172,023,460	-	172,023,460
Disability Benefits	191,718,713	-	191,718,713
Health Care Benefits	-	149,237,194	149,237,194
Survivor Benefits	60,587,009	-	60,587,009
Contribution Refunds	15,086,343	-	15,086,343
Administrative Expenses	14,578,912	1,683,560	16,262,472
Other Expenses	6,443	-	6,443
Total Deductions	**845,514,043**	**150,920,754**	**996,434,797**
Net Increase	719,682,361	90,400,742	810,083,103
Net assets held in trust for pension and post-employment health care benefits:			
Balance, Beginning of year	**11,175,789,950**	**436,598,107**	**11,612,388,057**
BALANCE, END OF YEAR	**$11,895,472,311**	**$526,998,849**	**$12,422,471,160**

See Notes to Basic Financial Statements.

An unaudited schedule of funding progress is presented on page 28.

Notes to Basic Financial Statements December 31, 2008 and 2007

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 and formal commitments under the Ohio Revised Code (ORC) Section 742 specific to OP&F.

New Accounting Pronouncement

During the year ended December 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.

During the year ended December 31, 2007, OP&F adopted the provisions of GASB Statement No. 50 Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27, GASB Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations, and GASB Statement No. 48 Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.

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 the partnership's valuation committees.

Net appreciation is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less the cost of investments purchased, plus 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

	January 1, 2008	Additions	Disposals	December 31, 2008
Non–depreciable Capital Assets				
Land	$3,200,000	$0	$0	$3,200,000
Depreciable Capital Assets				
Building & Improvements	21,242,471	60,589	-	21,303,060
Furniture & Equipment	4,364,455	74,334	(112,435)	4,326,354
Computer Software & Hardware	9,767,173	1,915,120	(270,132)	11,412,161
Depreciable Capital Assets	**35,374,099**	**2,050,043**	**(382,567)**	**37,041,575**
Accumulated Depreciation				
Building & Improvements	(4,624,822)	-	(541,911)	(5,166,733)
Furniture & Equipment	(3,908,242)	112,435	(126,582)	(3,922,389)
Computer Software & Hardware	(5,023,650)	270,028	(1,409,980)	(6,163,602)
Total Accumulated Depreciation	**(13,556,714)**	**382,463**	**(2,078,473)**	**(15,252,724)**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**$21,817,385**	**$2,432,506**	**($2,461,040)**	**$21,788,851**

Contributions and Benefits

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.

Plan Membership

Employer and member data as of January 1, 2008 and 2007, based on the most recent actuarial valuation, is as follows:

	2008			2007		
Employee Members	Police	Fire	Total	Police	Fire	Total
Retirees and Beneficiaries						
Currently receiving benefits	14,295	10,583	24,878	14,120	10,563	24,683
Terminated employees entitled to benefits but not yet receiving them	90	45	135	98	50	148
TOTAL BENEFIT MEMBERS	**14,385**	**10,628**	**25,013**	**14,218**	**10,613**	**24,831**
Current Members						
Vested	6,613	5,822	12,435	6,610	5,740	12,350
Nonvested	9,216	7,213	16,429	9,036	7,223	16,259
Total Current Members	15,829	13,035	28,864	15,646	12,963	28,609
TOTAL EMPLOYEE MEMBERS	**30,214**	**23,663**	**53,877**	**29,864**	**23,576**	**53,440**
Employer Members						
Municipalities	251	228	479	251	229	480
Townships	0	123	123	0	122	122
Villages	287	34	321	289	33	322
TOTAL EMPLOYEE MEMBERS	**538**	**385**	**923**	**540**	**384**	**924**

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 a separate trust from the State of Ohio, 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.

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 has elapsed from the date the member became a qualified employee in a police or fire department, whichever date is later. An age of service commuted benefit is available to members, age 62 with at least 15 years of service, which are computed the same as normal service 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 retired member.

OP&F also administers the Ohio Public Safety Officers Death Benefit Fund, which provides additional 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 23 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 The 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 as part of their DROP benefit.

When members terminated 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 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 2008 and allocated 6.75 percent in 2007.

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 Part B and a separate trust accrual account is maintained for health benefits under an IRS Code Section 115 trust.

Refunds

Upon termination of employment, members may withdraw their accumulated member contributions from 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 Process— OPEB Plans

In April 2004, the GASB issued Statement No. 43, Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans. This Statement establishes uniform financial reporting standards for post employment benefits other than pension plans and supercedes 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. Examples include assumptions about future employment, morality, 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: January 1, 2008	
Actuarial cost method:	Entry Age
Amortization method:	Level percent of Payroll, open
Remaining amortization period:	30 years (Infinite, on an actual basis)
Funding Ratio:	81.7%
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%
Cost–of–living adjustments	3.0% simple
Inflation	3.25%

Retiree Health Care Trust

Valuation date: .January 1, 2008	
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	10.00%	5.00%	2019
Non-AARP	10.00%	5.00%	2019
AARP	7.25%	5.00%	2018
Rx Drug	11.00%	5.00%	2021
Medicare Part B	6.00%	5.00%	2019

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 ORSC. Additionally, an actuary is used to determine the actuarial implications of the requirement. The adequacy of contribution rates are reviewed annually using the entry age normal 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 December 31, 2008 and 2007:

(% 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 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 December 31, 2006 and maintained thereafter. As of January 1, 2008, the amortization period under the current statutory rates was infinite again. OP&F had submitted an approved funding plan to the ORSC in prior years and is currently working in conjunction with ORSC staff to formulate options. Eventually another plan will be approved that could assist OP&F to attain the 30-year target.

Combined employer and member contributions as a percentage of the total active member payroll required and made for 2008 and 2007 represented 29.50% for police and 34.00 percent for firefighters. 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 December 31, 2008. Employer and member contributions were $195,254,544 and $89,679,430, respectively, for police and $204,750,066 and $75,377,495, respectively, for firefighters for the year ended December 31, 2007.

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 $856,413 and $968,373 for the years ended December 31, 2008 and 2007, 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 transferred to OP&F as of 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 semiannually. Local governments began repayment in 1969 and payments are required to be made until 2035. Between 1969 and 1973, payments of principal and interest were received at incremental 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 December 31, 2008 and 2007, respectively, is $99,563 and $102,407 due from local governments, which had previously underpaid their semiannual 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 2009	$2,140,206
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
Thereafter	45,189,594
Total projected payments	**55,888,335**
Less interest portion	(22,239,752)
BALANCE AT DECEMBER 31, 2008	**$33,648,583**

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' Employer's Pension 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 Revised Code, shall be paid by transferrers of amounts from the guarantee fund to such fund or funds. Should the amount in the guarantee fund be insufficient at any time to meet the amounts payable there from, the amount of such deficiency, with regular interest, shall be paid by an additional employer rate of current contribution 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:

	2008	2007
Members' Contribution	$1,901,352,827	$1,815,608,324
Employers' Contribution	(524,866,444)	3,998,663,836
Pension Reserve	6,819,802,000	6,608,199,000
TOTAL	**$8,196,288,383**	**$12,422,471,160**

4 – Cash and Investments

Cash and Investments

A summary of cash and short-term securities and investments held at December 31, 2008 and 2007 is as follows:

Category	2008 Fair Value	2007 Fair Value
Cash and Cash Equivalents*	$440,804,450	$475,421,451
U.S. Government Bonds	349,061,111	553,743,035
U.S. Government Agencies	3,261,148	2,704,501
U.S. Government Treasury STRIPS	54,071,064	61,412,181
Corporate Bonds and Obligations	730,315,593	920,854,792
Mortgage and Asset-Backed Obligations	711,988,822	1,099,296,382
Domestic Stocks	1,598,486,340	2,432,975,213
Domestic Pooled Stocks	1,774,301,202	2,899,213,730
International Securities	2,074,682,620	3,229,052,709
Real Estate	874,052,835	1,030,266,338
Commercial Mortgage Funds	47,977,654	62,786,259
Private Equity	318,267,065	358,039,656
GRAND TOTAL	**$8,977,269,904**	**$13,125,766,247**

*Cash and cash equivalents are included in cash and short-term investments on the Combining 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, a Fund 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, a Fund 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. 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 collateralized.

Deposits exposed to Custodial Credit Risk as of December 31, 2008:

Uninsured deposits collateralized with securities held by the pledging financial institution	$10,373,583
Uninsured and uncollateralized deposits	$5,337,636

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 organization. OP&F's risk management policy over credit risk includes an 8 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 8 percent target.

Core Fixed-Income: OP&F's two core fixed-income portfolios, all managed externally, contain government, mortgage and asset-backed securities, U.S. Agency and corporate bonds. Additionally, OP&F's global inflation protected securities (GIPS) portfolio is externally managed and is structured as a Portable Alpha strategy. 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 GNMA project loans, pools and participation certificates, FNMA and 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 Investment Manager will inform OP&F in writing within five business days of such violation. Such notice will include the action the Investment Manager intends to take with regard to the violation or event and over what time period that action will be taken. Both the method to address the violation and the time period over which the action will be taken must be agreeable to OP&F.

The following tables show ratings by asset class in OP&F's fixed-income portfolio as of December 31, 2008 and 2007:

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**

Ratings By Asset Class - 2007

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	$ 245,118,908	$144,093,315	$447,486,167	$76,831,255	$ -	$7,325,147	$ 920,854,792
Mortgage and Asset-Backed Securities	1,043,641,267	681,200	-	114,113	54,859,802	-	1,099,296,382
U.S. Government Agencies	2,704,501	-	-	-	-	-	2,704,501
U.S. Government Treasury STRIPS	-	-	-	-	61,412,181	-	61,412,181
U.S. Government Treasury Notes	-	-	-	-	553,743,035	-	553,743,035
GRAND TOTAL	**$1,291,464,676**	**$ 144,774,515**	**$447,486,167**	**$ 76,945,368**	**$ 670,015,018**	**$7,325,147**	**$2,638,010,891**

Short-Term Investments:

The short-term investment portfolio consists mainly of commercial paper. At the time of purchase, OP&F's policy is that 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 ratings as of December 31, 2008 and 2007:

S&P/Moody's Rating	Fair Value 2008	% 2008	Fair Value 2007	% 2007
A-1/P-1	$64,440,144	17.98	$206,896,657	46.15
A-1/P-2	21,304,308	5.94	27,221,872	6.07
A-1+/P-1	-		24,917,463	5.56
A-2/P-2	272,614,624	76.07	189,308,313	42.22
GRAND TOTAL	**$358,359,076**	**100.00**	**$448,344,305**	**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 Lehman Aggregate Index, had a duration of 3.71 years and a 4.41 years modified adjusted duration as of December 31, 2008 and 2007, 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 Investment 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 table on the next page lists the effective duration for OP&F's fixed-income portfolio as of December 31, 2008 and 2007.

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 mortgaged-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 may vary directly or inversely with changes in a related interest rate. As of December 31, 2008 and 2007, 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 an entity'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 fair market value shall be invested in securities of a single issue or issuer, unless otherwise approved by the Board of Trustees. At December 31, 2008 and 2007, OP&F did not hold investments in any one issuer that represented 5 percent or more of the plan net assets.

Investment Type	Fair Value 2008	Effective Duration 2008	Fair Value 2007	Effective Duration 2007
U.S. Government Obligations	$349,061,111	7.19	$553,743,035	6.27
U.S. Government STRIPS	54,071,064	8.13	61,412,181	7.36
U.S. Government Agencies	3,261,148	7.24	2,704,501	5.15
Mortgage and Asset-Backed Securities	711,988,822	3.43	1,099,296,382	2.97
Corporate Bonds Obligations	306,249,617	4.17	377,551,716	3.45
TOTAL PORTFOLIO EFFECTIVE DURATION	**$1,424,631,762**	**4.88**	**$2,094,707,815**	**4.17**

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 the 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 December 31, 2008 and 2007:

Securities Lent as of December 31, 2008

Securities Lent	Underlying Security	Collateral Received	Collateral Fair Value	Type of Collateral
US Government and Treasuries	$315,195,513	$325,072,581	$325,072,581	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**	**$969,434,630**	**$969,434,630**	

Securities Lent as of December 31, 2007

Securities Lent	Underlying Security	Collateral Received	Collateral Fair Value	Type of Collateral
U.S. Government and Treasuries	$658,669,719	$668,752,934	$668,752,934	Cash
Domestic Corporate Fixed Income	156,342,422	159,884,160	159,884,160	Cash
Domestic Equities	619,434,829	647,770,427	647,770,427	Cash
International Equities	53,720,625	56,108,320	56,108,320	Cash
International Equities	534,297	558,466	558,466	Securities
TOTAL SECURITIES LENT	**$1,488,701,892**	**$1,533,074,307**	**$1,533,074,307**	

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 29 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 December 31, 2008 and 2007, OP&F's exposure to foreign currency risk is as follows:

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 Krone	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**

2007 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	$9,882	$(38,501)	$ 86,353,054	$ -	$ -	$ 86,324,435
Brazilian Real	2,078	-	6,888,498	-	-	6,890,576
British Pound	1,237,488	2,936,408	375,732,128	122,931,187	-	502,837,211
Canadian Dollar	222,363	(133,355)	153,260,513	79,797,005	-	233,146,526
Czech Koruna	-	-	401,045	-	-	401,045
Danish Krone	1,456	-	37,109,693	-	-	37,111,149
Euro	921,068	(40,213)	877,820,783	207,718,413	32,829,408	1,119,249,459
Hong Kong Dollar	634,764	(235)	136,822,376	-	-	137,456,905
Indian Rupee	-	-	6,541,823	-	-	6,541,823
Indonesian Rupiah	(795)	-	5,953,130	-	-	5,952,335
Israeli Shekel	13	-	10,329,983	-	-	10,329,996
Japanese Yen	343,909	240,382	317,450,579	-	-	318,034,870
Malaysian Ringgit	-	-	3,711,653	-	-	3,711,653
Mexican Peso	1,348	(416,261)	29,764,146	-	-	29,349,233
New Turkish Lira	357,700	-	36,143,032	-	-	36,500,732
New Zealand Dollar	345,844	145,459	-	-	-	491,303
Norwegian Krone	32,428	(160,817)	22,701,644	-	-	22,573,255
Pakistan Rupee	-	-	418,270	-	-	418,270
Polish Zloty	736,594	-	2,583,250	-	-	3,319,844
Singapore Dollar	574,022	114	18,983,457	-	-	19,557,593
South African Rand	2,446	-	4,675,746	-	-	4,678,192
South Korean Won	-	-	45,798,638	-	-	45,798,638
Swedish Krona	1,230	692,683	60,500,090	36,938,503	-	98,132,506
Swiss Franc	3,753	504,329	165,103,396	-	-	165,611,478
Taiwanese New Dollar	994,464	-	20,604,544	-	-	21,599,008
Thailand Baht	(449)	-	6,936,890	-	-	6,936,441
GRAND TOTAL	**$6,421,606**	**$ 3,729,993**	**$ 2,432,588,361**	**$ 447,385,108**	**$ 32,829,408**	**$2,922,954,476**

In addition, OP&F invested in global commingled funds which had fair values of $291,049,202 and $437,190,297 as of December 31, 2008 and 2007, respectively.

Derivatives disclosure requirements

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 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 four external investment managers who utilize futures to gain market exposure. OP&F's exposure represented less than one percent of the total portfolio fair value at year-end.

- 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 back to the U.S. dollar underlying foreign currency exposure in its non-U.S. equity portfolios or to provide the quantity of foreign currency needed to settle trades. In order to manage the risk of changes in the value of foreign currency, investment managers may not hedge more than 50 percent of the underlying equity portfolio value. 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 developed and emerging market 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 December 31, 2008 and 2007. 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 December 31, 2008 and 2007:

Open Currency Contracts as of December 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)**

Open Currency Contracts as of December 31, 2007

Purpose	Fair Value (Outstanding Purchases)	Fair Value (Outstanding Sales)	Unrealized Appreciation/ (Depreciation)
Trade Settlement	$ 13,714,722	$ 13,577,174	$ 137,547
Position Hedging	475,846,642	470,641,647	5,204,995
Currency Management	276,336,593	277,949,143	(1,612,550)
GRAND TOTAL	**$ 765,897,957**	**$ 762,167,964**	**$ 3,729,992**

In 2008 and 2007, OP&F realized gains / (losses) of $77,171,243 and $(34,372,931), 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, currency or commodity at a specified price during a specified period of time. OP&F began investing in options in 2007 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 - Mortgage Notes Payable

OP&F had undertaken mortgage loans collateralized by real estate properties for the purchase of the secured properties. As of December 31, 2008, all properties had been sold. The details for the final note are as follows:

Secured Property	Inception Date	Maturity Date	Interest Rate	Original Balance	Dec 31, 2008 Balance	Dec 31, 2007 Balance
The Loop*	Apr 16, 2002	May 11, 2032	6.41%	$ 27,250,000	-	$ 25,293,300
Total				**$ 27,250,000**	**-**	**$ 25,293,300**

* OP&F conveyed this property in February 2008 and the mortgage note payable was assigned in full as part of the conveyance.

6 – 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 benefits, 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 December 31, 2008, 2007, 2006, were $1,157,212, $1,195,839, and $1,179,686, respectively, equal to the required contributions for each year.

7 – Other Post-Employment Benefits

In addition to the pension benefits, OPERS maintains a cost-sharing multiple employer defined benefit post employment Health Care Plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursements, to qualified members of the Traditional Pension and the Combined Plans. Members of the Member-Direct Plan do not qualify for ancillary

Notes to Required Supplementary Information

benefits, including post-employment health care coverage. 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. 45. At December 31, 2008, the plan had 363,503 active contributing participants.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The 2008 employer rate was 14 percent of covered payroll, of which 7 percent was used to fund health care for the year. For the year ended December 31, 2008, $578,606 of employer contributions OP&F made to OPERS was the portion used to fund health care. for the year ending December 31, 2007, $480,714 of employer contributions OP&F made to OPERS was the portion used to fund health care. For the year ending December 31, 2006, $387,488 of employer contributions OP&F made to OPERS was the portion used to fund health care.

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 December 31, 2007 was $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.8 billion and $17 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 December 31, 2007 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 4.0 percent and annual pay increases over and above the 4.0 percent base increase ranging from .5 percent to 6.30 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 4 percent for the next eight years and at a rate of 4 percent for years beyond.

8 – 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 December 31, 2008.

OP&F is committed to making additional capital contributions of $227,836,533 and $9,537,500 toward our private equity program. A commitment of $43,000,000 was pending legal review and contract execution at year end. Our private equity program had $318,267,065 and $375,078,545 (audited) in fair value at December 31, 2008, and 2007, respectively.

9 – 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. 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 Officers Death Benefit Fund is considered to be an agency fund administered by the Ohio Police & Fire Pension Fund and, accordingly, its assets of $87,499 and $359,196 and the related liability for unpaid benefits are included in the accompanying financial statements as of December 31, 2008 and 2007, respectively.

10 – 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 retention 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 December 31, 2007

Pension Trust (dollars in millions)

Valuation Year (December 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
2007	$11,213	$13,728	$2,515	81.70%	$1,831	137.30%
2006	10,158	12,988	2,830	78.21%	1,783	158.72%
2005	9,551	12,190	2,639	78.35%	1,756	150.28%
2004	9,337	11,545	2,208	80.88%	1,684	131.12%
2003	9,337	10,798	1,461	86.47%	1,644	88.86%
2002	8,683	10,508	1,825	82.63%	1,606	113.64%
2001	9,076	9,786	710	92.75%	1,534	46.28%
2000	8,498	9,507	1,009	89.39%	1,408	71.66%

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 (December 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
2007	$ 527	$ 3,623	$ 3,096	14.50%	$ 1,831	169.10%
2006	437	3,274	2,837	13.30%	1,783	159.10%
2005	343	3,335	2,992	10.30%	1,756	170.40%

Schedule of Contributions From Employers and Other Contributing Entities

Pension Trust

	Annual Required Contributions*	Percentage Contributed
Year ended December 31, 2007	$ 363,660,967	77%
Year ended December 31, 2006	321,712,471	73%
Year ended December 31, 2005	292,454,788	79%
Year ended December 31, 2004	257,851,201	88%
Year ended December 31, 2003	277,724,840	79%
Year ended December 31, 2002	205,992,860	100%
Year ended December 31, 2001	205,979,830	100%
Year ended December 31, 2000	206,796,608	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 millions)

	Annual Required Contributions*	Percentage Contributed
Year ended December 31, 2008	**	**
Year ended December 31, 2007	$ 250,163	51.6%
Year ended December 31, 2006	264,137	52.6%

** The ARC for 2008 as a percentage of payroll is 15.49 percent. The expected contribution is 6.75 percent of payroll, or about 44 percent of the ARC rate. The ARC amount (dollars) is equal to the ARC rate times the 2008 payroll. The ARC amount and the actual percentage contributed will be determined after 2008 has ended and will be reported in the January 1, 2009 valuation report.

Schedule of Administrative Expenses *

For the year ended December 31	2008	2007
Personnel Services		
Salaries and wages	$8,866,447	$8,844,434
OPERS contributions	1,157,212	1,195,839
Insurance	1,835,971	1,794,334
Fringe benefits/employee recognition	27,578	28,088
Tuition reimbursement	36,331	33,361
Total Personnel Services	**11,923,539**	**11,896,056**
Professional Services		
Actuarial	329,080	435,500
Audit	88,922	85,400
Custodial Banking Fees	1,729,017	2,077,351
Investment Fees & Consulting	25,306,817	27,052,180
Other Consulting (Disability, Software, Legal, and Health Care)	957,753	1,154,035
Banking Expense	60,348	56,889
Total Professional Services	**28,471,937**	**30,861,355**
Communications Expense		
Printing and Postage	433,478	506,147
Telephone	95,746	78,128
Member/Employer Education	17,256	11,221
Other Communications	80,400	80,400
Total Communications Expense	**626,880**	**675,896**
Other Operating Expense		
Conferences and Education	117,287	144,778
Travel	144,949	158,888
Computer Technology	474,982	441,164
Other Operating	592,844	571,871
Warrant Clearing	4,043	5,277
ORSC Expense	39,541	44,642
Depreciation Expense - Capital	2,078,888	1,986,416
Total Other Operating Expenses	**3,452,534**	**3,353,036**
Net Building Expense (includes rent)	**1,213,304**	**1,114,882**
Total Operating Expenses	**45,688,194**	**47,901,225**
Investment Expenses	**(29,680,465)**	**(31,638,753)**
NET ADMINISTRATIVE EXPENSES	**$16,007,729**	**$16,262,472**

* Includes investment related administrative expenses

Schedule of Investment Expenses**

Category	2008	2007
Investment Manager Services	$24,037,142	$25,273,737
Custodial Banking Fees	1,729,017	2,077,351
Other Professional Services	1,269,675	1,778,443
Other Direct Investment Expenses	1,431,338	1,418,366
Allocation of Other Administrative Expenses	1,213,293	1,090,856
INVESTMENT EXPENSES	**$29,680,465**	**$31,638,753**

** 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 December 31, 2008

Public Safety Officers Death Benefit Fund

	Balance December 31, 2007	Additions	Subtractions	Balance December 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**	**20,271,697**	**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**

For the year ending December 31, 2007

Public Safety Officers Death Benefit Fund

	Balance December 31, 2006	Additions	Subtractions	Balance December 31, 2007
Assets:				
Cash and Short-term Investments	$420,262	$20,000,000	$20,061,066	$359,196
Total Assets	**420,262**	**20,000,000**	**20,061,066**	**359,196**
Liabilities:				
Due to State of Ohio	420,262	20,000,000	20,061,066	359,196
Total Liabilities	**$420,262**	**$20,000,000**	**$20,061,066**	**$359,196**

The 2008 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 Ohio Police & Fire Pension Fund (hereby after referred to as the Fund), 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 the Fund. Within the guidelines of the Code, the Fund has developed an internal Investment Policy that provides for appropriate diversification of assets, and an acceptable expected return on investments after consideration of investment risks. 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 2008

Most of our efforts last year were focused on conducting an Asset/Liability Study in order to update our Asset Allocation Policy to most efficiently maximize the safety of promised benefits and minimize the cost of funding those benefits. In addition, we continued to work toward full implementation of our portable alpha program by funding one of our active currency managers and by completing a market neutral manager search with the hiring of two fund-of-hedge fund managers. Following are these and other noteworthy accomplishments and issues addressed by the Fund in 2008.

- Completed Asset/Liability Study resulting in the following Asset Allocation Policy:
    - U.S. Equity....29%
    - Non-U.S. Equity....29%
    - Long Duration Bonds....6%
    - Global Inflation Protected Securities....6%
    - High Yield Bonds....8%
    - Real Estate....12%
    - Private Markets....7%
    - Timber....3%
- Completed the implementation of the following portable alpha initiatives:
    - Portable alpha - Active Currency
        - FX Concepts LLC commenced trading
    - Portable alpha - Market Neutral
        - Selected Grosvenor Capital Management, L.P.
        - Selected Investcorp Investment Advisors LLC
- Completed the shift from a mix of separate accounts and commingled funds to solely commingled funds in our real estate portfolio
    - Contributed our lone remaining wholly-owned property to the INVESCO Core Real Estate Fund in exchange for additional units of the Fund
- Continued to work toward our target allocation in private markets
    - Made commitments to Abbott Capital Private Equity Fund VI, L.P., 2009 Adams Street Partnership Fund – Non-U.S. Developed Markets Fund, 2009 Adams Street Partnership Fund – Non-U.S. Emerging Markets Fund, HarbourVest International Private Equity Partners VI Partnership Fund, L.P., Northgate IV, L.P. and Riverside Capital Appreciation Fund V, L.P.
- Continued to work toward our target allocation in real estate
    - Made commitments to Lone Star Fund VI, Lone Star Real Estate Fund, and Westbrook Real Estate Fund VIII, L.P.
- Amended our High Yield Managers' Guidelines to allow investments in bank loans
- Amended our Global Inflation Protected Securities manager's guidelines in relation to counterparty use
- Amended our Real Estate Strategic Plan and our Real Estate Commingled Fund Search Policy
- Amended and adopted the Private Markets Investment Policy
- Amended our Proxy Voting Policy
- Amended our Broker Policy
- Approved the 2008 & 2009 Real Estate Investment Plans
- Approved the 2008/2009 Private Markets Investment Plan
- Adopted the Iran and Sudan Divestment Policy as required by state statute
- Rebalanced overweight/underweight asset classes back to policy ranges

Economic Environment

The U.S. economy stumbled into 2008 with little to no positive momentum. Housing continued to weaken and the financial market meltdown threatened to completely cut off credit, the lifeblood of the economy. The deterioration in the labor market began to snowball as growing non-farm payroll losses each month quickly added up and gathered steam as the year progressed. By the end of the year, the economy was shedding more than 600,000 jobs per month. Of course, the unemployment rate mirrored this trend as it steadily rose to 5.6 percent by mid-year and then jumped in the final quarter to end 2008 at 7.2 percent, a level not seen since early 1993. Falling employment, tumbling equity markets and home values hurt consumer confidence causing a cutback in consumer spending. These trends intensified as the year progressed. In addition, the tightening credit conditions and falling export activity led businesses to reduce capital spending. First-half growth was weak with a small bump in the second quarter thanks to tax rebates associated with a fiscal stimulus package. Second-half economic growth tumbled even further as the financial market meltdown picked up steam. For all of 2008, real Gross Domestic Product (GDP) increased 1.1 percent, versus 2.0 percent the prior year. By years-end, the economic landscape was littered with failed and weakened industrial and financial firms. The big three automakers were teetering on the edge of bankruptcy. Financial giants such as Merrill Lynch, Goldman Sachs, Morgan Stanley, Wachovia, Bear Stearns, Lehman Brothers, Fannie Mae and Freddie Mac were either gone, taken over, converted to banks or overseen by a conservator. Lastly, not that it came as a huge surprise by the time it was decided, but a recession was officially declared to have begun in December 2007.

Inflation pushed higher into mid-2008 before falling precipitously through year-end. For all of 2008, inflation as measured by the Consumer Price Index (CPI) barely rose by 0.1 percent, its lowest recorded full calendar year level since a negative reading in 1954. Not surprisingly, the paths of CPI and energy prices appeared to be linked over the course of the year. Oil and natural gas continued to shoot up to record levels into July before beginning a steep, steady decline through year-end. The CPI registered annual growth rates ranging from 3.9 percent to 5.6 percent through July, but fell sharply in the fourth quarter. The up then down pattern of inflation last year was enhanced by early year demand for commodities from emerging market countries and a weak U.S. dollar, which was followed by a second-half downswing in these emerging economies accompanied by the inflation dampening effects of a surging dollar.

To combat the plunging housing market and the growing problems in the credit markets, the Federal Reserve moved aggressively by cutting the federal funds rate twice in January and twice more through April before going on hold at the 2.00 percent level until October. Along the way, the Fed helped finance JP Morgan Chase's acquisition of Bear Stearns and established lending facilities to support primary dealers and the banking industry as well as the overall financial markets and economy. As the chaos in the markets worsened and the economic outlook remained bleak, the Fed eased twice more in October and in December moved the federal funds rate target to a previously unthinkable 0 percent - 0.25 percent range. The Fed stated that it expects economic and financial conditions to remain such that it will keep rates at very low levels for an extended period. The Fed also began to purchase mortgage-backed securities in an effort to lower mortgage rates and bolster the housing industry. The Treasury, FDIC, and the Federal Reserve all got involved to an unprecedented extent in modern times to provide backstops, guarantees, lending facilities, and take preferred share positions in major banks.

Overseas, economic expansion in developed market countries and some emerging markets began to slow in the first half of 2008; although, the increasingly important Chinese economy maintained its strength early on. Foreign central banks spent the early part of the year either on hold or, in some cases, tightening monetary policy to combat the threat of inflation from rising energy and commodity prices. Many countries faced problems similar to those in the U.S., such as crumbling housing markets and troubled financial markets. As the year progressed, both developed and emerging markets economies began to tumble. Export sectors were hurt by falling global demand as financial market turmoil and tightening credit conditions spread across the globe. As commodity prices fell and consumers began to retrench, foreign central banks saw inflation rates declining at home and abroad. Authorities quickly shifted gears and began easing monetary policy and providing substantial fiscal stimulus plans to bolster their weakening economies.

The outlook for 2009 started out rather gloomy, but has been changing to a more optimistic view of late. Of course, given the depths of last year's problems, stability at even very weak levels can be viewed optimistically. Continued job losses well in excess of 600,000 per month have so far pushed the unemployment rate much higher to end the first quarter at 8.5 percent, a level not seen since late 1983. First quarter GDP was reported as having dropped at a -6.1 percent annual rate after having fallen at a -6.3 percent rate in fourth quarter 2008. This marks the weakest six months since 1957-58. On another sobering note, if the economy shrinks in the second quarter as expected, the recession that began in December 2007 will be the longest since the Great Depression. On the bright side, declining inventory levels are being viewed as providing the potential for future increased production. The CPI has so far flat-lined, even registering a -0.4 percent annual drop for the twelve months ended March 2009. Continued 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. Chrysler has entered bankruptcy and GM faces the very real possibility of being next. The upcoming release of bank stress tests results has been stressing the markets, yet stocks have managed to move higher since early March. The market may be saying that the massive government stimulus and numerous support facilities are taking hold. Glimmers of hope can be seen in a bounce in the ISM Manufacturing Index, increased home sales in parts of the country and a possible rollover in the trend of initial jobless claims. The latest consumer confidence reading was better than expected thanks to the stock market rally, lower mortgage rates and hopes for a better job market. Of course, this may be tempered by GM's plans to shut down production for far longer than normal, the effects of which will ripple through its supplier network, as well as GM's decision to significantly reduce the number of its dealerships. As mentioned earlier, the Fed had already lowered the funds rate effectively to 0 percent and with the help of the U.S. Treasury has initiated countless programs to thaw the frozen credit markets and jump start the economy. Among these efforts, the Fed has also been buying U.S. Treasuries in an attempt to keep market interest rates low and aid the general economy through lower borrowing rates. Yet, it remains to be seen if all this liquidity flooding into the financial system will translate into real lending and a boost to economic activity. The stock market is currently predicting that it will.

Total Fund

Dragged down by deeply negative returns in U.S. and international equity markets, our portfolio as well as our policy index suffered very poor returns in 2008. Unless you were invested in U.S. Treasuries, there was almost no place to hide last year. Only our fixed income, cash and real estate (return lagged by one quarter) provided meager positive returns. Our total portfolio, on a trade date basis, was valued at $12.83 billion at the beginning of the year and ended the year at $8.79 billion. This dramatic decline led to a deeply disappointing return of -28.06 percent gross of fees for the year compared to a policy index return of -28.89 percent. This result brought our 3-year annualized gross of fees return to -2.63 percent and our 5-year annualized gross of fees return to 2.64 percent. Both our 3- and 5-year returns exceeded their respective policy index returns of -3.52 percent and 2.00 percent, respectively. While it is nice to have outperformed our policy index, the absolute level of returns makes this a hollow victory.

We believe that a well-diversified portfolio will serve the Fund well over the long-term. In an effort to maintain that diversity and to cope with the dramatic 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 structural decisions as well as in our future initiatives, we have and will continue to evaluate non-correlated, non-traditional asset classes in our search for optimal risk-adjusted returns.

Equities

U.S. equity markets sold off somewhat through the first quarter last year, with the Bear Stearns failure being notable at the time, but largely recovered into late May as investors believed that mounting credit problems could be contained. That hope began to fade in the third quarter and essentially disintegrated after the Lehman Brothers bankruptcy on September 15, 2008 triggered a massive decline in economic activity and stock prices. The financial and economic turmoil that began early in 2008 shifted into overdrive in the final months of the year, resulting in market declines of 30-40 percent for 2008 with volatility reaching an all-time high. The deleveraging and re-pricing of risk took a heavy toll on stocks last year with September through November going into the books as one of the most cataclysmic periods in financial market history.

2008 contained the worst 10-year period for U.S. stock price performance (-46.9 percent through November 20, 2008), as measured by the S&P 500, since September 1, 1939 and the third worst peak-to-trough decline -51.9 percent in the past century. The broad large-cap U.S equity market, as measured by the Russell 1000 Index, finished the year with a decline of -37.60 percent, while its small-cap companion, the Russell 2000, returned -33.80 percent. The commonly used S&P 500 Index returned a miserable -37.01 percent for the year. Our 2008 U.S. equity composite return was -38.02 percent gross of fees lagging its benchmark, the Dow Jones Wilshire 5000, return of -37.23 percent by 79 basis points.

Non-U.S. stocks traced a similar pattern to that of the U.S. market in 2008, but started to lose ground on a relative basis as the U.S. dollar strengthened from mid-July into early December. Non-U.S. equity markets quickly lost ground as the credit crisis spread globally and the worldwide economy soured. For the year as a whole, returns varied widely by region and market. In general, U.S. markets outperformed most other developed markets, and most developed markets outperformed emerging markets. Non-U.S. stocks as measured by the MSCI ACWI ex-U.S. showed a decline of -45.53 percent (in U.S. dollar terms). Only two developed markets within the index, Japan and Switzerland, bested the figure by more than 5 percent. When taking into account emerging markets, an additional six (Morocco, Columbia, Israel, Chile, South Africa and Peru) of the forty-six total countries in the index can be added to this list. Japan was the only market of significant size among all of these and it should be noted that the majority of the strength in Japan was due to the climb of the Japanese yen against the benchmark currencies. The country's stocks actually fell by -42.56 percent (worse than the overall index) when measured in local terms.

Return compression was also seen in sector performance. Globally, no sector fared better than healthcare's -21.50 percent decline (measured in U.S. dollars or -20.26 percent as measured in local currency). Of the five sectors that did better than the MSCI World Index, only four, healthcare, consumer staples, telecommunications and utilities, bested it by more than five percent. Compounding the issue, these four sectors comprised only 27.01 percent of the index at the beginning of the year, not a lot of room with which to work.

Returns from international equity markets trailed U.S. stocks. The MSCI ACWI ex-U.S. (Net), representing both developed and emerging international markets remained ahead of all major domestic indices for the year posting a -45.52 percent decline. Our international managers combined declined by -45.71 percent gross of fees trailing our international equity benchmark, the MSCI ACWI ex-U.S., by 19 basis points.

Fixed Income

In 2008, fixed income markets suffered dramatic declines as the deleveraging of balance sheets and deteriorating economic fundamentals drove down prices across all sectors except Treasuries. The credit markets were frozen, causing governments worldwide to aggressively inject liquidity into the financial system. Exacerbated by the collapse of Lehman Brothers and fueled by illiquidity, volatility, and uncertainty, U.S. Treasuries outperformed dramatically as the fixed income market was dominated by a massive flight to quality and liquidity trade, bringing short-term Treasury yields to their lowest levels of the year.

Even traditionally high quality spread sectors were not spared. Seeking to ensure that they would not be faced with a lack of liquidity, investors sold assets across all sectors, without discriminating between good and bad bonds. That said, while investors are still feeling the pain of the underperformance of the past year, most cannot remain in Treasuries forever and still achieve their long-term return goals given the relatively low yields. The extraordinary dispersion of returns across sectors in 2008 followed a period from 2004 through 2006 when tight spreads among investment grade sectors reflected the extraordinary degree of liquidity available in the market at the time. What ensued was an extreme reversal in 2007 and 2008, as the liquidity crisis unfolded and deepened, and spreads widened to unprecedented levels.

Our core fixed income composite returned 0.37 percent gross of fees versus the Barclays Aggregate Index return of 5.24 percent for 2008. The Inflation Linked Policy return was 1.29 percent for the year, while our Global Inflation Protected Securities manager's return was much better at 2.04 percent gross of fees.

High Yield

The Barclays Capital High Yield Index fell -17.88 percent in the fourth quarter, bringing the 2008 total return to -26.16 percent. While September 2008 performance had been the worst month on record at -7.98 percent, the sector's returns in both October and November were significantly worse at -15.91 percent and -9.31 percent, respectively. An abrupt reversal was seen in December, as the sector returned 7.68 percent with notable positive price movement near month-end. The primary market saw only three deals come to market totaling $1.3 billion in the fourth quarter. Just $50.6 billion was issued in the high yield primary market in 2008, a 68.5 percent decline versus 2007. Institutional loan volume declined 81.5 percent versus 2007. Given spreads in the secondary market, the prohibitive cost of new-issue debt effectively closed the primary market for the second half of 2008. The Standard & Poor's Leveraged Loan Index returned -23.9 percent, far surpassing the third quarter of 2008 as the worst on record. The index finished the year with a -29.9 percent total return. At year-end, the average price of the loans in the index was $75.17, implying a spread to maturity of LIBOR + 1206 bps. The lagging 12-month default rate among loan issuers increased to 4.35 percent from just 0.26 percent at year-end 2007, representing thirty-seven companies in default.

Technical factors continued to drive prices lower in the fourth quarter as many market participants were forced to unwind total return swaps. This deleveraging led to several large bid wanted lists. Price declines caused several collateralized loan obligations to unwind putting further downward pressure on a loan market already struggling to find buyers. Rating agencies were quick to downgrade many high yield issuers. Reasons for their actions included macroeconomic pressures, impending financial covenant issues, and bond exchanges. The final stroke for floating-rate assets was the dramatic fall in yields in the short-end of the LIBOR curve. Given the loan market's standard four-year repayment assumption, the move in three-month LIBOR from 3.92 percent on September 30 to 1.43 percent on December 31 translated to a price decline of approximately 10 points to maintain a constant absolute yield.

The global high yield market (Merrill Lynch Global High Yield Constrained Index hedged in USD) returned -17.69 percent for the fourth quarter and -26.11 percent for the year. Our composite high yield return was -20.17 percent gross of fees in 2008, while our benchmark, the CSFB Developed Countries HY Index, had a return of -26.09 percent.

Real Estate

2008 was also a challenging year for private equity real estate due to the historic collapse in the global credit markets. A deteriorating global economy negatively affected real estate fundamentals with leveraged investments exacerbating the extent of the downturn for investors. The NCREIF Property Index ("NPI"), fell by -6.5 percent for the year. Losses accelerated throughout the year, with the fourth quarter declining by -8.3 percent. In the fourth quarter of 2008, write-downs became prevalent across real estate portfolios to account for additional risk inherent in the underlying cash flows of individual assets. Asset valuations were further impacted by the drastic decline in credit availability, resulting in reduced transaction volume and expanding capitalization and discount rates.

The table below shows the five property types that comprise the NPI and their respective one-year returns.

	% of NPI	One Year Return
Office	38.4%	(7.3%)
Apartment	24.0%	(7.3%)
Retail	20.6%	(4.1%)
Industrial	15.2%	(5.8%)
Hotel	1.8%	(9.4%)
NPI	**100.0%**	**(6.5%)**

While the annual return for hotels was the lowest, the office sector ultimately had the most significant impact on performance. The office sector is historically the most volatile property type, and office values declined dramatically in the fourth quarter, with the central business district sub-sector, particularly in major markets, driving the poor performance. In addition to the poor performance of the office sector, residential transaction volumes fell substantially in the second half of the year and values declined -7.3 percent for the year. The global economic downturn led to deteriorating property fundamentals, ultimately driving the negative annual returns across all property types.

At the end of 2008, the market value of the OP&F real estate portfolio was approximately $876 million, or 9.7 percent, of total assets. The portfolio value declined by

-16.2 percent during 2008. Portfolio returns consisted of 2.0 percent income and -17.9 percent appreciation. In 2008, OP&F made total commitments of $50 million to three high return funds: $8.5M to Lone Star Real Estate Fund, $16.5M to Lone Star Real Estate Fund VI, and $25M to Westbrook VIII. OP&F made no new commitments to Stable Return investments via Open End Commingled Funds due to re-pricing concerns.

The Real Estate Program is essentially fully committed. In December 2008, Townsend recommended, and the Board approved, amendments to the OP&F Strategic Plan for 2009, which are summarized below:

- Two portfolio classifications are now utilized: the i) Strategic Portfolio, and ii) the Tactical Portfolio
    - The Strategic Portfolio comprises the investments formally classified as "Core" or "Stable Return"
    - The "Tactical Portfolio" comprises the investments formerly classified as "Enhanced and High Return"
- The proportions committed to each were also revised in line with OP&F's expectations of more attractive risk-adjusted returns in the execution of more tactical investments.

Additionally, in December 2008, the Board approved an investment plan that called for primarily two courses of action in 2009:

- Reserve a maximum of $50 million for commitment in 2009, likely for investments in the Tactical Portfolio;
- Reallocate the capital among the open end commingled funds to more tactical investments and, more specifically, redeem from the J.P. Morgan Alternative Property Fund and RREEF America REIT II fund.

Private Markets

For the year ended September 2008 (returns are lagged by one quarter), our allocation to private markets provided a return of -2.32 percent versus its public markets-based benchmark, the Dow Jones Wilshire 5000 + 3 percent, return of -18.78 percent. In terms of the two most prominent private markets subclasses, for the one-year ended September 2008, U.S. venture capital returned -1.6 percent and U.S. private equity, including buyouts and mezzanine, returned -7.7 percent, according to Thomson Financial and the National Venture Capital Association.

Performance of the U.S. private markets subclasses reversed course in 2008 after several years of gains as the effects of the financial crisis weighed on private markets, especially in the second half of the year. One-year returns through December 31, 2008 for U.S. venture capital were -20.9 percent, while U.S. buyout funds returned -23.9 percent. Returns were subdued due to the lack of initial public offerings ("IPOs") of stock as well as by diminished merger & acquisitions ("M&A") activity. In 2008, there were only six venture-backed IPOs in the U.S., the fewest since 1977. Furthermore, five of the six offerings occurred in the first quarter of 2008, well before the bankruptcy of Lehman Brothers in September, which many agree was the event that ignited the current economic and financial market turmoil. With regard to venture capital-backed M&A activity, there were 260 transactions in the U.S. in 2008, the lowest annual figure since at least 2002. There was not much better news for the private equity subclass, particularly the buyout industry, as only six U.S. buyout-backed companies went public in 2008 and buyout-backed M&A activity in the U.S. declined by 44 percent year-over-year.

Overseas, for the year 2008, European venture capital returned -17.9 percent and European buyouts returned -26.4 percent. As the one-year returns through December indicate, not only did the lack of exit opportunities hinder performance in Europe, but the financial crisis and its downward pressure on valuations affected returns in the fourth quarter.

On the investment front, the U.S. venture capital subclass saw investments of $28.8 billion in 2,550 financings in 2008. This total represents an approximate 8 percent decrease in dollars invested over 2007 and the lowest annual volume of financings since 2005. Although the majority of sectors/industries experienced a decline in the amount invested year-over-year, two bright spots were the cleantech industry along with media content and information. With regard to the U.S. private equity subclass, particularly the buyout industry, 2008 was a difficult year as the value of announced deals tumbled 84 percent to $61.1 billion from $375.1 billion a year earlier. As one might expect, the number of deals also declined from 931 in 2007 to 645 in 2008. The U.S. was not alone in these declines as buyout dollars invested declined in Europe, the Asia-Pacific region, including Japan and Australia, and in emerging markets.

One area of concern the last few years that thankfully reversed course in 2008 was the amount of capital raised by private markets funds, specifically the buyout industry. Fundraising across the private markets asset class declined 18.5 percent in 2008 compared to 2007. More specifically, the U.S. venture capital subclass saw the amount of capital raised fall by 25.3 percent, while the U.S. private equity subclass saw fundraising fall by 17.7 percent. Within the private equity subclass, the buyout industry saw fundraising fall by 26 percent. One notable exception was the mezzanine industry, which saw a 351 percent increase in the amount of capital raised year-over-year. Unlike the U.S., except for Latin America and Eastern Europe, other regions of the world, such as Western Europe, the Middle East, Africa and Asia, saw a slight uptick in the amount of capital raised in 2008 compared to 2007.

Factors currently confronting the private markets asset class include the limited availability of debt or leverage, closed exit markets, "sticky" purchase price multiples (buyer vs. seller expectations), the current economic downturn, and cash strapped limited partners.

We continue to work steadily toward our newly adopted 7 percent target allocation. On an invested basis, private markets comprised 3.9 percent of the Fund's assets as of year-end vs. 2.8 percent at the end of 2007. Our total committed capital since inception of our private markets program was $753.8 million, of which $227.8 million has yet to be called. In addition, we have €80.5 million in commitments, of which €52.5 million has yet to be called. Distributions since inception of the program have totaled $359.4 million and €14.7 million.

In the future, we will continue to work toward our newly adopted 7 percent target by reviewing and monitoring existing relationships for further investment and by looking at a limited number of new managers. As always, we will continue to look for ways to diversify our private markets program to achieve the highest risk-adjusted returns and will manage the portfolio to comply with its policy objectives and constraints.

2009 Developments and Challenges Ahead

As in years past, the Board and staff devoted considerable time analyzing how to meet the 30-year statutory funding requirement while still maintaining the health care stabilization fund's solvency. The problems created by 2008's market turmoil and the accompanying negative returns have drawn a considerable amount of attention from our Board, staff and consultants. Due to the extreme nature and consequences of the past year's market volatility, we are investigating various forms of proactive risk management and are considering whether to add more flexibility to our investment policies. Through all this, the Board and staff continue to manage the Fund's assets in order to serve the long-term financial objectives of the Fund. We also continue to evaluate non-correlated sources of return, rebalance the Fund's assets between overweight/underweight asset classes and evaluate strategies that seek to achieve the highest risk-adjusted returns for our portfolio. 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 2009 and a number that still lie ahead:

- Continued implementation of a pending portable alpha initiative
    - Portable Alpha - Market Neutral
        - Investcorp Investment Advisors LLC commenced trading
        - Commence trading for Grosvenor Capital Management, L.P.
- Continued to work toward target allocation to private markets
    - Made commitments to Landmark Partners XIV, L.P., Lexington Capital Partners VII, L.P. and TA XI, L.P.
- Revisit 2008's Asset/Liability Study
    - Confirm or amend the Asset Allocation Policy adopted in 2008
        - Review alternative/opportunistic beta strategies
- If the Asset Allocation Policy is confirmed, work toward December 31, 2009 Interim Asset Allocation Targets:
    - U.S. Equity....39%
    - Non- U.S. Equity....24%
    - Long Duration Bonds....2%
    - Core Fixed Income....8%
    - Global Inflation Protected Securities....6%
    - High Yield Bonds....7%
    - Real Estate....10%
    - Private Markets....4%
    - Timber....0%
- Complete Asset Class Structure Review (2nd step in Asset/Liability Study)
    - Consider the following:

    - Portable Alpha (Optimal % of U.S. Equity portfolio as well as possible component of Non-U.S. Equity and/or Fixed Income portfolios)
    - 130/30, or Active Extension Strategies (U.S. Equity portfolio)
    - Credit opportunities (Fixed Income or Alternatives portfolios)
    - Small cap (Non-U.S. Equity portfolio
- Amended our Proxy Voting Policy
- Review and amend our Investment Policy & Guidelines
- Review and adopt a Timberland Investment Policy
- Evaluate and consider passive or active rebalancing strategies
    - Initiate a Request for Information for a Rebalancing Manager
    - Possible implementation of a Rebalancing Manager
    - Possibly utilize for tactical portfolio shifts
- Complete implementation of Treasury Management/Cash Management Software

Given the economic turmoil and highly volatile market environment in late 2008 and so far in 2009, Board, staff and consultant will revisit our Asset/Liability Study to either confirm or amend the Asset Allocation Policy that was adopted in mid-2008. Specifically, we will incorporate any new asset class return, risk and correlation assumptions. In addition, strategies that may offer downside protection during market sell-offs may be evaluated for possible inclusion. As indicated above, the primary objective of revisiting the study will be to select a policy portfolio that maximizes the safety of the promised benefits while minimizing the cost of funding those benefits. Seeing that asset allocation is responsible for greater than 90 percent of the variability of a plan's returns, we believe revisiting the study is a prudent and important undertaking in 2009. 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	4.90%	$440,804,450
U.S. Government Bonds	3.89%	349,061,111
U.S. Government Treasury STRIPS	0.60%	54,071,064
U.S. Government Agencies	0.04%	3,261,148
Corporate Bonds and Obligations	8.14%	730,315,593
Mortgage and Asset-Backed Obligations	7.93%	711,988,822
Domestic Stocks	17.81%	1,598,486,340
Domestic Pooled Stocks	19.76%	1,774,301,202
International Securities	23.11%	2,074,682,620
Real Estate	9.74%	874,052,835
Commercial Mortgage Funds	0.53%	47,977,654
Private Equity	3.55%	318,267,065
Total Fair Value - Cash and Securities	**100.00%**	**$8,977,269,904**
Net Investments Commitments Receivable/(Payable)		(188,996,853)
Total Portfolio Value (Trade Date Basis)		**$8,788,273,051**

Ten Largest Common Stocks (by Fair Value)

Stock	Shares	Fair Value
France Telecom SA	1,440,231	$39,964,092
Nestle SA-Registered	889,850	34,794,398
Novartis AG-Reg Shs	629,707	31,192,367
Telefonica SA	1,209,125	26,642,669
Exxon Mobil Corporation	329,100	26,272,053
E.ON AG	614,224	24,284,750
Roche Holdings AG-Genuss Chein	157,510	24,058,065
Teva Pharmaceutical	555,100	23,630,607
Novo Nordisk A/S-B	436,188	22,079,487
Sanofi-Aventis	313,811	19,806,205

Ten Largest Bonds and Obligations (by Fair Value)

	Coupon	Maturity Date	Par Value	Fair Value
FNMA	5.000	01/01/2039	$95,450,000	$97,444,905
U.S. Treasury Bond	3.875	04/15/2029	18,490,000	29,841,791
U.S. Treasury Bond	2.375	01/15/2025	21,700,000	24,161,072
U.S. Treasury Note	3.000	07/15/2012	19,900,000	23,498,350
U.S. Treasury Note	0.875	04/15/2010	19,400,000	20,902,673
Buoni Poliennali Del Tes	1.850	09/15/2012	14,200,000	20,245,227
FNMA	4.000	09/01/2018	19,600,195	20,111,172
Canada-Gov't Real Return	4.000	12/01/2031	13,700,000	18,506,637
Buoni Poliennali Del Tes	2.100	09/15/2017	13,000,000	18,464,559
France (Gov't Of)	2.500	07/25/2013	11,300,000	18,182,104

Ten Largest Real Estate Holdings (by Fair Value)

Holding/Institution	Fair Value
INVESCO Core R.E.	$273,834,979
J.P. Morgan Strategic Property Fund	95,097,379
Prudential PRISA	90,125,082
Morgan Stanley Prime Property Fund, LLC	53,103,588
Heitman America Real Estate Trust	50,950,125
RREEF America REIT II	46,302,600
TA Realty Associates Fund VIII	21,236,821
LaSalle Income and Growth Fund IV	20,920,580
J.P. Morgan Alternative Property Fund	19,095,027
Blackstone Real Estate Partners V	18,617,638

Schedule of Investment Results For the Year Ended December 31, 2008

	Annualized Rates of Return		
	1-Year	3-Year	5-Year
U.S. Equity			
OP&F	**(38.02)%**	**-9.16%**	**(1.83)%**
DJ Wilshire 5000	(37.23)%	(8.44)%	(1.69)%
Int'l Equity			
OP&F	**(45.71)%**	**(5.66)%**	**3.23%**
MSCI ACWI ex-US (Net)	(45.52)%	(6.98)%	2.56%
Fixed Income			
OP&F - Core	**0.37%**	**3.79%**	**3.74%**
Barclays Aggregate	5.24%	5.51%	4.65%
OP&F - High Yield	**(20.17)%**	**(3.26)%**	**0.49%**
CSFB Developed Countries HY	(26.09)%	(5.37)%	(0.69)%
OP&F - GIPS	**2.04%**	**5.49%**	**5.24%**
Barclays Global Inflation Linked Bond Index	1.29%	3.95%	4.61%
OP&F - Commercial Mortgages *	**0.68%**	**2.67%**	**4.50%**
Lehman Mortgage Index *	7.00%	5.52%	4.84%
Real Estate *			
OP&F	**2.07%**	**15.95%**	**17.46%**
Wilshire Real Estate Fund	(39.83)%	(12.40)%	0.62%
NCREIF	5.27%	13.25%	14.24%
Private Equity *			
OP&F	**(2.32)%**	**14.79%**	**15.49%**
Wilshire 5000 + 5%	(18.78)%	4.14%	10.11%
Total Portfolio			
OP&F	**(28.06)%**	**(2.63)%**	**2.64%**
** Policy Index	(28.89)%	(3.52)%	2.00%

* One quarter in arrears

****Policy Index** - 46% DJ Wilshire 5000, 18% Barclays Aggregate, 20% MSCI ACWI ex-US, 8% NCREIF Property Index, 5% CSFB Dev. Countries HY, 3% DJ Wilshire 5000 + 3%

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

Investment Consultants and Money Managers

For the Year Ended December 31, 2008

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
Wilshire Private Markets, LLC

Investment Managers – Fixed Income

Bridgewater Associates
JPMorgan Investment Advisors Inc.
Lehman Brothers Asset Management, LLC
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
Chicago Equity Partners LLC
Columbia Asset Management
Earnest Partners LLC
INTECH Investment Management, LLC
FX Concepts
Mellon Capital Management
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 Value Partners, 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.
Starwood Capital Group
Stockbridge Real Estate Fund
Prudential Investment Management, Inc.
TA Associates Realty
RREEF America, LLC
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 December 31, 2008

Broker Name	Fees Paid	Units Traded	Average Cost Per Unit
Credit Suisse	$316,543.00	57,441,000	$0.0055
Merrill Lynch	306,446.00	89,527,000	0.0034
Goldman Sachs	245,487.00	17,930,000	0.0137
Lehman Brothers	234,310.00	17,990,000	0.0130
Deutsche Bank	221,709.00	22,703,000	0.0098
UBS Securities	212,257.00	17,540,000	0.0121
Citigroup	205,546.00	32,921,000	0.0062
Morgan Stanley	193,419.00	44,801,000	0.0043
Instinet	192,190.00	18,308,000	0.0105
JP Morgan Securities	191,389.00	21,984,000	0.0087
Investment Technology Group	132,909.00	9,079,000	0.0146
Liquidnet Inc.	109,651.00	4,654,000	0.0236
Jefferies & Co., Inc.	96,340.00	8,947,000	0.0108
Bloomberg Tradebook	91,054.00	26,307,000	0.0035
Societe Generale	84,560.00	34,849,000	0.0024
Capital Institutional Services	79,794.00	4,372,000	0.0183
Rosenblatt Securities, Inc	63,336.00	3,801,000	0.0167
Daiwa	58,187.00	4,357,000	0.0134
Sanford C. Bernstein	56,954.00	2,651,000	0.0215
Brockhouse and Cooper	55,689.00	7,401,000	0.0075
ABN Amro	55,631.00	13,784,000	0.0040
Weeden	53,997.00	3,143,000	0.0172
SG Americas Securities	53,036.00	34,933,000	0.0015
Nomura Securities Int'l, Inc	47,951.00	4,864,000	0.0099
G Trade Services Ltd.	41,807.00	31,169,000	0.0013
Guzman & Co.	35,226.00	2,264,000	0.0156
Cheuveux	33,264.00	441,000	0.0754
Macquarie Capital Inc	31,664.00	2,481,000	0.0128
Raymond James & Associates	27,807.00	795,000	0.0350
Keefe Bruyette And Woods	27,339.00	998,000	0.0274
Credit Agricole	25,345.00	873,000	0.0290
Knight Securities	25,213.00	1,138,000	0.0222
Bear Stearns	24,653.00	1,049,000	0.0235
Stifel, Nicolaus & Co.	24,313.00	694,000	0.0350
Lynch Jones Ryan	22,926.00	2,001,000	0.0115
BNY Brokerage Inc	22,492.00	572,000	0.0393
ABG Sundal Collier	22,480.00	318,000	0.0707
HSBC Securities Inc	20,993.00	1,026,000	0.0205
RBC Capital Markets	20,289.00	693,000	0.0293
Broker Fees Less than $20,000	401,289.00	18,446,000	0.0218
TOTAL	**$4,165,485.00**	**569,245,000**	**$0.0073**

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 will conduct 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 shall also be carried out "with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims", as referenced in ORC Section 742.11. All aspects of this statement should be interpreted in a manner consistent with OP&F's objectives. At least annually, the Board shall adopt 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 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 Ohio Revised Code 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 Fund 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 forty-six percent (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 21.0 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 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 25.0 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-US (MSCI ACWI-ex US) 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 Ohio Revised Code 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-US countries.
2. The composite portfolio shall have similar portfolio characteristics as that of the MSCI ACWI-ex US. 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 Fund 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-US 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 US, 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 Lehman 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 Ohio Revised Code 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 Lehman 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 Ohio Revised Code 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 four 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 Ohio Revised Code 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 Ohio Revised Code 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.
7. 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 Ohio Revised Code 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 percentof 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 Ohio Revised Code 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: 30-50 percent venture capital, 45-70 percent buyouts and 0-10 percent distressed debt/others.
2. OP&F will seek to maintain geographic diversification as such: 75-100 percent U.S. and 0-25 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:

	Guideline	Min	Max
Partnerships			
	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 Ohio Revised Code Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. Authorized investments include: commercial paper rated A2/P2 or better, repurchase agreements, reverse repurchase agreements, agency discount notes and U.S. Treasury Bills. Repurchase agreements and reverse repurchase agreements shall be limited to instruments of the Fund's domestic sub-custodian bank. 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 Monitoring and Evaluation Policy

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

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

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

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

1. Stability of the firm, as measured by the quality of the organizational structure of the firm; the existence of, or potential for, significant developments in the firm; and the expected financial stability of the firm.
2. Experience of the firm in providing investment management services to similar institutional investors, as measured by the firm's history of providing such services.
3. Ownership of the firm, as measured by the depth and structure of the incentive programs and the ownership type for key investment professionals in the subject product.
4. Firm commitment to improvement as measured by whether or not there is a clear business plan/ strategy, reinvestment in the firm with an overall commitment for enhancements/improvements.
5. Adverse organizational issues, as measured by the existence of litigation or other investigations; and the existence of financial problems.

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

1. Experience of portfolio manager(s) in providing similar services to similar institutional investors, as measured by the length of time the portfolio manager(s) has served as a portfolio manager to such investors; demonstrated expertise in providing such services to other such investors.
2. Stability of the firm's professional base, as measured by personnel turnover.
3. Depth of personnel, as measured by the firm's account/portfolio manager and account/ investment management personnel ratios; and back-up procedures for providing services to OP&F in the absence of the portfolio manager(s).

C. Client service and relationships;

1. Assets under management, as measured by the amount in the subject product as well as the experience of managing other similar asset class products.
2. The similarity of a firm's clients to OP&F, as measured by the amount of institutional tax-exempt assets under management and

the size of the individual accounts currently under management.

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

D. Investment philosophy and process;

1. Defined philosophy and process implementation, as measured by whether the philosophy is effectively communicated and what the process is and why it works. It should be identified as to whether the process is based on sound research and whether or not they are focusing on temporary or permanent inefficiencies in the market.
2. Portfolio construction process, as measured by whether or not the manager is benchmark oriented such that there are distinct portfolio objectives and on-going monitoring relative to these objectives. It should be identified as to whether the process contains risk controls, and if so, are they part of a disciplined process and who is performing the monitoring.
3. Research, as measured by whether there are appropriate resources given the product style, whether the research performed is qualitative or quantitative, and whether or not there are separate research departments by product type or one fully integrated research staff.
4. Sources of information, as measured by whether the data used in the process is collected and/or assimilated by outside organizations or generated internally and how the information is processed and interpreted.

E. Investment performance and risk control;

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

F. Investment fees;

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

Monitoring Responsibilities

It is important 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 2008 Comprehensive Annual Financial Report

Actuarial Section

The Ohio Police & Fire Pension Fund

140 East Town Street • Columbus, Ohio 43215
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Report of Actuary

buckconsultants
an ACS company

September 30, 2008

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

Members of the Board:

This report presents the results of the annual actuarial valuation of the assets and liabilities of the Ohio Police & Fire Pension Fund ("Fund") as of January 1, 2008, 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 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% per annum compounded annually. The assumptions and methods are unchanged from the prior valuation. The actuarial assumptions and methods comply with the parameters set forth in Governmental Accounting Standards Board Statement No. 25.

Assets and Membership Data

The Fund reported to the actuary the individual data for members of the Fund 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 trust fund taken into account in the valuation was based on statements prepared for us by the Fund. The assets used in the valuation are net of DROP accruals and assets in the health care fund.

Funding Objectives and Progress

The actuary uses an actuarial cost method to determine the portion of the Fund'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 value of the Fund's assets. The amount of liabilities in excess of the assets is called the unfunded actuarial accrued liability.

The actuary determines how many years are required by the Fund 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 2008, and each year since 2003, the funding period is infinite years. The infinite funding period is attributable to the less than assumed investment performance,

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the level of funding (contributions to the Fund), 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% to 6.75% 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.

It should be noted that the funded ratio (i.e., the ratio of actuarial assets to the actuarial accrued liability) determined as of January 1, 2008 is 81.7%, compared to 78.2% determined as of January 1, 2007. Taking into account the Medicare Part B premium reimbursements, the funded ratio would be 79.8%.

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,

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

Paul R. Wilkinson
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%, Eighth year of DROP: 100%.

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% 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% of retirees are assumed to elect the 50% J&S 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 2008) is assumed to increase as follows:

Year	Increase
2008	0.00%
2009	6.00
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 market average 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 the Fund as of the valuation date and does not take into account future members. All census and asset data was supplied by the Fund.

Summary of Benefit and Contribution Provisions

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

Eligibility for Membership

Immediate upon commencement of employment.

Member Contributions

10% 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.

Special Service 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 the Fund.

Deferred Retirement Option Plan (DROP)

Eligibility

Age 48 with 25 years of service.

Benefit

Member elects to defer retirement and must remain in the 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 he entered the DROP, plus cost-of-living adjustments, and (2) may elect to withdraw funds from the DROP accrual balance provided at least three years have elapsed from DROP enrollment. The DROP accrual balance 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 the DROP, the member forfeits all interest credited to his 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 his 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 the DROP, the member can choose to remain in the DROP or may receive a disability benefit and therefore forfeit all DROP benefits.

If the member dies while participating in the DROP, the member's spouse or beneficiary receives the DROP accrual balance 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.

Ordinary Disability (Off Duty)

Eligibility

5 years of service.

Benefit

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

Pre–retirement Death Benefit

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 Death 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, 2007	Next Increase Effective July 1, 2008
Spouse	$ 550	$ 677.60	$ 16.50
Child	150	184.80	4.50
Parents			
If one	200	246.40	6.00
If two	100	123.20	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 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 consent of the beneficiary.

COLA or Terminal Pay

Members retiring after January 1, 1989, and who have 15 or more years of service as of January 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 January 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. Note: This benefit is not included in the principal valuation results, but is included in the supplemental valuation results summarized in Table 1A.

Gains and Losses in Accrued Liabilities

Gains and losses in accrued liabilities resulting from differences between assumed and Actual experience as of January 1, 2008 and January 1, 2007

Type of Activity	2008	2007
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.	$(4,081,680)	$8,791,976
Retirement	13,897,950	(9,299,320)
If members retire at older ages than assumed, there is a gain. If younger, there is a loss.		
Death among retired members and beneficiaries	(29,919,560)	(17,865,504)
If more deaths occur than assumed, there is a gain. If fewer deaths, there is a loss.		
Disability Retirants	5,888,105	(6,787,726)
If disability claims are less than assumed, there is a gain. If greater increases, there is a loss.		
Salary increase/decrease	78,838,091	143,227,337
If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.		
Return to work	(2,615,797)	(43,320,000)
If participants return to work with previous service restored, there is a loss.		
New Entrants	(3,054,176)	(3,931,718)
If new entrants join OP&F, there is a loss.		
Deaths among actives	(3,227,813)	(3,831,049)
If claims costs are less than assumed, there is a gain. If more claims, a loss.		
Investments	592,467,598	66,825,853
If there is a greater investment return than assumed, there is a gain. If less, there is a loss.		
Payroll Growth	3,260,102	(2,525,988)
If payroll increases more than assumed, there is a gain. If payroll does not increase as assumed, there is a loss.		
TOTAL GAIN (OR LOSS) DURING THE YEAR	**$651,452,820**	**$131,283,861**

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)	Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
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	
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	7.8%	7.2%	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
1999	621	353	15,533	11,600	44,892	45,052	3.1%	2.2%	1,249.1

Plan Summary

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

	Added to rolls		Removed from rolls		Rolls end of year				
Year	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Percentage Change in Allowance	Average Annual Allowances	Percentage Change in Membership
2008	-	-	-		24,878	$652,474	3.55%	$26.23	0.79%
2007	1,128	27,877	933	14,586	24,683	630,080	4.70%	25.53	0.92%
2006	1,186	32,147	962	12,701	24,459	601,775	3.64%	24.60	0.49%
2005	916	19,803	797	12,132	24,340	580,645	4.00%	23.86	0.85%
2004	963	22,166	759	11,407	24,136	558,305	2.82%	23.13	0.89%
2003	975	23,887	762	10,722	23,923	542,997	6.45%	22.70	2.18%
2002	1,257		747		23,413	510,080		21.79	1.74%
2001	1,174		774		23,013				2.79%
2000	1,456		832		22,389				3.01%
1999	1,514		793		21,765				

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 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 percent. 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 with 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 (5.0 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 (10.0 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 a lump sum or monthly annuity.

If the member dies while participating in DROP, the spouse or designated beneficiary 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, 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

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 himself or, on his behalf, by his 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 is entitled to a benefit regardless of age at time of member's death until 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% 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 February 28,1980, for those retiring on either service pensions or disability benefits, optional annuity forms can be chosen. Members can elect actuarially reduced benefits under a joint and survivor annuity or life annuity certain and continuous forms. Effective April 25,1984, Pre–retirement Survivor Annuity was added to the plan, as discussed below.

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% 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 form. Married members may elect this form only if the spouse consents to the selection.

Joint and Survivor Annuity

For married members, this is the standard annuity form at the 50% continuation level. Any percent between 1% and 100% (if less than 50%, 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 form 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.

Life Annuity Certain and Continuous

The minimum guarantee is 5 years and the maximum is 20 years. 100% of the members' reduced pension continues to the beneficiary for the guarantee period selected.

Group Health Insurance and Medicare

Commencing January 1,1974, the Board may contract for group health insurance on the basis of part or all of the cost of the premium for the coverage to be paid by 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 January 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% to 100% for themselves and dependents based on the year of retirement, age at retirement, number of years of service, and retirement type.

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 January 1, 1989,are allowed to select between two different pension calculation plans. Under the terminal pay method, a pension is calculated using terminal payments such as accrued sick leave and vacation compensation to increase the average annual salary, 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% 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 January 1,1989.The COLA percentage equals a fixed 3% 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 2008 Comprehensive Annual Financial Report

Statistical 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

Financial Trends

Changes in Fiduciary Net Assets

Combine Trust Fund (dollars in millions)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Additions										
Employer Contributions	$407	$402	$374	$357	$349	$337	$322	$312	$305	$279
Member Contributions and Purchases	173	165	167	168	166	165	167	150	145	136
Investment Income	(3,833)	1,163	1,630	847	1,152	1,745	(870)	(443)	(165)	1,102
Health Care Contributions	57	56	59	55	56	17	13	7	6	6
Other Revenues	24	21	25	11	19	21	18	10	10	13
Total Additions	(3,172)	**1,807**	**2,255**	**1,438**	**1,742**	**2,285**	**(350)**	**36**	**301**	**1,536**
Deductions										
Benefit Payments	1,021	965	945	877	821	773	678	622	574	543
Administrative Expenses	16	16	17	16	16	17	15	13	13	12
Refund of Member Contributions	18	15	18	16	15	17	17	10	11	11
Discount on Early Payoff	-	-	-	-	-	-	-	4	22	12
Other Expenses	-	-	-	-	-	1	1	1	1	1
Total Deductions	**1,055**	**996**	**980**	**909**	**852**	**808**	**711**	**650**	**621**	**579**
Changes in Net Assets	**(4,227)**	**811**	**1,275**	**529**	**890**	**1,477**	**(1,061)**	**(614)**	**(320)**	**957**
Net Assets - Beginning of Year	**12,423**	**11,612**	**10,337**	**9,808**	**8,918**	**7,441**	**8,502**	**9,116**	**9,436**	**8,479**
Net Assets - End of Year	**8,196**	**12,423**	**11,612**	**10,337**	**9,808**	**8,918**	**7,441**	**8,502**	**9,116**	**9,436**
Reserve Fund Balances:										
Employers' Contribution Reserves	(525)	3,999	3,655	2,687	2,437	1,785	726	2,323	3,301	3,969
Members' Contribution Reserves	1,901	1,816	1,731	1,642	1,532	1,432	1,340	1,250	1,152	1,072
Health Care Contribution Reserves	439	527	437	343	294	231	205	251	277	288
Pension Reserves	6,381	6,081	5,789	5,665	5,545	5,470	5,170	4,678	4,386	4,107
TOTAL NET ASSETS	**$8,196**	**$12,423**	**$11,612**	**$10,337**	**$9,808**	**$8,918**	**$7,441**	**$8,502**	**$9,116**	**$9,436**

Changes in Fiduciary Net Assets

Pension Trust Fund (dollars in millions)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Additions										
Employer Contributions	$278	$280	$235	$229	$224	$216	$204	$203	$204	$188
Member Contributions	173	165	167	168	166	165	167	150	145	136
Investment Income	(3,697)	1,113	1,567	819	1,117	1,690	(847)	(433)	(162)	1,080
Health Care Contributions	-	-	-	-	-	-	-	-	-	-
Other Revenues	8	8	11	7	12	18	15	10	10	13
Total Additions	**(3,238)**	**1,566**	**1,980**	**1,223**	**1,519**	**2,089**	**(461)**	**(70)**	**197**	**1,417**
Deductions										
Benefit Payments	868	816	766	714	663	605	523	493	462	443
Administrative Expenses	15	14	15	13	14	15	13	10	10	9
Refund of Member Contributions	18	15	18	16	15	17	17	10	11	11
Discount on Early Payoff	-	-	-	-	-	-	-	4	22	12
Other Expenses	-	-	-	-	-	1	1	1	1	1
Total Deductions	**901**	**845**	**799**	**743**	**692**	**638**	**554**	**518**	**506**	**476**
Changes in Net Assets	**(4,139)**	**721**	**1,181**	**480**	**827**	**1,451**	**(1,015)**	**(588)**	**(309)**	**941**
Net Assets - Beginning of Year	**11,896**	**11,175**	**9,994**	**9,514**	**8,687**	**7,236**	**8,251**	**8,839**	**9,148**	**8,207**
Net Assets - End of Year	**7,757**	**11,896**	**11,175**	**9,994**	**9,514**	**8,687**	**7,236**	**8,251**	**8,839**	**9,148**
Reserve Fund Balances:										
Employers' Contribution Reserves	(525)	3,999	3,655	2,687	2,437	1,785	726	2,323	3,301	3,969
Members' Contribution Reserves	1,901	1,816	1,731	1,642	1,532	1,432	1,340	1,250	1,152	1,072
Pension Reserves	6,381	6,081	5,789	5,665	5,545	5,470	5,170	4,678	4,386	4,107
TOTAL NET ASSETS*	**$7,757**	**$11,896**	**$11,175**	**$9,994**	**$9,514**	**$8,687**	**$7,236**	**$8,251**	**$8,839**	**$9,148**

*Includes 401(h) Trust Account Balance.

Financial Trends

Changes in Fiduciary Net Assets

Health Care Trust Fund (dollars in millions)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Additions										
Employer Contributions	$129	$122	$139	$128	$125	$121	$118	$109	$101	$91
Member Contributions and Purchases	-	-	-	-	-	-	-	-	-	-
Investment Income	(136)	50	63	28	35	55	(23)	(10)	(3)	22
Health Care Contributions	57	56	59	55	56	17	13	7	6	6
Other Revenues	16	13	14	4	7	3	3	-	-	-
Total Additions	**66**	**241**	**275**	**215**	**223**	**196**	**111**	**106**	**104**	**119**
Deductions										
Benefit Payments	153	149	179	163	158	168	155	129	112	100
Administrative Expenses	1	2	2	3	2	2	2	3	3	3
Refund of Member Contributions	-	-	-	-	-	-	-	-	-	-
Discount on Early Payoff	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-
Total Deductions	**154**	**151**	**181**	**166**	**160**	**170**	**157**	**132**	**115**	**103**
Changes in Net Assets	**(88)**	**90**	**94**	**49**	**63**	**26**	**(46)**	**(26)**	**(11)**	**16**
Net Assets - Beginning of Year	**527**	**437**	**343**	**294**	**231**	**205**	**251**	**277**	**288**	**272**
Net Assets - End of Year	**439**	**527**	**437**	**343**	**294**	**231**	**205**	**251**	**277**	**288**
Reserve Fund Balances:										
Health Care Reserves	439	527	437	343	294	231	205	251	277	288
TOTAL NET ASSETS	**$439**	**$527**	**$437**	**$343**	**$294**	**$231**	**$205**	**$251**	**$277**	**$288**

Benefit Expenses by Type (dollars in millions)

Year	Service	DROP**	Disability	Health Care	Survivor	Total Benefits
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
1999	282.8	-	107.4	100.5	52.0	542.7

** 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
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
1999	279.5	135.8	20.6%	1,101.8	5.5	13.3	1,535.9

Expenses by Type (dollars in millions)

Year	Benefit Payments	Administrative Expenses	Refund of Member Contributions	Discount on Early Payoff	Other Expenses	Total Expenses
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
1999	542.7	11.5	11.4	12.5	0.9	579.0

DROP Program Accrued Liability (dollars in millions)

	2008	2007	2006	2005	2004	2003
Police						
DROP Liability Beginning Balance	$337.8	$246.8	$161.5	$87.7	$34.1	$ -
Accrued Pension & COLA	86.4	80.3	74.6	62.3	47.8	31.6
Accrued Member Share Contributions	11.8	12.1	9.0	5.6	2.9	1.8
Accrued Interest	18.7	14.2	10.0	6.0	2.9	0.7
Withdrawals	(17.8)	(15.6)	(8.3)	(0.1)	-	-
DROP Liability Ending Balance	**436.9**	**337.8**	**246.8**	**161.5**	**87.7**	**34.1**
Fire						
DROP Liability Beginning Balance	257.3	180.0	113.6	60.3	22.6	-
Accrued Pension & COLA	75.0	66.9	55.8	45.2	33.6	20.9
Accrued Member Share Contributions	10.0	9.5	6.9	3.9	2.1	1.2
Accrued Interest	14.7	10.6	7.2	4.2	2.0	0.5
Withdrawals	(12.5)	(9.7)	(3.5)	-	-	-
DROP Liability Ending Balance	**344.5**	**257.3**	**180.0**	**113.6**	**60.3**	**22.6**
Combine Police & Fire						
DROP Liability Beginning Balance	595.1	426.8	275.1	148.0	56.7	-
Accrued Pension & COLA	161.4	147.2	130.4	107.5	81.4	52.5
Accrued Member Share Contributions	21.8	21.6	15.9	9.5	5.0	3.0
Accrued Interest	33.4	24.8	17.2	10.2	4.9	1.2
Withdrawals	(30.3)	(25.3)	(11.8)	(0.1)	-	-
DROP LIABILITY ENDING BALANCE	**$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
2008	$1,831	$173	28,864	5.4%	4.8%	0.9%
2007	1,737	165	28,609	(1.1)%	(1.4)%	2.1%
2006	1,756	167	28,026	4.3%	(0.2)%	0.5%
2005	1,684	168	27,879	2.4%	1.1%	(2.0)%
2004	1,644	166	28,441	2.4%	0.9%	(0.1)%
2003	1,606	164	28,480	4.7%	(1.6)%	0.5%
2002	1,534	167	28,328	8.9%	11.0%	1.4%
2001	1,408	151	27,936	5.2%	3.8%	1.1%
2000	1,339	145	27,642	7.2%	6.7%	1.9%
1999	1,249	136	27,133	4.9%	5.5%	2.4%

*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	606	1								**607**
	$42,325	$49,929								**$42,337**
25-29	1,898	653	5							**2,556**
	$47,825	$59,564	$60,275							**$50,848**
30-34	1,183	2,331	616	6						**4,136**
	$49,763	$60,603	$63,908	$67,583						**$58,005**
35-39	761	1,882	2,714	792	6					**6,155**
	$49,276	$59,540	$63,531	$66,331	$60,931					**$60,906**
40-44	252	687	1,532	2,341	752	12				**5,576**
	$48,260	$58,313	$62,108	$66,155	$70,134	$63,739				**$63,800**
45-49	102	228	532	1,197	1,527	708	16			**4,310**
	$49,714	$57,915	$61,182	$64,516	$69,849	$73,145	$75,283			**$66,752**
50-54	51	75	188	438	741	1,305	523	8		**3,329**
	$50,998	$53,130	$60,471	$61,997	$67,686	$72,217	$76,086	$83,550		**$69,080**
55-59	8	21	62	133	207	422	544	179		**1,576**
	$44,906	$52,869	$58,603	$62,554	$63,956	$69,049	$73,943	$78,972		**$69,899**
60-64	5	12	18	30	46	37	90	149	20	**407**
	$54,344	$42,546	$52,711	$61,159	$62,356	$63,427	$69,597	$73,286	$74,897	**$67,475**
Over 64	1	3	2	5	6	3	4	19	38	**81**
	$35,656	$44,626	$73,239	$48,965	$50,623	$50,406	$70,223	$74,928	$76,939	**$69,679**
Total	**4,867**	**5,893**	**5,669**	**4,942**	**3,285**	**2,487**	**1,177**	**355**	**58**	**28,733**
	$47,933	**$59,608**	**$62,777**	**$65,275**	**$68,899**	**$71,745**	**$74,569**	**$76,472**	**$76,235**	**$62,198**

*Excludes rehired retirees

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

	Service		Disability		Survivors		Total
Year	Police	Fire	Police	Fire	Police	Fire	Beneficiaries
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
1999	5,968	5,004	2,841	1,945	3,162	2,472	21,392

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

	Service		Disability		Survivor & Beneficiaries	
Age Last Birthday	Number	Avg. Allowance	Number	Avg. Allowance	Number	Avg. Allowance
Under 60	2,646	$39,828	3,127	$ 33,675	1,488	$7,767
60–64	2,556	39,401	1,175	32,954	592	9,901
65–69	2,216	36,378	819	30,923	775	9,203
70–74	1,416	32,300	493	27,211	983	8,695
75–79	1,282	26,098	293	23,141	1,200	8,459
Over 79	1,443	22,126	245	19,817	2,129	7,982
TOTAL	**11,559**	**$34,417**	**6,152**	**$ 31,600**	**7,167**	**$8,406**

Retirees and Beneficiaries Statistics (dollars in millions)

Year	Benefit Payments*	Refunds	Total Payments*	# of Benefit Recipients**	% Change in Benefit Recipients	%Change Total Benefit Payments
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%
1999	443	11	454	21,734	3.1%	12.6%

*Excludes Health Care Benefits

**Includes Terminated employees entitled to benefits but not yet receiving them

Average Monthly Benefit Payments

Service Retirement

Year	Normal	Service Commuted	Age Commuted	Age / Service
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
1999	2,828	653	-	1,300

Disability Retirement

Year	Permanent and Total	P&T Presumptive	Partial	Partial Presumptive	Off Duty
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
1999	2,388	2,559	2,194	2,361	1,629

* 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
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
1999	6	3%	33,545	101	5%	0.00283

State of Ohio Subsidy Payments (dollars in millions)

Year	Subsidy Amount	% Change
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)%
1999	3.28	6)%

*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
1986 - Present	1986	19.50%	24.00%
From 01-01-85 thru 12-31-85	1985	20.03%	24.59%
From 01-01-84 thru 12-31-84	1984	21.35%	24.59%
From 01-01-83 thru 12-31-83	1983	18.45%	23.57%
From 01-01-82 thru 12-31-82	1982	16.62%	22.39%
From 01-01-81 thru 12-31-81	1981	15.60%	20.72%
From 01-01-80 thru 12-31-80	1980	15.70%	19.87%
From 01-01-79 thru 12-31-79	1979	18.40%	20.11%
From 01-01-78 thru 12-31-78	1978	17.53%	18.90%
From 01-01-77 thru 12-31-77	1977	15.34%	16.77%
From 01-01-76 thru 12-31-76	1976	14.02%	15.57%
From 01-01-75 thru 12-31-75	1975	12.49%	13.78%
From 01-01-74 thru 12-31-74	1974	12.88%	13.60%
From 01-01-73 thru 12-31-73	1973	12.85%	13.41%
From 01-01-72 thru 12-31-72	1972	12.96%	13.26%
From 01-01-71 thru 12-31-71	1971	12.81%	12.96%
From 01-01-70 thru 12-31-70	1970	15.52%	15.52%
From 01-01-69 thru 12-31-69	1969	14.68%	14.49%
From 01-01-68 thru 12-31-68	1968	13.66%	13.50%
From 01-01-67 thru 12-31-67	1967	13.55%	13.13%

Member Contribution Rates

Time Frame of Rates	Member Rates Police	Member Rates Fire
09–09–88 thru Present	10.00%	10.00%
08–01–86 thru 09–08–88	9.50%	9.50%
03–01–80 thru 07–31–86	8.50%	8.50%
01–01–68 thru 02–28–80	7.00%	7.00%
01–01–67 thru 12–31–67	6.00%	6.00%

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

Actuarial Interest Rates

	Actuarial Interest Rates	
Time Frame of Rates	Police	Fire
01–01–89 thru Present	8.250%	8.250%
01–01–86 thru 12–31–88	7.750%	7.750%
01–01–83 thru 12–31–85	7.500%	7.500%
01–01–80 thru 12–31–82	6.375%	6.375%
01–01–79 thru 12–31–79	6.000%	6.000%
01–01–74 thru 12–31–78	5.000%	5.000%
01–01–72 thru 12–31–73	4.750%	4.750%
01–01–70 thru 12–31–71	4.625%	4.625%
01–01–67 thru 12–31–69	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
2008	$11,213	$13,728	$2,515	81.68%	$1,831	Infinite
2007	10,158	12,988	2,830	78.21%	1,737	Infinite
2006	9,551	12,190	2,639	78.35%	1,756	Infinite
2005	9,337	11,545	2,208	80.88%	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
1999	7,307	8,453	1,146	86.44%	1,249	47.26

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
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%

Historical Annual Investment Results

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
U.S. Equity										
OP&F	(38.02)%	5.37%	14.80%	7.59%	13.11%	30.00%	(19.81)%	(7.47)%	(2.96)%	17.41%
International Equity										
OP&F	(45.71)%	20.61%	28.24%	14.10%	21.18%	35.92%	(17.70)%	(23.54)%	(18.49)%	41.10%
Emerging Markets										
OP&F	N/A	N/A	N/A	26.24%	22.68%	58.23%	(8.69)%	(4.14)%	(29.40)%	43.95%
Fixed Income										
OP&F - Core	0.37%	6.50%	4.59%	2.67%	4.75%	5.35%	8.60%	10.76%	12.79%	0.36%
OP&F - High Yield	(20.17)%	2.91%	10.22%	2.61%	10.65%	N/A	N/A	N/A	N/A	N/A
OP&F - GIPS	2.04%	11.72%	2.97%	2.96%	6.97%	N/A	N/A	N/A	N/A	N/A
OP&F - Commercial Mortgage*	0.68%	2.31%	5.08%	9.83%	4.82%	N/A	N/A	N/A	N/A	N/A
Real Estate *										
OP&F	2.07%	20.67%	26.60%	26.07%	14.14%	13.06%	5.70%	11.84%	9.30%	13.71%
Private Equity *										
OP&F	(2.32)%	31.88%	17.43%	26.76%	7.15%	(13.15)%	(21.61)%	(26.14)%	61.65%	34.76%
Total Portfolio										
OP&F	(28.06)%	10.47%	16.15%	9.07%	13.29%	24.96%	(9.90)%	(3.88)%	(1.10)%	13.82%
** Policy Index	(28.89)%	9.16%	15.69%	8.98%	12.84%	26.47%	(10.81)%	(6.60)%	(3.16)%	16.15%

*One quarter in arrears

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

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

Debt Capacity Information

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
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
1999	270	213	0	107	351	33	621	353	974

Principal Participating Employers

Employer Name	Covered Employees	Rank	% of Total Covered Members
City of Columbus	3,516	1	12.18%
City of Cleveland	2,634	2	9.13%
City of Cincinnati	2,020	3	7.00%
City of Toledo	1,163	4	4.03%
City of Akron	883	5	3.06%
City of Dayton	793	6	2.75%
City of Canton	370	7	1.28%
City of Youngstown	345	8	1.20%
City of Springfield	265	9	0.92%
City of Hamilton	239	10	0.83%
All Others	16,636		57.64%
TOTAL	**28,864**		**100.00%**

Operating Information

OP&F Employee Budgeted Position Counts

Department	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Administration	47	44	45	42	44	38	40	40	23	21
Finance	13	13	13	16	16	28	29	29	28	28
Health Care Services*	0	0	0	0	16	15	15	15	32	31
Information Services	24	25	25	25	26	29	31	31	29	28
Investments	14	14	14	14	17	15	18	18	18	18
Member Services	51	54	64	69	56	56	57	53	45	44
Projects	0	0	0	0	0	0	0	2	11	0
TOTAL FULL-TIME POSITIONS	**149**	**150**	**161**	**166**	**175**	**181**	**190**	**188**	**186**	**170**

*Health Care Services was combined with Member Services in 2006

Personnel Salaries by Year (dollars in thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000
Salaries & Wages	$8,199.0	$8,488.7	$8,763.8	$8,963.4	$9,037.8	$9,144.8	$7,667.9	$7,908.9	$7,058.5
Average Salary per Budgeted Staff	$54.7	$52.7	$52.8	$51.2	$49.9	$48.1	$40.8	$42.5	$41.5

OP&F Budget* (dollars in millions)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Operating Expenses (Actual)		$45.7	$45.9	$41.7	$38.7	$41.3	$35.9	$33.3	$30.0	$28.1
Operating Expenses (Budget)	$46.5	54.6	61.0	48.5	44.1	45.0	35.9	38.4	37.0	28.1
% Budget vs Actual		84%	75%	86%	88%	92%	100%	87%	81%	100%

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Capital Actual		$2.1	$1.2	$0.7	$2.0	$2.4	$3.2	$3.6	$3.0	$0.3
Capital Budget	$3.2	4.6	3.8	5.8	2.8	2.8	4.4	5.0	6.0	0.9
% Budget vs Actual		46%	32%	11%	39%	88%	75%	72%	51%	34%

	2008	2007	2006	2005	2004	2003	2002	2001	2000
Operating Expenses (Actual)	$16.0	$16.7	$14.7	$13.9	$14.2	$15.4	$13.8	$12.1	$12.2
Investment Expenses (Actual)	27.0	29.2	27.0	24.8	27.0	20.5	19.5	17.9	15.9

Other Operating Statistics

	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total Staff	150	161	166	175	181	190	188	186	170
Investment Staff	14	14	14	17	15	18	18	18	18
Investment Actual Expenses	27.0	29.2	27.0	24.8	27.0	20.5	19.5	17.9	15.9
Investment Income	$(3,833)	$1,163	$1,630	$847	$1,152	$1,745	$(870)	$(443)	$(165)
Investment Staff to Investment Expense Ratio	$2	$2	$2	$1	$2	$1	$1	$1	$1
Investment Income to Total Staff Ratio	$(25.6)	$7.2	$9.8	$4.8	$6.4	$9.2	$(4.6)	$(2.4)	$(1.0)
Investment Income to Investment Staff Ratio	$(273.8)	$83.1	$116.4	$49.8	$76.8	$97.0	$(48.4)	$(24.6)	$(9.2)

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 firefighters 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 December 31, 2007 as an agency fund. The following is a schedule of DBF financial activity:

Balance January 1, 2008	**$359,196**
Less: Survivor Benefits Paid January 1 to June 30, 2008	(9,778,335)
Balance returned to State of Ohio	(580,861)
State Funding Received	20,000,000
Less: Survivor Benefits Paid July 1 - December 31, 2008	(9,912,501)
Balance December 31, 2008	**$ 87,499**

<u>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*</u>

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

We have audited the financial statements of the Ohio Police and Fire Pension Fund (the Fund) as of and for the year ended December 31, 2008, which collectively comprise the Fund's basic financial statements and have issued our report thereon dated June 12, 2009. We conducted our audit 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.

<u>Internal Control Over Financial Reporting</u>

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Fund's financial statements that is more than inconsequential will not be prevented or detected by the Fund's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Fund's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit and administration committee, Board of Trustees, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 12, 2009

Mary Taylor, CPA
Auditor of State

OHIO POLICE AND FIRE PENSION FUND

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 18, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
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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.

140 East Town Street | Columbus, Ohio 43215

Active Membership: 888-864-8363
Retirees and Survivors: 800-860-9599
General Information: 614-228-2975
TTY: 614-221-3846
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