SECURING THE FUTURE FOR OHIO'S POLICE AND FIREFIGHTERS

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Ohio Police & Fire Pension Fund

2011 COMPREHENSIVE Annual Financial Report

JAN.–DEC. 31, 2011

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

We have reviewed the *Independent Auditors' Report* of the Ohio Police & Fire Pension Fund, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2011 through December 31, 2011. 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 & Fire Pension Fund is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

September 4, 2012

Comprehensive Annual Financial Report

For the year ending Dec. 31, 2011

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 • 1-888-864-8363

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Board of Trustees

About the Board of Trustees

Ohio law provides for the Ohio Police & Fire Pension Fund (OP&F) 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 active representatives of police departments, two active representatives of fire departments, one retired police officer and one retired firefighter. The Board also includes three statutory members. Each statutory member – one appointed by the Governor of Ohio, one by the Ohio Treasurer of State, and one appointed jointly by the Ohio Senate President and the Ohio Speaker of the House – must have professional investment expertise.

The OP&F Board of Trustees appoints the Executive Director, an actuary, and other advisors necessary for the transaction of business. By law, the Ohio Treasurer of State is custodian of OP&F's funds. The Board meets monthly (except in August) and receives no compensation, but is reimbursed for necessary expenses.

Board of Trustee Members

Standing left to right

Edward L. Montgomery, Chair-Elect
Columbus Police, term began on June 2, 2008, expires on June 3, 2012. Re-elected to a new four-year term beginning June 4, 2012.

J. David Heller
Investment Expert Member, appointed by the Ohio Senate and the Ohio House of Representatives, term began on Dec. 16, 2008, expires on Dec. 4, 2012.

William E. Deighton
Retired, Cleveland Fire, term began on June 6, 2011, expires on May 31, 2015.

David A. Witner
Cuyahoga Falls Fire, term began on June 7, 2010, expires on June 1, 2014.

Scott W. Huff
Cleveland Police, term began on June 6, 2011, expires on May 31, 2015.

John L. Wainscott
Retired, Cincinnati Police, term began on Nov. 16, 2011, expires on June 3, 2012. Re-elected to a new four-year term beginning June 4, 2012.

Lawrence G. Petrick, Jr., Chair
Shaker Heights Fire, term began on June 2, 2008, expires on June 3, 2012. Re-elected to a new four-year term beginning June 4, 2012.

Seated left to right

David J. Owsiany
Investment Expert Member, appointed by the Ohio Treasurer of State, term began on Jan. 6, 2011, expires on Jan. 6, 2015.

Robert H. Baker
Investment Expert Member, appointed by the Governor of Ohio, term began on Jan. 13, 2009, expires on Sept. 28, 2012.

Administrative Staff

Executive Staff

Seated left to right

J. Keith Byrd
Deputy Executive Director

William J. Estabrook
Executive Director

N. Kay Penn
Member Services Director

Standing left to right

Mary Beth Foley
General Counsel

Mark A. Jordan
Internal Auditor/Privacy and Ethics Officer

Theodore G. Hall
Chief Investment Officer

Scott K. Miller
Financial Services Director

Professional Consultants

Not pictured

Actuary
Buck Consultants

Independent Accountants
Clark Schaefer Hackett

Legal Counsel
Ohio Attorney General
The Honorable Mike DeWine

Investment Consultants and Money Managers
See page 44

Certificate of Achievement for Excellence in Financial Reporting

Awards

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

2010 Certificate of Achievement for Excellence in Financial Reporting – For 22 years, the Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to OP&F for its Comprehensive Annual Financial Report.

2011 Distinguished Budget Presentation Award – OP&F was again recognized by GFOA's Distinguished Budget Presentation Award in 2011, representing the ninth consecutive year OP&F has achieved this distinction. OP&F has received the award annually since 2002.

2011 Public Pension Standards Award – Awarded to OP&F by the Public Pension Coordinating Council. This award recognizes OP&F's professional standards attained for administration.

Distinguished Budget Presentation Award

Public Pension Standards Award for Administration 2011

Public Pension Coordinating Council

Recognition Award for Administration 2011

Presented to

Ohio Police & Fire Pension Fund

In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

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 18, 2012

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 & Fire Pension Fund (OP&F) for the year ending Dec. 31, 2011. This CAFR was prepared to aid interested parties in assessing OP&F's financial status on Dec. 31, 2011, 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 (U.S.) applicable to governmental units, including the pronouncements of the Governmental Accounting Standards Board (GASB). Additional information on OP&F's significant accounting policies is contained in the Notes to Basic Financial Statements in the Financial Section.

Management is responsible for establishing and maintaining an effective internal control structure designed to ensure that the assets of OP&F are protected from loss, theft, or misuse; and to ensure that adequate accounting data is compiled to allow for the preparation of Basic Financial Statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

(1) the cost of a control should not exceed the benefits likely to be derived; and

(2) the valuation of costs and benefits requires estimates and judgments by management.

Management believes its internal control structure meets these objectives.

Plan History and Overview

OP&F is a cost sharing multiple–employer public employee retirement system and was created by the Ohio General Assembly in 1965, replacing 454 separate local police and firefighter relief and pension funds in Ohio. OP&F began operating as a statewide retirement fund on Jan. 1, 1967. On that date, the local pension funds transferred their assets and liabilities to OP&F. Assets transferred to OP&F totaled approximately $75 million, while OP&F's actuary computed the liabilities accrued up to 1966 at approximately $490 million. Employers are paying the remaining unfunded accrued liability, which began in 1969, over a 67-year period. As of Dec. 31, 2011, the balance totaled nearly $30.9 million.

OP&F provides pension, disability, and death benefits to qualified participants and survivors, and provides access to health care coverage for qualified participants, spouses, children and dependent parents. Please refer to the Plan Summary–Summary of Benefit and Contribution Provisions 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 firefighters employed by townships, municipalities, joint fire districts or other political subdivisions must become members of OP&F if they are required to satisfactorily complete or 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 (ORC). The table below is a tabulation of current participating employers at Dec. 31, 2011:

Participating Employers

	Police	Fire	Total
Municipalities	250	227	477
Townships	–	123	123
Villages	283	34	317
TOTAL	**533**	**384**	**917**

Financial Overview

OP&F receives virtually all of its funds from the following sources: employer contributions, member contributions, investment earnings, benefit recipient health care premiums, state subsidies and reimbursements. Additions to net assets were $917 million in 2011 due to a modest positive return on investments.

Statutory contribution rates for 2011 were 10 percent for members, 19.5 percent for police employers and 24 percent for fire employers, and remained unchanged from the prior year.

Deductions to Plan Net Assets (dollars in thousands)	2011		2010	
	Amount	Percent	Amount	Percent
Net Investment Income	$229,577	25%	$1,651,772	71%
Contributions	647,453	71%	649,120	28%
Interest on Local Funds Receivable	1,338	0%	1,380	0%
Other Additions	38,568	4%	23,777	1%
TOTAL ADDITIONS	**$916,936**	**100%**	**$2,326,049**	**100%**

Deductions to Plan Net Assets (dollars in thousands)	2011		2010	
	Amount	Percent	Amount	Percent
Benefits	$1,204,223	97%	$1,132,151	97%
Refund of Member Contributions	21,991	2%	15,789	2%
Administrative Expenses	15,452	1%	15,072	1%
TOTAL DEDUCTIONS	**$1,241,666**	**100%**	**$1,163,012**	**100%**

Benefit payments represent the largest usage of plan net assets. OP&F experienced a one-time increase in 2011 in the pension benefit account with the Deferred Retirement Option Plan (DROP) reaching its eight-year anniversary in January 2011. In 2011, OP&F had 1,268 new retirees. 996 of these new retirees had a DROP account and 611 of these had to retire because they reached their 8 year maximum participation date. This is in addition to the normal annual retirement increase. There was also a 10.3 percent increase in the amount of health care benefit payments. This increase is also largely due to DROP reaching its eight-year anniversary. In 2011, OP&F had 937 new health care covered lives. Survivor and disability benefits increased at normal levels of 3.7 and 3.3 percent, respectively. This increase is mainly due to the annual 3.0 percent cost-of-living increase.

Administrative expenses are slightly higher this year. This increase of 2.5 percent is the direct result of the Executive Director's continued diligence to minimize increases. Years of cost saving efforts have helped achieve the results of 2011. 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 2011 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 experienced a $325 million decrease in plan net assets in 2011 due to the decrease in market values of domestic and international stocks from 2010 to 2011. Also, DROP liabilities increased causing an additional reduction in plan net assets. Health care currently operates on a pay–as–you–go basis. A portion of employer contributions and a portion of investment income are both set aside to operate the health care program.

The OP&F investment portfolio achieved an estimated return of 2.6 percent in 2011. By adhering to the sound principles and strategies that are in place, OP&F is strategically positioned to weather market fluctuations. As of Dec. 31, 2011, the net asset value of the total investment portfolio stood at $11.6 billion.

Despite the gains of 2009, 2010 and 2011, the negative investment returns of 2008 continued to hamper OP&F's efforts to comply with the state's 30-year funding requirement. In May 2012, the Ohio Senate passed the "Pension Bill." This is a positive step forward in getting the legislation needed to aid in reaching the 30-year funding requirement. Under the "Pension Bill", there will be increases in member contributions along with changes to the minimum retirement age, modifications to cost-of-living adjustments, changes in the interest rate and minimum enrollment period for DROP, changing the formula to calculate final average salary and continued alterations to the sponsored health care plan for retirees.

In the later part of 2012, the Ohio House of Representatives is expected to address the "Pension Bill" legislation. An independent consultant was hired by the Ohio Retirement Study Counsel (ORSC) to review the funding plans and to make other recommendations prior to final legislation to ensure a comprehensive analysis by an outside party.

While OP&F does not currently meet the 30-year funding requirement for pensions, the annual actuarial valuation completed by Buck Consultants, shows that OP&F's pension funding ratio as of Jan. 1, 2011 was 69.4 percent based on the actuarial value of assets. The report confirms that OP&F continues to be able to meet its current and future pension obligations. As of the same date, OP&F's health care funding ratio was 21.78 percent with a solvency period until the year 2043, or 31 more years, which currently exceeds the target of at least 15 years. Once the Ohio legislators approve the 30-year funding plan, OP&F anticipates that in 2012 the health care solvency period will drop to the target of 15 years.

A report by Milliman, an investment consultant, that was presented to the ORSC, on returns as of June 30, 2011, showed that, over longer periods, OP&F's investment performance ranked among the best of Ohio's retirement systems. The three-year returns showed that OP&F bested its policy benchmark by 100 basis points, top among

Ohio public retirement systems. For the five-year period, two of the five systems outpaced their respective policy benchmarks with OP&F outperforming its benchmark by 100 basis points. For the 10-year period, three of the five systems out-performed their individual benchmarks, led by OP&F with 6.60 percent, outpacing its benchmark by 80 basis points. It should be noted that this report was for returns through June 30, 2011 and investment returns for the second half of the year are significantly lower.

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 ensure that OP&F meets its responsibilities for providing retirement and other benefits. The investment portfolio is diversified to provide adequate cash flow and to provide the highest possible total return for OP&F's assets while maintaining an acceptable level of risk. Over the past two years, OP&F's total rate of return on its investment portfolio was favorable with a gain of 2.6 percent in 2011 and a gain of 15.8 percent in 2010.

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 2011. See the Actuarial Section for the assumptions used within this report.

Independent Audit

Clark Schaefer Hackett, independent certified public accountants, audited the financial statements of OP&F for the year ended Dec. 31, 2011, and their opinion thereon is included in the Financial Section.

Notes to Basic Financial Statements

The Notes to Basic Financial Statements, which follow the Basic Financial Statements, contain additional information and are an integral part of such statements.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OP&F for its CAFR for the fiscal year ended Dec. 31, 2010. 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. OP&F believes our current report continues to conform to the Certificate of Achievement Program requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

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

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

Respectfully submitted,

William J. Estabrook
Executive Director

Scott K. Miller
Financial Services Director

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2011 Comprehensive Annual Financial Report

Financial Section

Ohio Police & Fire Pension Fund

Ohio Police & Fire Pension Fund

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Independent Auditors' 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, 2011 and 2010, 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, 2011 and 2010, and the respective changes in fiduciary net assets, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4 through 7 and 29 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund’s financial statements as a whole. 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 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 are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, investment section, actuarial section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 18, 2012

Management's Discussion and Analysis (Unaudited)

This Management Discussion and Analysis (MD&A) of OP&F's financial performance provides a narrative overview of financial activities for the fiscal year ended Dec. 31, 2011. The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts. OP&F encourages you to read it in conjunction with the Basic Financial Statements, Notes to the Basic Financial Statements, and the Letter of Transmittal included in the Introductory Section of this CAFR.

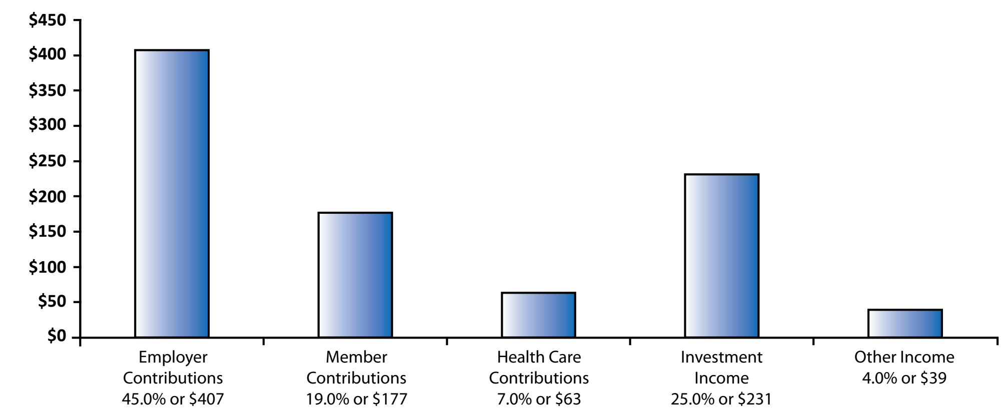
FINANCIAL HIGHLIGHTS

Plan additions are received primarily from employer and member pension contributions and investment income. For fiscal year 2011, these additions totaled $917.0 million and were $2,326.0 million in 2010, which is a 60.6 percent decrease. Investment income fluctuates dramatically because it includes realized and unrealized investment gains and losses based on performance of global capital markets.

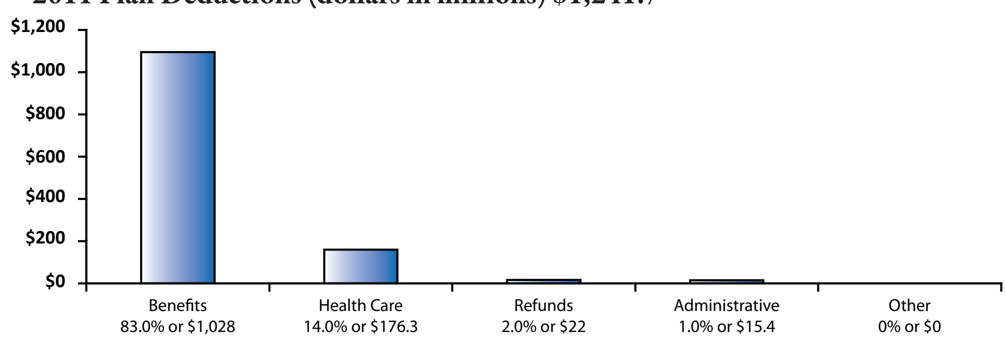
The employer and member contribution rates during 2011 remained unchanged from the prior year. Member contributions are 10 percent for all members, while employer contributions are 19.5 percent and 24 percent for police and fire employers, respectively.

Plan deductions are incurred primarily for the purpose for which OP&F was created, the payment of pension, disability, and survivor benefits. Included in the deductions from plan net assets for 2011 were benefits for retirement, Deferred Retirement Option Plan (DROP), 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 $1,241.7 million in 2011 and were $1,163.0 million in 2010, which is a 6.8 percent increase over 2010. This increase in deductions included a 6.4 percent increase in benefits. OP&F experienced a one-time increase in 2011 in pension benefit and in health care benefit payments. This was due to DROP reaching its eight-year maximum participation date in January 2011. In 2011 there were normal increases in survivor and disability benefit payments.

2011 Plan Additions (dollars in millions) $917.0



2011 Plan Deductions (dollars in millions) $1,241.7



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 provide 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 to the Basic Financial Statements, certain Required Supplementary Information (RSI) is provided. The Schedule of Funding Progress shows on an actuarial basis whether OP&F's ability to pay for benefits is improving or deteriorating over time. Also included in the RSI is a Schedule of Contributions from Employers and Other Contributing Entities and Notes to the RSI. Both schedules provide data over the past ten years. Following the RSI are Schedules of Administrative Expenses and Schedule of Investment Expenses.

A condensed version of OP&F's financial information is being provided as part of this discussion.

Condensed Fiduciary Net Asset Information (dollars in millions)

				2011 Change		2010 Change	
	2011	2010	2009	Amount	Percent	Amount	Percent
Cash and Short-term Investments	$726.2	$618.4	$410.2	$107.8	17.4%	$208.2	50.8%
Receivables	247.3	240.8	267.7	6.5	2.7%	(26.9)	(10.0)%
Investments, at Fair Value	13,585.0	13,357.3	11,562.9	227.7	1.7%	1,794.4	15.5%
Capital Assets, Net of Depreciation	21.1	22.4	23.4	(1.3)	(5.8)%	(1.0)	(4.3)%
Other Assets	0.3	0.2	2.2	0.1	50.0%	(2.0)	(90.9)%
Total Assets	**14,579.9**	**14,239.1**	**12,266.4**	**340.8**	**2.4%**	**1,972.7**	**16.1%**
Benefits and Accounts Payable	1,336.6	1,232.0	1,032.6	104.6	8.5%	199.4	19.3%
Investments Payable	2,774.8	2,213.9	1,603.6	560.9	25.3%	610.3	38.1%
Total Liabilities	**4,111.4**	**3,445.9**	**2,636.2**	**665.5**	**19.3%**	**809.7**	**30.7%**
NET ASSETS AVAILABLE	**$10,468.5**	**$10,793.2**	**$ 9,630.2**	**$ (324.7)**	**(3.0)%**	**$ 1,163.0**	**12.1%**

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

				2011 Change		2010 Change	
	2011	2010	2009	Amount	Percent	Amount	Percent
Contributions	$647.5	$649.1	$632.7	$(1.6)	(0.2)%	$16.4	2.6%
Net Investment Gain/(Loss)	229.6	1,651.8	1,894.9	(1,422.2)	(86.1)%	(243.1)	(12.8)%
Other Additions	39.9	25.1	23.5	14.8	59.0%	1.6	6.8%
Total Additions	**917.0**	**2,326.0**	**2,551.1**	**(1,409.0)**	**(60.6)%**	**(225.1)**	**(8.8)%**
Benefits	1,204.2	1,132.2	1,085.0	72.0	6.4%	47.2	4.4%
Refunds	22.0	15.8	15.7	6.2	39.2%	0.1	0.6%
Administrative Expenses and Other	15.5	15.0	16.4	0.5	3.3%	(1.4)	(8.5)%
Total Deductions	**1,241.7**	**1,163.0**	**1,117.1**	**78.7**	**6.8%**	**45.9**	**4.1%**
Net Increase/(Decrease)	**(324.7)**	**1,163.0**	**1,434.0**	**(1,487.7)**	**(127.9)%**	**(271.0)**	**(18.9)%**
Net Assets, Beginning of Year	**10,793.2**	**9,630.2**	**8,196.2**	**1,163.0**	**12.1%**	**1,434.0**	**17.5%**
Net Assets, End of Year	**$10,468.5**	**$ 10,793.2**	**$ 9,630.2**	**$ (324.7)**	**(3.0)%**	**$ 1,163.0**	**12.1%**

FINANCIAL ANALYSIS

Fiduciary Net Assets

Net assets available for benefits and expenses in 2011 were $10,468.5 million versus $10,793.2 million in 2010, which represents a 3.0 percent net decrease. The overall net decrease in 2011 can be primarily attributed to net depreciation on the fair value of investments, a slight decrease in employer contributions received, and an increase in retirement benefits and health care benefits. Please refer to the Investment Section for additional information on OP&F's investment activities in 2011.

Revenue Additions to Fiduciary Net Assets

Based on the rounded numbers found on page 5, overall contributions received by OP&F in 2011 decreased 0.2 percent or $1.6 million. Pension contributions from employers and members decreased $5.2 million, or 0.9 percent, in 2011 due to a decrease in the number of active members contributing to OP&F. While the active member population, or contributing members, decreased by 406 to 28,073, or by 1.4 percent, the average annual salary increased by 2.1 percent. The net result for the year was that member contributions increased by $1.3 million, or 0.8 percent.

Overall contributions were up in 2010, as compared to 2009, by 2.6 percent, or $16.4 million. The increases seen in 2010 were a positive sign that the economy was recovering from the recession that was reported in OP&F's 2008 CAFR.

Contributions paid by members and beneficiaries for their share of the health care costs increased by 6.1 percent from $58.9 million to $62.5 million in 2011. This increase is due to an expansion in the number of members and beneficiaries selecting to participate in the OP&F program. OP&F experienced a one-time increase in 2011 with active members being required to retire from service because they reached their eight-year maximum participation in the Deferred Retirement Option Plan (DROP).

Health care contributions decreased in 2010 over 2009 by 0.3 percent. This decrease was due to a shift of OP&F's population into the Medicare Supplement fully-insured plan, which has Medicare as the primary payer and OP&F as secondary, as the mix of OP&F's population moved over age 65. This shift has helped to reduce the health care costs for which members and beneficiaries are responsible.

In 2011, contributions received through the state subsidy decreased 7.7 percent, or $54 thousand, from $693 thousand to $639 thousand. The state-subsidized contributions also declined in 2010 by 11.4 percent and declined in 2009 by 8.7 percent. This trend is due to a normal decline in the population of survivors receiving this subsidized benefit.

Investment net depreciation totaled $3.2 million in 2011. The net depreciation of 2011 can be attributed to the decrease in market values of domestic and international stocks. Investment net appreciation totaled $1,444.2 million in 2010 and $1,704.2 million in 2009. The appreciation of 2010 and 2009 can be directly attributed to the overall positive return on OP&F investments of 15.8 percent and 20.7 percent, respectively. The increases in 2010 and 2009 are also due to the U.S. and international markets rebounding strongly as global stimulus and signs of economic recovery impacted the financial markets.

Expense Deductions from Fiduciary Net Assets

Benefit deductions for retirement, DROP, disability and survivors increased $55.6 million, or 5.7 percent, in 2011, increased $56.0 million, or 6.1 percent, in 2010, and increased $48.6 million, or 5.6 percent, in 2009. The majority of the increase in 2011 was due to the active members in OP&F's DROP program being required to retire from service because they reached their eight-year maximum participation. The majority of the increases in 2010 and 2009 were due to OP&F's 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. Also contributing are the increases in the retirees and beneficiaries rolls. These rolls increased by 362 individuals, or 1.4 percent, in 2011, increased by 395, or 1.6 percent, in 2010 and increased by 439, or 1.8 percent, in 2009. Each year, there was also a 3 percent cost of living adjustment for eligible recipients.

Health care benefits increased by 10.3 percent in 2011. Gross health care payments totaled $176.3 million in 2011 and represented 14.2 percent of all plan deductions. The 2011 increase in health care benefits can be attributed to active members participating in DROP being forced to retire because they reached their eight-year maximum participation in DROP.

Health care benefits decreased by 5.2 percent in 2010. Gross health care payments totaled $159.9 million in 2010 and represented nearly 13.7 percent of all plan deductions. The savings experienced in 2010 can be directly attributed to a shift of the OP&F population into the Medicare

Supplement fully-insured plan, which has Medicare as the primary payer and OP&F as secondary, as the mix of OP&F's population moved over age 65. This shift has helped to reduce the health care costs for which members and beneficiaries are responsible.

Health care benefits increased in 2009 by 10.0 percent. Gross health care payments totaled $168.7 million in 2009 and represented nearly 15.1 percent of all plan deductions. These benefits are not guaranteed or prepaid, so cost sharing is required to offset costs.

Refunds to members increased by 39.3 percent in 2011, increased by 0.4 percent in 2010 and decreased by 11 percent in 2009. Refunds to members include actual refunds of pension contributions and liabilities incurred for inactive members who have accumulated contributions on deposit with OP&F.

Statement of Fiduciary Net Assets as of Dec. 31, 2011

	Pensions	Post-employment Health Care	2011 Total	Death Benefit Agency Fund
Assets:				
Cash and Short-term Investments	$678,166,621	$48,082,306	$726,248,927	$248,492
Receivables:				
Employers' Contributions	62,643,386	28,415,728	91,059,114	–
Members' Contributions	16,434,681	–	16,434,681	–
Accrued Investment Income	41,906,377	2,971,180	44,877,557	–
Investment Sales Proceeds	59,795,909	4,239,556	64,035,465	–
Local Funds Receivable	30,877,358	–	30,877,358	–
Total Receivables	**211,657,711**	**35,626,464**	**247,284,175**	**–**
Investments, at fair value:				
Bonds	2,147,705,833	152,273,269	2,299,979,102	–
Mortgage and Asset-Backed Securities	590,680,142	41,879,477	632,559,619	–
Stocks	3,879,425,933	275,052,970	4,154,478,903	–
Real Estate	1,031,030,650	73,100,517	1,104,131,167	–
Commercial Mortgage Funds	35,660,717	2,528,360	38,189,077	–
Private Equity	430,438,886	30,518,302	460,957,188	–
International Securities	3,198,454,270	226,771,786	3,425,226,056	–
Total Investments	**11,313,396,431**	**802,124,681**	**12,115,521,112**	**–**
Collateral on Loaned Securities	1,372,198,252	97,289,447	1,469,487,699	–
Capital Assets, net of accumulated depreciation, where applicable:				
Land	3,200,000	–	3,200,000	–
Building and Improvements	14,596,038	–	14,596,038	–
Furniture and Equipment	145,190	–	145,190	–
Computer Software and Hardware	3,159,551	–	3,159,551	–
Total Capital Assets, Net	21,100,779	–	21,100,779	–
Prepaid Expenses and Other	294,283	–	294,283	–
Total Assets	**13,596,814,077**	**983,122,898**	**14,579,936,975**	**248,492**
Liabilities:				
Health Care Payable	–	19,270,927	19,270,927	–
Investment Commitments Payable	172,864,367	12,256,158	185,120,525	–
Accrued Administrative Expenses	11,416,930	–	11,416,930	–
Other Liabilities	18,079,675	–	18,079,675	–
Due to State of Ohio	–	–	–	248,492
DROP Liabilities	1,287,856,017	–	1,287,856,017	–
Obligations Under Repurchase Agreements	1,046,040,693	74,164,736	1,120,205,429	–
Obligations Under Securities Lending	1,372,198,252	97,289,447	1,469,487,699	–
Total Liabilities	**3,908,455,934**	**202,981,268**	**4,111,437,202**	**248,492**
NET ASSETS HELD IN TRUST FOR PENSION AND POST-EMPLOYMENT HEALTH CARE BENEFITS	**$9,688,358,143**	**$780,141,630**	**$10,468,499,773**	**$ –**

See Notes to Basic Financial Statements.

Statement of Fiduciary Net Assets as of Dec. 31, 2010

	Pensions	Post-employment Health Care	2010 Total	Death Benefit Agency Fund
Assets:				
Cash and Short-term Investments	$581,653,124	$36,732,774	$618,385,898	$238,235
Receivables:				
Employers' Contributions	65,868,265	29,927,900	95,796,165	–
Members' Contributions	15,703,434	–	15,703,434	–
Accrued Investment Income	39,868,731	2,517,805	42,386,536	–
Investment Sales Proceeds	51,497,093	3,252,164	54,749,257	–
Local Funds Receivable	32,145,606	–	32,145,606	–
Total Receivables	**205,083,129**	**35,697,869**	**240,780,998**	**–**
Investments, at fair value:				
Bonds	1,940,447,418	126,362,263	2,066,809,681	–
Mortgage and Asset-Backed Securities	624,872,125	35,643,750	660,515,875	–
Stocks	4,317,174,066	272,639,780	4,589,813,846	–
Real Estate	749,691,587	47,344,802	797,036,389	–
Commercial Mortgage Funds	39,678,565	2,505,796	42,184,361	–
Private Equity	386,805,179	24,427,664	411,232,843	–
International Securities	3,326,570,776	210,080,833	3,536,651,609	–
Total Investments	**11,385,239,716**	**719,004,888**	**12,104,244,604**	**–**
Collateral on Loaned Securities	1,178,659,623	74,435,150	1,253,094,773	–
Capital Assets, net of accumulated depreciation, where applicable:				
Land	3,200,000	–	3,200,000	–
Building and Improvements	15,101,348	–	15,101,348	–
Furniture and Equipment	194,448	–	194,448	–
Computer Software and Hardware	3,949,288	–	3,949,288	–
Total Capital Assets, Net	22,445,084	–	22,445,084	–
Prepaid Expenses and Other	207,426	–	207,426	–
Total Assets	**13,373,288,102**	**865,870,681**	**14,239,158,783**	**238,235**
Liabilities:				
Health Care Payable	–	16,633,929	16,633,929	–
Investment Commitments Payable	164,662,109	10,398,803	175,060,912	–
Accrued Administrative Expenses	11,367,996	–	11,367,996	–
Other Liabilities	16,960,098	–	16,960,098	–
Due to State of Ohio	–	–	–	238,235
DROP Liabilities	1,187,086,728	–	1,187,086,728	–
Obligations Under Repurchase Agreements	739,051,544	46,672,858	785,724,402	–
Obligations Under Securities Lending	1,178,659,623	74,435,150	1,253,094,773	–
Total Liabilities	**3,297,788,098**	**148,140,740**	**3,445,928,838**	**238,235**
NET ASSETS HELD IN TRUST FOR PENSION AND POST-EMPLOYMENT HEALTH CARE BENEFITS	**$10,075,500,004**	**$717,729,941**	**$10,793,229,945**	**$ –**

See Notes to Basic Financial Statements.

Statement of Changes in Fiduciary Net Assets **Year Ended Dec. 31, 2011**

	Pensions	Post-employment Health care	2011 Total
Additions:			
From Contributions:			
Employers'	$278,175,108	$129,297,720	$407,472,828
Members'	176,812,961	–	176,812,961
State of Ohio – Subsidies	639,099	–	639,099
Health Care	–	62,528,377	62,528,377
Total Contributions	**455,627,168**	**191,826,097**	**647,453,265**
From Investment Income:			
Net Appreciation (Depreciation)			
Value of Investments	(2,897,616)	(261,370)	(3,158,986)
Bond Interest	134,105,738	12,096,563	146,202,301
Dividends	84,876,641	7,656,015	92,532,656
Allocated Income	26,124,792	2,356,500	28,481,292
Foreign Securities	(3,188,461)	(287,605)	(3,476,066)
Other Investment Income	1,913,144	172,569	2,085,713
Less Investment Expenses	(33,703,601)	(3,040,121)	(36,743,722)
Net Investment Income	**207,230,637**	**18,692,551**	**225,923,188**
From Securities Lending Activities:			
Securities Lending Income	5,173,347	466,645	5,639,992
Securities Lending Expense	(1,822,345)	(164,379)	(1,986,724)
Net Income from Securities Lending	**3,351,002**	**302,266**	**3,653,268**
Interest on Local Funds Receivable	1,337,967	–	1,337,967
Other Income	9,921,166	28,647,013	38,568,179
Total Additions	**677,467,940**	**239,467,927**	**916,935,867**
Deductions:			
Retirement Benefits	490,182,582	–	490,182,582
DROP Benefits	241,048,734	–	241,048,734
Disability Benefits	225,044,299	–	225,044,299
Health Care Benefits	–	176,340,482	176,340,482
Survivor Benefits	71,607,186	–	71,607,186
Contribution Refunds	21,990,673	–	21,990,673
Administrative Expenses	14,711,481	715,756	15,427,237
Other Expenses	24,846	–	24,846
Total Deductions	**1,064,609,801**	**177,056,238**	**1,241,666,039**
Net Increase/(Decrease)	(387,141,861)	62,411,689	(324,730,172)
Net assets held in trust for pension and post-employment health care benefits:			
Balance, Beginning of year	**10,075,500,004**	**717,729,941**	**10,793,229,945**
BALANCE, END OF YEAR	**$9,688,358,143**	**$780,141,630**	**$10,468,499,773**

See Notes to Basic Financial Statements.

Statement of Changes in Fiduciary Net Assets Year Ended Dec. 31, 2010

	Pensions	Post-employment Health care	2010 Total
Additions:			
From Contributions:			
Employers'	$285,251,945	$128,774,894	$414,026,839
Members'	175,477,342	–	175,477,342
State of Ohio - Subsidies	692,634	–	692,634
Health Care	–	58,923,329	58,923,329
Total Contributions	**461,421,921**	**187,698,223**	**649,120,144**
From Investment Income:			
Net Appreciation (Depreciation)			
Value of Investments	1,356,328,808	87,893,487	1,444,222,295
Bond Interest	118,770,460	7,696,622	126,467,082
Dividends	83,783,590	5,429,385	89,212,975
Allocated Income	19,077,061	1,236,241	20,313,302
Foreign Securities	(59,856)	(3,879)	(63,735)
Other Investment Income	1,657,198	107,391	1,764,589
Less Investment Expenses	(31,337,256)	(2,030,732)	(33,367,988)
Net Investment Income	**1,548,220,005**	**100,328,515**	**1,648,548,520**
From Securities Lending Activities:			
Securities Lending Income	5,994,781	388,477	6,383,258
Securities Lending Expense	(2,967,025)	(192,271)	(3,159,296)
Net Income from Securities Lending	**3,027,756**	**196,206**	**3,223,962**
Interest on Local Funds Receivable	1,379,830	–	1,379,830
Other Income	7,066,937	16,709,612	23,776,549
Total Additions	**2,021,116,449**	**304,932,556**	**2,326,049,005**
Deductions:			
Retirement Benefits	444,386,040	–	444,386,040
DROP Benefits	240,954,818	–	240,954,818
Disability Benefits	217,843,414	–	217,843,414
Health Care Benefits	–	159,913,915	159,913,915
Survivor Benefits	69,052,597	–	69,052,597
Contribution Refunds	15,789,397	–	15,789,397
Administrative Expenses	14,361,380	687,854	15,049,234
Other Expenses	22,387	–	22,387
Total Deductions	**1,002,410,033**	**160,601,769**	**1,163,011,802**
Net Increase/(Decrease)	1,018,706,416	144,330,787	1,163,037,203
Net assets held in trust for pension and post-employment health care benefits:			
Balance, Beginning of year	**9,056,793,588**	**573,399,154**	**9,630,192,742**
BALANCE, END OF YEAR	**$10,075,500,004**	**$717,729,941**	**$10,793,229,945**

See Notes to Basic Financial Statements.

Notes to Basic Financial Statements **Dec. 31, 2011 and 2010**

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

New Accounting Pronouncement

During the year ended Dec. 31, 2011, OP&F adopted the provisions of GASB Statement No. 59 Financial Instruments Omnibus and GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions.

During the year ended Dec. 31, 2010, OP&F adopted the provisions of GASB Statement No. 53 Accounting and Financial Reporting for Derivative Instruments. The objective of this pronouncement is to enhance the usefulness and comparability of derivative information reported in the financial statements.

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 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. Securities traded on a national or international exchange are valued at the last reported sales price at the then current exchange rates. Mortgages are valued on the basis of future principal payments discounted at prevailing interest rates for similar instruments. The fair value of real estate is based on independent appraisals and internal valuations. Investments that do not have an established market are reported at estimated fair market value. Private equity limited partnership interest is based on values established by each partnership's valuation committee.

Net appreciation is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less the cost of investments purchased, plus proceeds from sales of investments at fair value. Investment expense consists of administrative expenses directly related to 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 qualified 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. OP&F's DROP plan was also determined to be a part of the 401(a) trust.

Administrative Costs

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

Contributions, Benefits, and Refunds

Employer and member contributions are recognized when due or in the period the related member salaries are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Property and Equipment

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

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

	Jan. 1, 2011	Increases	Decreases	Dec. 31, 2011
Non-Depreciable Capital Assets				
Land	$3,200,000	$-	$-	$3,200,000
Depreciable Capital Assets				
Building and Improvements	21,317,155	–	–	21,317,155
Furniture and Equipment	4,356,472	112,970	(669,099)	3,800,343
Computer Software and Hardware	12,952,646	988,164	(504,326)	13,436,484
Depreciable Capital Assets	**38,626,273**	**1,101,134**	**(1,173,425)**	**38,553,982**
Accumulated Depreciation				
Building and Improvements	6,215,807	505,310	–	6,721,117
Furniture and Equipment	4,162,024	98,387	(605,258)	3,655,153
Computer Software and Hardware	9,003,358	1,273,575	–	10,276,933
Total Accumulated Depreciation	**19,381,189**	**1,877,272**	**(605,258)**	**20,653,203**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**$19,245,084**	**$(776,138)**	**$(568,167)**	**$17,900,779**

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 two active representatives of police departments, two active representatives of fire departments, one retired police officer and one retired firefighter. The Board also includes three statutory members. Each statutory member—one appointed by the Governor of Ohio, one by the Ohio Treasurer of State, and one appointed jointly by the Ohio Senate President and Ohio Speaker of the House of Representatives—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 eligible survivors, spouses, children and dependent parents. OP&F is a separate financial reporting entity in accordance with criteria established by Governmental Accounting Standards Board Statement No.14. Because OP&F is legally separate entity, a voting majority of the governing board is not appointed by the State and it is fiscally independent of other state and local governments. OP&F also has a variety of professional consultants and money managers as listed on page iii and page 44.

Plan Membership

Employer and member data as of Jan. 1, 2011 and 2010, based on the most recent actuarial valuation, is as follows:

	2011			2010		
Employee Members	**Police**	**Fire**	**Total**	**Police**	**Fire**	**Total**
Retirees and Beneficiaries						
Currently receiving benefits	15,013	11,061	26,074	14,797	10,915	25,712
Terminated employees entitled to benefits but not yet receiving them	104	47	151	94	47	141
TOTAL BENEFIT MEMBERS	15,117	11,108	26,225	14,891	10,962	25,853
Current Members						
Vested	7,475	6,363	13,838	7,180	6,170	13,350
Non-vested	7,818	6,566	14,384	8,401	6,868	15,269
Total Current Members	15,293	12,929	28,222	15,581	13,038	28,619
TOTAL EMPLOYEE MEMBERS	30,410	24,037	54,447	30,472	24,000	54,472
Employer Members						
Municipalities	250	227	477	252	229	481
Townships	0	123	123	0	123	123
Villages	283	34	317	284	33	317
TOTAL EMPLOYER MEMBERS	**533**	**384**	**917**	**536**	**385**	**921**

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 have elapsed from the date the member became a qualified employee in a police or fire department, whichever date is later. An age/service commuted benefit is available to members age 62 with at least 15 years of service. This benefit is equal to 1.5 percent of average annual salary.

In addition to retirement benefits, OP&F also provides disability, survivor, and Death Benefit Fund (DBF) 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 surviving spouse, children and dependent parents upon the death of an active member or retiree. A one-time lump sum death benefit of $1,000 is payable to the surviving spouse, designated beneficiary or estate, as applicable, of each deceased retired member.

OP&F also administers the Ohio Public Safety Officers DBF, which is funded by the State of Ohio and provides special benefits to eligible survivors of public safety officers who are killed in the line of duty or who die from injuries or disease incurred in the performance of official duties. If the public safety officer had not qualified for age and service retirement these eligible survivors are entitled to receive the member's full base pay, which will be reduced at the member's retirement eligibility date. If the public safety officer would have qualified for age and service retirement, the survivors are eligible for a transitional benefit equal to 50 percent of the monthly base pay. The transitional benefit is paid in addition to any optional payment that may have been selected.

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 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 service 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 (COLA), 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 interest, also accumulates into DROP.

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. When members end their active employment and retire within the required period, which terminates their DROP participation, they begin to receive their monthly service 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.

Health Care

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 administered by third party providers and are subject to change at any time upon action of the Board of Trustees. The program includes prescription drugs and reimbursement of Medicare Part B premiums. Benefit recipients pay a portion of the health care cost through a monthly contribution.

Under Ohio law, health care costs paid from the funds of the plan are included in the employer contribution rates, which are currently 19.5 percent and 24 percent of salaries for police and fire employers, respectively. The Board of Trustees allocated employer contributions equal to 6.75 percent of annual covered payroll to the Health Care Stabilization Fund, which was part of the Pension Reserve Fund for 2011 and allocated 6.75 percent in 2010.

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

Refunds

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

Funded Status and Funding Progress – Other Post Employment Benefits (OPEB) Plans

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

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

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

Additional information as of the latest actuarial valuation follows:

Defined Benefit Plan – Pension Trust

Valuation date: Jan. 1, 2011
Actuarial cost method: Entry Age
Amortization method: Level percent of Payroll, open
Remaining amortization period: Infinite*
Funding Ratio: 69.4%
Asset valuation method: 5–year adjusted fair value with a corridor of 20% of the fair value

Actuarial assumptions:

- Investment rate of return 8.25%
- Projected salary increases 5.0–11.0%
- Payroll Increases 4.0%
- Inflation Assumption 3.25%
- Cost–of–living adjustments 3.00% simple

* The Annual Required Contributions for 2003–2006 were based on 40-year amortization. Years 2007 and later use a 30-year amortization basis. The amounts contributed for 2003–2010 equate to an infinite amortization period.

Retiree Health Care Benefits – Health Care Trust

Valuation date: Jan. 1, 2011
Actuarial cost method: Entry Age
Amortization method: Level percent of Payroll, open
Remaining amortization period: 30 years
Asset valuation method: Fair Value

Actuarial assumptions:

- Investment return (discount rate) 6.00%
- Projected salary increases 5.0–11.0%
- Payroll Increases 4.00%
- Inflation Assumption 3.25%

Health Care Cost Trends	Initial Rate 3 years			Ultimate Rate	Ultimate Year
	2011 to 2012	2012 to 2013	2013 to 2014		
Non-Medicare	5.00%	13.10%	7.00%	5.00%	2017
Non-AARP	5.00%	13.10%	7.00%	5.00%	2017
AARP	6.75%	6.50%	6.25%	5.00%	2018
Rx Drug	2.40%	7.50%	7.00%	5.00%	2017
Medicare Part B	13.00%	5.70%	5.60%	5.00%	2019

Schedule of Funding Progress (Unaudited)*

For the valuation year ending Jan. 1, 2011

Pension Trust (dollars in millions)

Valuation Year Jan. 1	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
2011	$10,681	$15,384	$4,703	69.4%	$1,869	251.7%

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

Retiree Health Care Trust (dollars in millions)

Valuation Year Jan. 1	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
2011	$718	$3,295	$2,578	21.8%	$1,869	137.9%

* See page 29 for multi-year trend information

3 - CONTRIBUTIONS AND RESERVES

Contributions

Chapter 742 of the Ohio Revised Code (ORC) requires contributions by active members and their employers. Contribution rates are subject to annual review by the Ohio Retirement Study Council (ORSC). Additionally, an actuary is used to determine the actuarial implications of the requirement. The adequacy of contribution rates is determined annually using the entry age normal actuarial cost method. Rates are at the statutory maximums and the maximum rates have been taken into consideration in the projection of pension benefits for financial accounting measurement purposes.

Rates established by the ORC at Dec. 31, 2011 and 2010:

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

The ORC establishes the length of the amortization period for unfunded pension liability as the primary measure of OP&F's financial status, with a period of 30 years or less being considered satisfactory. This 30-year target was to be attained by Dec. 31, 2006 and maintained thereafter. As of Jan. 1, 2011, the amortization period under the current statutory rates is infinite. OP&F has submitted to ORSC another approved funding plan, which reduced the amortization period to 30 years, and is currently working in conjunction with ORSC staff to answer questions and provide additional information as requested.

Combined employer and member contributions as a percentage of the total active member payroll required and made for 2011 and 2010 represented 29.5 percent for police and 34 percent for firefighters. Employer and member contributions were $195,688,308 and $95,201,088, respectively, for police and $211,784,520 and $81,611,873, respectively, for firefighters for the year ended Dec. 31, 2011. Employer and member contributions were $199,166,277 and $94,384,559, respectively, for police and $214,860,562 and $81,092,783, respectively, for firefighters for the year ended Dec. 31, 2010. These contributions represent 100 percent of the statutorily-required employer and member contributions for both police and firefighters for the years ended Dec. 31, 2011 and 2010.

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 $639,099 and $692,634 for the years ended Dec. 31, 2011 and 2010, respectively.

Local Funds Receivable

Local governments are required by state statute to pay the unfunded portion of the actuarially-determined liability of the local police and firefighter's relief and pension funds that were merged to form OP&F in 1967. The ORC designates this obligation of the local governments the "Employers' Accrued Liability." Interest on the outstanding balance is being accrued at the rate of 4.25 percent, compounded semi-annually. Local governments began repayment in 1969 and payments are required to be made until 2035. Between 1969 and 1973, payments of principal and interest were received at incremental semi-annual rates ranging from 2 percent to 4 percent of the original receivable balance. Between 1973 and 2035, semi-annual payments of principal and interest are required to be made by the local governments at a rate of 5 percent of the original receivable balance. The underpaid balance due at Dec. 31, 2011 and 2010, respectively, includes $93,677 and $95,737 due from local governments, which had previously underpaid their semi-annual payment and from local governments that joined OP&F subsequent to 1967 according to a 20-year payment plan.

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

Year ending December 2012	$2,097,379
Year ending December 2013	2,097,379
Year ending December 2014	2,097,291
Year ending December 2015	2,095,156
Year ending December 2016	2,095,156
Thereafter	38,214,491
Total projected payments	**48,696,852**
Less interest portion	(17,819,494)
BALANCE AT DEC. 31, 2011	**$30,877,358**

Reserves

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

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

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

The Police Officers' and Firefighters' Pension Reserve Fund is the account from which all retirement, disability, DROP, 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 Funds 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.

Ohio law provides that 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 ORC, must be paid by transfers 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 that amounts payable therefrom, the amount of such deficiency, with regular interest, must be paid by an additional employer rate of current contributions as determined by the actuary and must be approved by the Board of Trustees of OP&F, and the amount of such additional employer contribution will 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:

	2011	2010
Members' Contribution	$2,065,743,825	$2,056,809,570
Employers' Contribution	901,575,948	1,515,934,375
Pension Reserve	7,501,180,000	7,220,486,000
TOTAL	**$10,468,499,773**	**$10,793,229,945**

4 – CASH AND INVESTMENTS

Cash and Investments

A summary of cash and short-term securities and investments held at Dec. 31, 2011 and 2010 is as follows:

Category	2011 Fair Value	2010 Fair Value
Cash and cash equivalent*	$724,903,190	$617,029,526
U.S. Government Obligations	804,979,188	664,726,505
U.S. Government Agencies	92,559,754	23,678,317
U.S. Government Treasury STRIPS	87,187,021	69,182,610
Municipal Bond Obligations	10,598,283	5,258,827
Corporate Bonds and Obligations	1,304,654,856	1,303,963,422
Mortgage and Asset-Backed Obligations	632,559,619	660,515,875
Domestic Stocks	1,512,154,416	1,478,832,777
Domestic Pooled Stocks	2,642,324,487	3,110,981,069
International Securities	3,425,226,056	3,536,651,609
Real Estate	1,104,131,167	797,036,389
Commercial Mortgage Funds	38,189,077	42,184,361
Private Equity	460,957,188	411,232,843
GRAND TOTAL	**$12,840,424,302**	**$12,721,274,130**

The investment type classification is based on the characteristics of the individual securities.
*Cash and cash equivalents are included in cash and short-term investments on the Statement of Fiduciary Net Assets.

Custodial Credit Risk

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

In accordance with Ohio Revised Code (ORC) 135.18, the Ohio Treasurer of State, the statutory custodian for OP&F, requires that the amount in any demand deposit account not covered by federal deposit insurance be collateralized with securities permitted under ORC 135.18 at 102 percent of the value of the cash. Collateral is held in the Ohio 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 Ohio Treasurer of State has historically restricted 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. Despite OP&F objections, the Ohio Treasurer of State allowed language in the custody agreement that grants a security interest in OP&F assets. 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 Dec. 31, 2011

Uninsured deposits collateralized with securities held by the pledging financial institution:	$2,782,131
Uninsured and uncollateralized deposits:	$8,705,524

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating institution. OP&F's risk management policy over credit risk is based on the type of fixed income instruments. For credit risk purposes, OP&F classifies its fixed income securities into three main types: core, high yield and short-term fixed income. The credit risk policies related to these types are stated below.

Core Fixed Income

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

- Government instruments include those issued by the U.S. Treasury as well as fixed income instruments, other than mortgage-backed securities, of an agency or instrumentality of the United States government.
- Mortgage-backed instruments include collateralized mortgage obligations and Real Estate Mortgage Investment Conduits (REMIC's), whose payment of principal and interest is insured by the full faith and credit of the United States government, or an agency or instrumentality thereof. Also included in this category are secured assets issued by Government National Mortgage Association (GNMA) project loans, pools and participation certificates, Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC).
- U.S. Agency debt instruments include unsecured or uncollateralized securities issued by U.S. government agencies and government sponsored enterprises.
- 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 Standard and Poor's (S&P) or below Baa3 by Moody's. Accordingly, credit risks associated with these bonds are greater than with core fixed income bonds. OP&F's policy is to invest in high yield bonds issued by U.S. Corporations with a minimum credit rating of CCC or equivalent. OP&F allows some of its investment managers to purchase securities that are "not rated" as long as they deem these securities to be at least equivalent to the minimum ratings at the time of purchase. It is possible after purchase that the security is downgraded. In the event of an investment guideline violation and in the event of a security downgrade, such that the ratings (Moody's, S&P, or Fitch Investor's Service) are below the allowable minimum security quality, the Manager will inform OP&F in writing within five business days of such violation. Such notice will include the action the Manager intends to take with regard to the violation and over what time period that action will be taken. Both the method and timing of the violation resolution must be agreeable to OP&F.

The following tables show ratings by asset class in OP&F's fixed income portfolio as of Dec. 31, 2011 and 2010:

Ratings By Asset Class – 2011

Moody's Ratings	A3 and Above	Baa3 to A3	B3 to Baa3	C to B3	Full Faith and Credit	Not Rated	
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	$195,962,403	$180,745,966	$773,763,829	$136,914,128	$ –	$17,268,530	$1,304,654,856
Mortgage and Asset-Backed Securities	481,472,778	12,409,482	32,612,508	60,811,036	42,895,433	2,358,382	632,559,619
Municipal Bond Obligations	10,598,283	–	–	–	–	–	10,598,283
Non-U.S. Government Bonds	1,006,705,454	–	–	–	–	–	1,006,705,454
U.S. Government Agencies	92,559,754	–	–	–	–	–	92,559,754
U.S. Government Treasury STRIPS	–	–	–	–	87,187,021	–	87,187,021
U.S. Government Obligations	656,417,380	–	–	–	148,561,808	–	804,979,188
GRAND TOTAL	**$2,443,716,052**	**$193,155,448**	**$ 806,376,337**	**$197,725,164**	**$278,644,262**	**$19,626,912**	**$3,939,244,175**

Ratings By Asset Class – 2010

Moody's Ratings	A3 and Above	Baa3 to A3	B3 to Baa3	C to B3	Full Faith and Credit	Not Rated	
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	$248,020,246	$150,864,913	$713,490,790	$179,528,245	$ –	$12,059,228	$1,303,963,422
Mortgage and Asset-Backed Securities	501,141,880	4,226,260	34,472,158	77,093,121	42,583,722	998,734	660,515,875
Municipal Bond Obligations	5,258,827	–	–	–	–	–	5,258,827
Non-U.S. Government Bonds	758,745,021	–	–	–	–	–	758,745,021
U.S. Government Agencies	23,678,317	–	–	–	–	–	23,678,317
U.S. Government Treasury STRIPS	–	–	–	–	69,182,610	–	69,182,610
U.S. Government Obligations	195,196,342	–	–	–	469,530,163	–	664,726,505
GRAND TOTAL	**$1,732,040,633**	**$155,091,173**	**$747,962,948**	**$256,621,366**	**$581,296,495**	**$13,057,962**	**$3,486,070,577**

Short-Term Investments

The short-term investment portfolio consists mainly of commercial paper. OP&F's policy is that, at the time of purchase, the short-term instrument must be rated within the two highest classifications established by two standard rating services. However, it is possible that after the purchase the ratings could change. The table at the top of the next page lists the commercial paper ratings as of Dec. 31, 2011 and 2010.

S&P/Moody's Rating	Fair Value 2011	Percent 2011	Fair Value 2010	Percent 2010
A-1/P-1	$22,999,436	4.47%	$229,385,568	48.12%
A-1/P-2	–	–	62,595,811	13.13%
A-2/P-1	51,789,536	10.07%	29,994,875	6.29%
A-2/P-2	439,565,511	85.46%	154,756,887	32.46%
GRAND TOTAL	**$514,354,483**	**100.00%**	**$476,733,141**	**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 the U.S. fixed income portfolio (the Barclays Capital U.S. Aggregate Bond Index) had 5.18 years and 5.25 years effective duration as of Dec. 31, 2011 and 2010, respectively. The benchmark for the Non-U.S. fixed income portfolio (which is a custom weighted-average mix of the Barclays country indexes within the Global Inflation-Linked Bond Index) had 13.91 years and 11.73 years effective duration as of Dec. 31, 2011 and 2010, respectively.

Duration is a measure of a fixed income security's cash flows using present values, weighted for cash flows as a percentage of the investment's full price. The duration measurement used is "effective duration" and is provided for each core fixed income portfolio and for the composite of all portfolios. All core fixed income managers are given a range of permissible durations around the duration of their benchmark index. Since portfolio level duration is the best measure of interest rate risk, OP&F does not require its managers to measure or report on the duration of each security sector. OP&F does not measure the duration of their 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 at the bottom of this page lists the effective duration for OP&F's fixed income portfolio as of Dec. 31, 2011 and 2010.

Collateralized Mortgage Obligations

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

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

Investment Type	Fair Value 2011	Effective Duration 2011	Fair Value 2010	Effective Duration 2010
U.S. Government Obligations	$804,979,188	8.58	$ 664,726,505	7.73
U.S. Government STRIPS	87,187,021	7.52	69,182,610	6.83
U.S. Government Agencies	92,559,754	2.27	23,678,317	4.74
Mortgage and Asset-Backed Securities	632,559,619	2.49	660,515,875	2.57
Municipal Bond Obligations	10,598,283	4.24	5,258,827	4.64
Corporate Bond Obligations*	325,474,744	4.79	370,393,951	4.07
U.S. FIXED INCOME EFFECTIVE DURATION	**$1,953,358,609**	**3.70**	**$ 1,793,756,085**	**3.51**
Non-U.S. Government Bond	1,006,705,454	11.76	758,745,021	11.25
TOTAL FIXED INCOME EFFECTIVE DURATION	**$2,960,064,063**	**7.70**	**$ 2,552,501,106**	**6.85**

* High yield is not included in duration.

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 Dec. 31, 2011 and 2010, 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 market shall be invested in securities of a single issue or issuer, unless otherwise approved by the Board of Trustees. At Dec. 31, 2011 and 2010, OP&F did not hold investments in any one issuer that represented 5 percent or more of the plan net assets.

Securities Lending

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

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

The following represents the balances relating to the securities lending transactions at Dec. 31, 2011 and 2010:

Securities Lent as of Dec. 31, 2011

Securities Lent	Underlying Security	Collateral Received	Collateral Fair Value	Type of Collateral
U.S. Government and Treasuries	$202,926,539	$206,483,885	$206,483,885	Cash
Domestic Corporate Fixed Income	428,740,456	438,628,073	438,628,073	Cash
Domestic Equities	447,812,849	469,876,125	469,876,125	Cash
International Equities	321,464,602	338,923,898	338,923,898	Cash
International Equities	15,194,385	15,575,718	15,575,718	Securities
TOTAL SECURITIES LENT	**$1,416,138,831**	**$1,469,487,699**	**$1,469,487,699**	

Securities Lent as of Dec. 31, 2010

Securities Lent	Underlying Security	Collateral Received	Collateral Fair Value	Type of Collateral
U.S. Government and Treasuries	$226,764,017	$230,484,557	$230,484,557	Cash
Domestic Corporate Fixed Income	452,935,816	462,572,298	462,572,298	Cash
Domestic Equities	321,709,857	336,006,771	336,006,771	Cash
International Equities	210,071,021	221,357,350	221,357,350	Cash
International Equities	2,534,504	2,673,797	2,673,797	Securities
TOTAL SECURITIES LENT	**$1,214,015,215**	**$1,253,094,773**	**$1,253,094,773**	

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 to international equity holdings was an interim allocation of 22.0 percent as of Dec. 31, 2011 with an ultimate long-term target of 21.7 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, (local cash awaiting repatriation earns interest), any excess cash received in OP&F's trust accounts is invested in a U.S. Dollar denominated Short Term Investment Fund (STIF). For the years ending Dec. 31, 2011 and 2010, OP&F's exposure to foreign currency risk is as follows:

2011 Exposure To Foreign Currency Risk

Currency	Fair Value (Cash Deposits)	Fair Value (Currency Contracts)	Fair Value (Equities)	Fair Value (Bonds)	Fair Value (Private Equities)	Fair Value (Repurchase Agreements)	Total Fair Value (Cash Deposits and Securities)
Australian Dollar	$ 1,069,535	$ 642,080	$ 96,473,758	$ –	$ –	$–	$ 98,185,373
Brazilian Real	336	–	26,993,764	–	–	–	26,994,100
British Pound	394,102	321,735	407,248,412	258,079,584	–	(248,207,130)	417,836,703
Canadian Dollar	79,270	(1,741,005)	118,730,341	171,707,488	–	–	288,776,094
Chilean Peso	–	–	615,229	–	–	–	615,229
Czech Koruna	273,429	–	–	–	–	–	273,429
Danish Kroner	10,922	–	21,215,447	–	–	–	21,226,369
Euro	519,023	9,848,213	537,275,625	490,595,078	39,750,427	(274,343,487)	803,644,879
Hong Kong Dollar	195,766	(24)	139,545,811	–	–	–	139,741,553
Hungarian Forint	196	–	275,245	–	–	–	275,441
Indian Rupee	811	–	6,667,854	–	–	–	6,668,665
Indonesian Rupiah	115,496	–	6,584,349	–	–	–	6,699,845
Israeli Shekel	2	–	2,556,675	–	–	–	2,556,677
Japanese Yen	526,533	244,072	349,899,281	–	–	–	350,669,886
Malaysian Ringgit	73,885	–	8,314,489	–	–	–	8,388,374
Mexican Peso	7,878	–	15,777,242	–	–	–	15,785,120
New Turkish Lira	723,062	–	17,928,812	–	–	–	18,651,874
New Zealand Dollar	2,496	(37,791)	1,183,909	–	–	–	1,148,614
Norwegian Krone	414	70,079	3,990,857	–	–	–	4,061,350
Pakistan Rupee	51,559	–	76,423	–	–	–	127,982
Philippian Peso	16,635	–	885,656	–	–	–	902,291
Polish Zloty	41,280	–	13,656,033	–	–	–	13,697,313
Singapore Dollar	153,484	–	20,010,597	–	–	–	20,164,081
South African Rand	35,931	–	11,229,962	–	–	–	11,265,893
South Korean Won	595	–	67,896,104	–	–	–	67,896,699
Swedish Krona	113,651	(1,062,322)	37,235,183	86,323,304	–	–	122,609,816
Swiss Franc	97,429	(108,024)	148,058,334	–	–	–	148,047,739
Taiwanese New Dollar	4,145,071	–	41,901,940	–	–	–	46,047,011
Thailand Baht	1	–	28,363,507	–	–	–	28,363,508
GRAND TOTAL	**$8,648,792**	**$8,177,013**	**$2,130,590,839**	**$1,006,705,454**	**$39,750,427**	**$(522,550,617)**	**$2,671,321,908**

2010 Exposure To Foreign Currency Risk

Currency	Fair Value (Cash Deposits)	Fair Value (Currency Contracts)	Fair Value (Equities)	Fair Value (Bonds)	Fair Value (Private Equities)	Fair Value (Repurchase Agreements)	Total Fair Value (Cash Deposits and Securities)
Australian Dollar	$53,248	$758,815	$98,893,256	$ –	$ –	$ –	$99,705,319
Brazilian Real	75,690	(252)	34,356,554	–	–	–	34,431,992
British Pound	302,847	1,840,761	385,685,527	191,835,647	–	(118,794,655)	460,870,127
Canadian Dollar	136,292	(2,229,408)	141,832,856	128,173,266	–	–	267,913,006
Chilean Peso	647	–	346,971	–	–	–	347,618
Czech Koruna	76,253	–	2,252,804	–	–	–	2,329,057
Danish Krone	338,347	–	40,674,957	–	–	–	41,013,304
Euro	1,038,845	(2,468,333)	674,368,472	376,235,009	36,488,456	(287,666,704)	797,995,745
Hong Kong Dollar	180,463	–	133,718,119	–	–	–	133,898,582
Hungarian Forint	1,614	–	4,115,389	–	–	–	4,117,003
Indian Rupee	35,809	–	8,288,954	–	–	–	8,324,763
Indonesian Rupiah	49,850	–	6,687,977	–	–	–	6,737,827
Israeli Shekel	554,454	–	4,977,499	–	–	–	5,531,953
Japanese Yen	2,309,200	202,525	417,631,988	–	–	–	420,143,713
Malaysian Ringgit	859,714	–	17,452,664	–	–	–	18,312,378
Mexican Peso	176,889	(299,227)	22,310,892	–	–	–	22,188,554
New Turkish Lira	2	–	22,810,619	–	–	–	22,810,621
New Zealand Dollar	2,500	189	–	–	–	–	2,689
Norwegian Krone	119,095	(286,543)	24,405,590	–	–	–	24,238,142
Pakistan Rupee	11,454	–	671,418	–	–	–	682,872
Philippian Peso	5,567	–	1,124,824	–	–	–	1,130,391
Polish Zloty	710,815	–	16,523,674	–	–	–	17,234,489
Singapore Dollar	174,841	–	17,423,848	–	–	–	17,598,689
South African Rand	214,833	–	9,142,543	–	–	–	9,357,376
South Korean Won	764,191	–	82,581,904	–	–	–	83,346,095
Swedish Krona	155,684	(1,025,688)	51,767,511	62,501,099	–	–	113,398,606
Swiss Franc	4,582	337,298	151,416,881	–	–	–	151,758,761
Taiwanese New Dollar	14,909	–	69,723,002	–	–	–	69,737,911
Thailand Baht	–	–	17,600,741	–	–	–	17,600,741
GRAND TOTAL	**$8,368,635**	**$(3,169,863)**	**$2,458,787,434**	**$758,745,021**	**$36,488,456**	**$(406,461,359)**	**$2,852,758,324**

Derivatives

Derivatives are generally defined as investment instruments whose value depends on, or is derived from, the value of an underlying asset, reference rate, or index.

OP&F has classified the following as derivatives:

- Mortgage and Asset-Backed Securities: OP&F invested in Planned Amortization Class and Sequential Pay Real Estate Mortgage Investment Conduit bonds issued by GNMA, FHLMC, and FNMA. Planned Amortization Class bonds are retired according to a payment schedule so as to have a stable average life and yield even if expected prepayments rates change within a specified broad range of prepayment possibilities. Sequential Pay bonds begin to pay principal when classes with an earlier priority have paid to a zero balance. Such bonds enjoy uninterrupted payment of principal until paid to a zero balance. In terms of credit risk, the United States government explicitly backs GNMA mortgage securities programs and is viewed by the market as implicitly backing FHLMC and FNMA mortgage securities programs.
- Futures Contracts: Futures contracts are contracts to buy or sell units of an index or financial instrument on a specified future date at a price agreed upon when the contract is originated. OP&F invested in the Russell 1000 Stock Index Fund managed by State Street Global Advisors (SSGA). This fund, to a minor extent, utilized stock index futures contracts to equitize cash balances. In addition, OP&F through its portable alpha program, used five external investment managers who utilize futures to gain market exposure. OP&F had $389 million and $501 million notional value exposure in future contracts as of Dec. 31, 2011 and 2010, respectively. These amounts represented 3.4 percent and 4.2 percent, respectively, of the total portfolio in both years.
- Forward-Currency Contracts: Forward currency contracts are legal agreements between two parties to purchase and sell a foreign currency, for a price specified at the contract date, with delivery and settlement in the future. OP&F, through its external investment managers, enters into forward currency contracts to hedge underlying foreign currency exposure in its non-U.S. equity portfolios back to the U.S. dollar or to provide the quantity of foreign currency needed to settle trades. In addition, OP&F employs two external currency managers, in its portable alpha program, to manage assets in an active currency strategy that attempts to add alpha and does not function merely as a hedging vehicle. This strategy seeks to add value by entering into long and short positions in both developed and emerging markets' currencies. The risks associated with such contracts include changes in the value of foreign currency relative to the U.S. dollar and the risk of default by the counterparty. To manage counterparty risk, investment managers utilize various financially sound counterparties.

  All the contracts are valued at the spot foreign exchange rate at Dec. 31, 2011 and 2010. The changes in the value of the open contracts are recognized as unrealized appreciation/depreciation. A realized gain or loss is recorded at the time of the delivery/closing of the contract. The realized gain or loss is the difference between the value of the original contract and the closing/delivery value of such contracts. Both realized and unrealized gains and losses are included in the Statement of Changes in Fiduciary Net Assets as net appreciation/depreciation. The following table represents the balances of the outstanding currency transactions as of Dec. 31, 2011 and 2010:

Open Currency Contracts as of Dec. 31, 2011

Purpose	Fair Value (Outstanding Purchases)	Fair Value (Outstanding Sales)	Unrealized Appreciation/ (Depreciation)
Trade Settlement	$27,852,421	$27,678,773	$173,648
Position Hedging	744,482,726	739,539,009	4,943,717
Currency Management	309,352,206	306,292,558	3,059,648
GRAND TOTAL	**$1,081,687,353**	**$1,073,510,340**	**$ 8,177,013**

Open Currency Contracts as of Dec. 31, 2010

Purpose	Fair Value (Outstanding Purchases)	Fair Value (Outstanding Sales)	Unrealized Appreciation/ (Depreciation)
Trade Settlement	$31,201,144	$31,423,653	$(222,509)
Position Hedging	916,982,579	921,618,390	(4,635,811)
Currency Management	167,215,530	165,527,073	1,688,457
GRAND TOTAL	**$1,115,399,253**	**$1,118,569,116**	**$(3,169,863)**

In 2011 and 2010, OP&F realized gains / (losses) of $6,144,802 and $54,998,481 respectively on delivered/closed contracts.

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

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

5 – DEFINED BENEFIT PENSION PLAN

OP&F contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer plan for all staff. OPERS administers three separate pension plans, provides retirement, disability, and survivor benefits to qualified plan members and beneficiaries. Benefit provisions and contribution requirements are established by the Ohio legislature and are codified in Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 1-614-466-2085 or 1-800-222-7377.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 14 percent. OP&F's contributions to OPERS for the years ending Dec. 31, 2011, 2010, and 2009, were $1,171,799, $1,197,016, and $1,237,357, respectively, equal to the required contributions for each year.

6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

OP&F contributes to OPERS, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the OPERS. OPERS provides medical benefits to retired public employees of public employers who are subject to coverage under Chapter 145 of the Ohio Revised Code (ORC). Chapter 145 of the ORC assigns the authority to establish and amend benefit provisions to the OPERS Board of Trustees. OPERS issues a publicly available financial report that includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 1-614-222-5601 or 1-800-222-7377.

Chapter 145 of the ORC provides that contribution requirements of the participating employers and of plan members to the OPERS (defined benefit pension plan) are established and may be amended by the OPERS Board of Trustees. Participating employers and active pension plan members are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 14 percent and 10 percent of payroll, respectively. Chapter 145 of the ORC states that the employer contribution rate may not exceed 14 percent of payroll and that the employee contribution rate may not exceed 10 percent.

The OPERS retiree health plan was established and is administered as an Internal Revenue Code Section 401(h) account within the defined benefit pension plan, under the authority granted by the state of Ohio to the OPERS Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended Dec. 31, 2011, the employer contribution allocated to the retiree healthcare plan was 4.0 percent of employer contributions. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OPERS Board of Trustees is also authorized to establish requirements for contributions to the retiree healthcare plan by retirees or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

OP&F's contributions to OPERS for the years Dec. 31, 2011, 2010 and 2009 were $1,171,799, $1,197,016, and $1,237,357, respectively, of which $334,800, $433,769, and $519,772, respectively, was allocated to the healthcare plan. These contributions represent 100 percent of the statutory required contributions for the years ended Dec. 31, 2011, 2010, and 2009.

7 – COMMITMENTS AND CONTINGENCIES

OP&F is a defendant in a number of lawsuits pertaining to matters that are incidental to performing routine business functions. OP&F management is of the opinion that ultimate resolution of such claims will not result in a material, adverse effect on OP&F's financial position as of Dec. 31, 2011.

OP&F is committed to making additional capital contributions of $478,913,859 and €41,360,000 ($53,691,484 USD) toward its private equity program. The private equity program had $460,957,188 and $411,232,843 in fair value at Dec. 31, 2011, and 2010, respectively.

8 – STATE OF OHIO PUBLIC SAFETY OFFICERS DEATH BENEFIT FUND

Pursuant to ORC Section 742.62, the Board of Trustees of the Ohio Police & Fire Pension Fund administers the State of Ohio Public Safety Officers Death Benefit Fund. This program was established by the State of Ohio to provide monthly benefit payments to eligible surviving family members of Ohio public safety officers who have been killed in the line of duty or die of a duty–related injury or illness. Funds are disbursed to OP&F on a quarterly basis each state fiscal year (July 1-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 $248,492 and $238,235 and the related liability for unpaid benefits are included in the accompanying financial statements as of Dec. 31, 2011 and 2010, respectively.

9 – ADDITIONAL DISCLOSURES

In May 2012, the Ohio Senate passed the "Pension Bill." This is a positive step forward in getting the legislation needed to aid in reaching the 30-year funding requirement. Under the "Pension Bill", there will be increases in member contributions along with changes to the minimum retirement age, modifications to cost-of-living adjustments, changes in the interest rate and minimum enrollment period for DROP, changing the formula to calculate final average salary and continued alterations to the sponsored health care plan for retirees.

In the later part of 2012, the Ohio House of Representatives is expected to address the "Pension Bill" legislation. An independent consultant was hired by the Ohio Retirement Study Counsel (ORSC) to review the funding plans and to make other recommendations prior to final legislation to ensure a comprehensive analysis by an outside party.

Required Supplementary Information (Unaudited)

Schedule of Funding Progress

For the valuation year ending Jan. 1, 2011

Pension Trust (dollars in millions)

Valuation Year Jan. 1	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
2011	$10,681	$15,384	$4,703	69.4%	$1,869	251.7%
2010	10,794	14,831	4,037	72.8%	1,895	213.0%
2009	9,309	14,307	4,998	65.1%	1,901	262.9%
2008	11,213	13,728	2,515	81.7%	1,831	137.3%
2007	10,158	12,988	2,830	78.2%	1,783	158.7%
2006	9,551	12,190	2,639	78.3%	1,756	150.3%
2005	9,337	11,545	2,208	80.9%	1,684	131.1%
2004	9,337	10,798	1,461	86.5%	1,644	88.9%
2003	8,683	10,508	1,825	82.6%	1,606	113.7%
2002	9,076	9,786	710	92.8%	1,534	46.3%

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 Jan. 1	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
2011	$718	$3,295	$2,578	21.8%	$1,869	137.9%
2010	573	3,232	2,659	17.7%	1,895	140.3%
2009	439	3,164	2,725	13.8%	1,901	143.3%
2008	527	3,623	3,096	14.5%	1,831	169.1%
2007	437	3,274	2,837	13.3%	1,783	159.1%
2006	343	3,335	2,992	10.3%	1,756	170.4%

Schedule of Contributions From Employers and Other Contributing Entities (dollars in thousands)

Pension Trust

	Annual Required Contributions*	Percentage Contributed
Year ended Dec. 31, 2010	$459,798	62%
Year ended Dec. 31, 2009	506,496	55%
Year ended Dec. 31, 2008	370,765	75%
Year ended Dec. 31, 2007	363,661	77%
Year ended Dec. 31, 2006	321,712	73%
Year ended Dec. 31, 2005	292,455	79%
Year ended Dec. 31, 2004	257,851	88%
Year ended Dec. 31, 2003	277,725	79%
Year ended Dec. 31, 2002	205,993	100%
Year ended Dec. 31, 2001	205,980	100%

* 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 amortization period of 30 years. 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 that follows.

Required Supplementary Information(Unaudited)

Retiree Health Care Trust (dollars in thousands)

	Annual Required Contributions**	Percentage Contributed
Year ended Dec. 31, 2010	$248,912	54.3%
Year ended Dec. 31, 2009	256,297	52.1%
Year ended Dec. 31, 2008	285,844	48.8%
Year ended Dec. 31, 2007	250,163	51.6%
Year ended Dec. 31, 2006	264,137	52.6%

** The ARC for 2011 as a percentage of payroll is 12.69 percent. The expected contribution is 6.75 percent of payroll, or about 54.00 percent of the ARC rate. The ARC amount (dollars) is equal to the ARC rate times the 2011 payroll. The ARC amount and the actual percentage contributed will be determined after 2011 has ended and will be reported in the Jan. 1, 2012 valuation report.

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

Schedule of Administrative Expenses *

For the year ended Dec. 31,		2011	2010
Personnel Services	Salaries and Wages	$8,807,925	$8,313,934
	OPERS Contributions	1,171,799	1,197,016
	Insurance	1,955,222	1,974,152
	Fringe Benefits/Employee Recognition	12,025	25,035
	Tuition Reimbursement	22,517	20,942
	Total Personnel Services	**11,969,488**	**11,531,079**
Professional Services	Actuarial	268,185	244,645
	Audit	94,712	92,254
	Custodial Banking Fees	434,161	1,439,647
	Investment Fees and Consulting	33,477,214	29,104,729
	Other Consulting (Disability, Software, Legal, and Health Care)	826,651	1,079,606
	Banking Expense	69,313	59,570
	Total Professional Services	**35,170,236**	**32,020,451**
Communications Expense	Printing and Postage	320,159	233,582
	Telephone	99,346	106,582
	Member/Employer Education	8,558	8,541
	Other Communications	84,000	80,400
	Total Communications Expense	**512,063**	**429,105**
Other Operating Expense	Conferences and Education	48,931	121,092
	Travel	89,193	83,311
	Computer Technology	700,014	698,241
	Other Operating	501,126	432,638
	Warrant Clearing	1,098	1,206
	ORSC Expense	37,238	38,887
	Depreciation Expense - Capital	1,878,024	1,881,981
	Total Other Operating Expenses	**3,255,624**	**3,257,356**
Net Building Expense (includes rent)		**1,263,548**	**1,179,231**
Total Operating Expenses		**52,170,959**	**48,417,222**
Investment Expenses		**(36,743,722)**	**(33,367,988)**
Net Administrative Expenses		**$15,427,237**	**$15,049,234**

* Includes investment related administrative expenses.

Schedule of Investment Expenses**

Category	2011	2010
Investment Manager Services	$32,366,539	$27,812,308
Custodial Banking Fees	434,161	1,439,647
Other Professional Services	1,110,675	1,292,421
Other Direct Investment Expenses	1,556,853	1,533,448
Allocation of Other Administrative Expenses	1,275,494	1,290,164
Investment Expenses	**$36,743,722**	**$33,367,988**

** 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.

Additional Information

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

Public Safety Officers Death Benefit Fund for the year ending Dec. 31, 2011

	Balance Dec. 31, 2010	Additions	Subtractions	Balance Dec. 31, 2011
Assets:				
Cash and Short-term Investments	$238,235	$20,000,000	$19,989,743	$248,492
Total Assets	**238,235**	**20,000,000**	**19,989,743**	**248,492**
Liabilities:				
Due to State of Ohio	238,235	20,000,000	19,989,743	248,492
TOTAL LIABILITIES	**$238,235**	**$20,000,000**	**$19,989,743**	**$248,492**

Public Safety Officers Death Benefit Fund for the year ending Dec. 31, 2010

	Balance Dec. 31, 2009	Additions	Subtractions	Balance Dec. 31, 2010
Assets:				
Cash and Short-term Investments	$241,308	$20,000,000	$20,003,073	$238,235
Total Assets	241,308	20,000,000	20,003,073	238,235
Liabilities:				
Due to State of Ohio	241,308	20,000,000	20,003,073	238,235
TOTAL LIABILITIES	**$241,308**	**$20,000,000**	**$20,003,073**	**$238,235**

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2011 Comprehensive Annual Financial Report

Investment Section

Ohio Police & Fire Pension Fund

Ohio Police & Fire Pension Fund
140 East Town Street • Columbus, Ohio 43215
www.op–f.org • 1-888-864-8363

Investment Report

Prepared through a combined effort of the Investment Department.

INTRODUCTION

The investment authority of the Ohio Police & Fire Pension Fund (OP&F) is specified in Section 742 of the Ohio Revised Code (ORC). Importantly, the ORC requires that the Board and other fiduciaries discharge their duties solely in the interest of the participants and beneficiaries, for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering OP&F. Within the guidelines of the ORC, OP&F has developed an internal Investment Policy that provides for appropriate diversification of assets, and an acceptable expected return on investments after consideration of investment risks. Investment performance returns are prepared by Wilshire Associates. Investment activities are presented on a trade date basis and measurements are calculated using time weighted rates of return consistent with investment industry standards.

SIGNIFICANT DEVELOPMENTS IN 2011

Throughout 2011, most of OP&F's efforts were focused on continued implementation of the long-term asset allocation policy adopted in February 2010. As recounted in last year's Investment Report, OP&F adopted a long-term asset allocation policy that incorporates the "risk parity" concept with the goal of reducing and, more effectively, balancing total portfolio risk. From a notional portfolio perspective, OP&F's total portfolio will be levered at 1.2 times, upon full implementation, due to the application of leverage in certain fixed income strategies. Saying that, throughout the year, staff, the investment consultant and the Board held several discussions on the soundness of implementation of the levered long duration allocation given the prevailing historically low interest rate environment. As a result of these discussions, OP&F intentionally delayed initiation of a long duration allocation and, in conjunction, approved a series of staggered total fund policy benchmark changes to better reflect the portfolio's transition over time to the long-term asset allocation policy. By year's end, discussions turned to the possibility of beginning an asset liability valuation study due to expected significant changes to the investment consultant's expected risk and return assumptions for various asset classes as well as likely changes to OP&F's projected liabilities arising out of potential pension reform legislation. Setting the long duration allocation aside, significant noteworthy investment accomplishments and issues were addressed last year in other parts of OP&F's portfolio, including the following:

- Approved new asset class allocation ranges for rebalancing purposes.
- Approved new performance benchmark for Earnest Partners.
- Amended investment manager guidelines for the Bridgewater Global Inflation Protected Securities (GIPS) mandate to accurately reflect its new tracking error target.
- Adopted a new non-U.S. equity investment structure.
- Adopted a new asset class benchmark for the non-U.S. equity allocation.
- Hired Dimensional Fund Advisors, Franklin Templeton, and Pyramis for new international small-cap mandates.
- Amended investment manager guidelines for Causeway to allow increased country active exposures within the emerging markets portion of the mandate.
- Adopted a new high yield investment structure.
- Hired MacKay Shields and Penn Capital for new high yield mandates.
- Continued to work toward target allocation in private markets with commitments to:
  - Adams Street 2012 Developed Markets Fund, Adams Street 2012 Emerging Markets Fund, Green Equity Investors VI, Linsalata Capital Partners Fund VI, Montauk TriGuard Fund V, Northgate V – Middle Market PE Series, Northgate V – VC Series, Primus Capital Fund VII, and Summit Partners Growth Equity Fund VIII.
- Continued to work toward target allocation in real estate with commitments to:
  - DivcoWest Fund III, Exeter Industrial Value Fund II, Greystar Equity Partners VII, Jamestown Premier Property Fund, Morgan Stanley Prime Property Fund, and VBI Brazil Opportunity Fund II.
- Amended OP&F's Real Estate Strategic Plan, which included a change to the real estate asset class benchmark.

- Approved the 2012 Real Estate Investment Plan.
- Amended OP&F's Private Markets Investment Policy to include formal allocation ranges for primary vs. secondary investments.
- Approved the 2011 Private Markets Investment Plan.
- Amended OP&F's Investment Policy and Guidelines statement.
- Amended OP&F's Proxy Voting Policy.
- Amended OP&F's Iran and Sudan Divestment Policy to incorporate a divestment by attrition approach.
- Amended the Investment Committee Charter.
- Rebalanced between overweight/underweight asset classes vs. policy targets while steadily reducing equity's contribution to total portfolio risk.

ECONOMIC ENVIRONMENT

2011 was a year of slow growth, although the pace picked up as each quarter passed. Even so, fears of a double-dip recession lingered for the better part of the year. A number of issues, such as the European sovereign debt crisis, fears of a global economic slowdown, ongoing concern about a hard landing in China, geopolitical events, Japan's devastating earthquake and associated nuclear power plant disaster and Standard & Poor's downgrade of U.S. Treasuries exacerbated these fears and contributed to periods of increased volatility during the year. The U.S. economy managed to grow only 0.4 percent as measured by quarterly real gross domestic product (GDP) in the first quarter of 2011. While growth picked up over the rest of the year, the pace was very modest in the second and third quarters with growth rates of 1.3 percent and 1.8 percent, respectively, before recovering somewhat to a 3.0 percent rate in the fourth quarter. For all of 2011, real GDP rose 1.6 percent, versus an increase of 3.1 percent the prior year. Underlying this was a slowly improving employment picture as the mixed bag of monthly job losses and gains in 2010 turned into job gains for every month of 2011. While the number fluctuated from month to month, the average was north of 162,000 people added each month to payrolls over the course of the year. Meanwhile, the unemployment rate, which ended 2010 at 9.4 percent, fell to 8.9 percent by March 2011 before bouncing between 9.0 percent and 9.1 percent through September, and finally dropping to 8.5 percent to end the year. This improved job growth has helped bring the latest reading in March 2012 to 8.2 percent. Consumer confidence moved up through February 2011, only to again take a steady dive into October. A nice bounce into year-end followed, but this took consumer confidence to a level that is still far below its pre-2008 range. On the inflation front, the Consumer Price Index (CPI), on a year over year basis, began at its low point for the year of 1.6 percent but quickly doubled that rate by April before rising to its high for the year of 3.9 percent in September. Increases in energy and food prices were the main drivers behind this rise. From there, the CPI dropped a bit to end the calendar year at 3.0 percent rate for all of 2011. That rate has fallen to 2.7 percent in March 2012. Housing continued to be a source of concern even though mortgage rates remained near historically low levels. Both the fear of further declines in home prices and potential buyers' reluctance to purchase given concern for their personal finances kept the housing market in the doldrums.

The Federal Reserve continued to maintain its federal funds rate target at a range of 0 percent to 0.25 percent for all of 2011 and to date in 2012 and continued to state that it expected economic conditions to remain such that it would keep rates at very low levels for an extended period. As scheduled, the Federal Reserve ended the Second quantitative easing program (QE2), the purchase of $600 billion of long-term Treasuries, at the end of the second quarter of 2010. The Federal Reserve also provided additional monetary accommodation during 2011 and so far in 2012 to promote stronger economic growth. This included communicating more specifics regarding their outlook for how long the federal funds rate would stay at exceptionally low levels, increasing the average maturity of the Federal Reserve's Treasury holdings through purchases of long-term Treasury securities and sales of short-term Treasuries (aka "Operation Twist"), and reinvesting principal payments on agency securities into mortgage-backed securities.

During 2011's first half, several troubling issues dominated overseas developments. These included continued political turmoil in the Middle East, Japan's terrible earthquake, tsunami and nuclear power plant problems, growing fiscal stresses in several European countries and commodity price swings. Despite these challenges, global financial markets responded fairly well and overseas economic activity persisted. Foreign GDP picked up in the first quarter, led by emerging country economies, whose performance outpaced that of developed country economies. In the second quarter, economic growth slowed, but the rebound from the global recession continued. In the second half of the year, overseas financial markets were greatly influenced by concerns over the European sovereign debt crisis and its potential risks to the global economy. Greece was the focal point for the European debt crisis but it was just the first country to be penalized by the markets. Portugal, Ireland, Spain, and ultimately Italy also had trouble accessing the capital markets to roll over their debt. Overseas GDP growth increased in the third quarter, as Japan bounced back from the effects of its earthquake and tsunami, helping to ease supply chain disruptions. Unfortunately, foreign economic growth slowed in the fourth quarter, as euro area activity faltered and flooding in Thailand negatively impacted growth in several Asian economies.

Looking ahead, Washington will have to do the impossible, i.e. work together, to avoid breaching the new $16.4 trillion debt ceiling, as well as deal with the much anticipated and dreaded "fiscal cliff", or expiration of a long list of revenue measures (the Bush tax cuts, the payroll tax cut, extended jobless benefits, the automatically triggered sequestration cuts) that could create a drag of several percentage points of the U.S. gross domestic product. Failure to effectively meet these challenges risks throwing the country into a new recession. While the Federal Reserve continues its "Operation Twist", it continues to watch for signs that it may need to infuse the economy with additional liquidity via a Third quantitative easing program (QE3). Abroad, Europe's attention is now focused squarely on Spain and its staggering debt load. Italy waits in the wings. Investors can only hope the European Central Bank will step up to the plate to help prevent any potential major economic problems that could send shivers across the globe. Meanwhile, concern continues over the developing economic powerhouse that is China and whether its economy will achieve a soft landing; thus limiting any economic fallout to the rest of a still economically shaky world.

TOTAL FUND

Strong returns in global inflation protected bonds, real estate and private markets (both real estate and private markets returns are lagged by one quarter) combined with respectable high yield and core bond returns to help offset meager U.S. equity and negative international equity returns in 2011. This blend led to our total portfolio registering skimpy absolute and relative returns last year. Still, the result put the portfolio in the top quartile of Wilshire's Total Fund Portfolios Universe. Most of the credit for this peer ranking goes to OP&F's managers as the global inflation protected bond manager, the non-U.S. equity managers collectively and the private markets managers in aggregate all provided unusually large margins of outperformance relative to their asset class benchmarks.

Still, at the allocation level, the full implementation of a two-times levered global inflation protected bond mandate, an important part of OP&F's risk parity approach, added significantly to the total portfolio's bottom line. The total portfolio, on a trade date basis, was valued at $11.82 billion at the start of the year and ended the year at $11.60 billion. This decline led to a meager positive 2011 investment return of 2.56 percent gross of fees compared to a policy index return of 2.43 percent. While the portfolio assets did decline, last year's positive investment return results from the fact that non-investment cash flows, i.e. contribution inflows and benefit payment outflows, are a net negative; therefore, the investment portfolio actually grew on the year, but by an amount less than this net negative non-investment outflow. After 2011's result, our 3-year annualized gross of fees return stands at 12.78 percent and our 5-year annualized gross of fees return is 2.65 percent. The small 2011 outperformance versus our policy index kept our 3-year relative return above the policy index return of 11.74 percent for the same period, while our 5-year return also beat the policy return of 1.72 percent. One year ago, it appeared that strong absolute and relative performance would be hard to achieve in 2011 and unfortunately that belief came to pass. Nevertheless, 2012 is off to a reasonably good start with double-digit equity returns leading the way.

Over the long-term, OP&F is best served by a well-diversified portfolio. As mentioned in prior reports, the Board's adoption of risk parity in 2010 and the subsequent ongoing implementation of that strategy should demonstrate that OP&F's approach to creating a well-diversified portfolio has changed over the past few years. A combination of lower long-term equity targets inherent in risk parity and a generally higher stock market over the past few years have kept the equity portfolio near the upper end of its allocation band; thus, making it easy to select a source of funds to diversify into greater fixed income and alternatives exposures. 2011's equity market volatility and OP&F's ongoing diversification efforts have prevented any forced rebalancing efforts over the past year. However, OP&F is closely monitoring the portfolio's status relative to asset class allocation ranges. In addition to forcing OP&F to sell high and buy low, a disciplined rebalancing policy removes human emotion from the decision making process. As evident in the Board's recent asset allocation and structural decisions, OP&F has and will continue to evaluate non-correlated, non-traditional strategies and asset classes in a search for optimal risk-adjusted returns.

EQUITIES

The final months of 2011 contained the same mixture of new beliefs and rapid emotional shifts that had already become the norm of an unusually difficult year for investors. The fourth quarter began with fresh hopes that strong corporate profits would buoy equity prices and concerted government action would preserve macroeconomic stability, but when bond yields in parts of Europe reactively climbed higher in November, worries about mandated austerity and barriers to growth again took control of the markets. Surprisingly strong, upbeat employment and confidence indicators helped the U.S. outlook, while liquidity concerns in Euro-land coupled with slowing activity in some emerging markets prevented October's optimism from translating into gains for the global equities market. A U.S. dollar rally contributed to the autumn outperformance of defensive assets, and bonds enjoyed a solid finish to 2011. While most debt instruments began the fourth quarter on the defensive, much as they had started the year, they finished the year on a strong note, which led to solidly positive returns for 2011. This was a market driven outcome that inhibited the same positive achievement in the equity arena. Despite a number of solid rebounds during the fourth quarter, only a handful of Morgan Stanley Capital International (MSCI) equity benchmarks managed to finish higher for the year.

U.S. EQUITY MARKET

In October, European hopes for progress helped reverse the negative domestic equity sentiment that had taken hold during August and September, and surprisingly resilient corporate earnings reports helped the S&P 500 enjoy its best monthly advance since 1991. November produced fresh dislocations among European sovereigns, but volatility measures remained well below their August highs. Despite dollar funding pressures that continued to build, corporate bonds stayed calm enough to suggest that a sharp deterioration in U.S. activity was unlikely. Against this backdrop, mild improvements in housing and employment data reinforced the boost in confidence that came with official measures to enhance dollar liquidity, sparking a vigorous rally into early December. U.S. equities settled into a quieter range as 2011 drew to a close, and the S&P 500 managed to end the year within a hair's breadth of where it had started. While this result did reflect disappointment, especially relative to the buoyant outlook that seemed to dominate back in the spring, it still gave the benchmark a 1.0 percent December advance and an 11.8 percent return for the fourth quarter. The S&P 500 finished 2011 with a 2.12 percent total return, a full 14 percentage points ahead of the un-hedged developed markets benchmark, MSCI Europe, Australasia, Far East (EAFE), and more than 20 percentage points better than MSCI Emerging Markets (EM) Free Index.

The broad U.S equity market as measured by the Russell 1000 Index finished the year with a gain of 1.51 percent. The large-cap oriented S&P 500 Index gained 2.12 percent for the year. OP&F's 2011 U.S. equity composite return was 0.94 percent gross of fees compared to the Wilshire 5000's return of 0.98 percent; so OP&F ended the year behind its benchmark by 4 basis points (bps).

NON-U.S. EQUITY MARKET

The total return of the MSCI All Country World ex-U.S. Index (ACWI ex U.S.) was negative 13.71 percent for 2011. This was due to a variety of economic shocks and a string of natural disasters which exacerbated an already problematic year for international stocks. Every major non-U.S. global equity market finished the year in negative territory. Emerging markets produced the largest losses, as a result of the deceleration in global growth. Inflation concerns and later interest rate increases slowed demand for emerging market equities. The negative returns spanned across many markets and were substantial: India negative 37 percent, Russia negative 19 percent, and China negative 18 percent. Brazil had both a 12 percent market decline, and a 12 percent depreciation of the real leaving investors with a loss of negative 22 percent. Further the negative 20 percent for the Euro Stoxx 50, a mostly consumer staples and energy-related index of stocks, was dragged down by the weight of European financials and cyclicals. Healthy third-quarter earnings reports helped fuel an equity market recovery from the years earlier problems, but this momentum dissipated shortly after European leaders announced on Oct. 27 their latest plans for shoring up bank capital and supporting sovereign finances. World-wide pressure for tough budget discipline compelled the prime ministers in Greece and Italy to step down in early November, and yields on their countries' bonds soared. Investors expressed additional disappointment with the failure of both the European Central Bank and the U.S. Federal Reserve to explicitly commit to additional asset purchases. As trading activity ebbed in the second half of December, an uptick in German business confidence and notable declines in U.S. jobless claims put equity buyers in a better mood. Still, most global averages lost ground in December, and it took modest gains in U.S. equities to lift the MSCI World Index of developed market equities to just below flat for the month. Pressured by currency weakness and growth concerns, emerging market equities continued to underperform. The MSCI EM Free Index dropped 1.2 percent in December, trimming its fourth-quarter gain to 4.4 percent. The MSCI EM Free Index slumped 18.4 percent for 2011 as a whole, giving back its entire 2010 advance.

Returns of international equity markets trailed U.S. stocks. OP&F's new asset class benchmark for non-U.S. equity, the MSCI ACWI ex-U.S. Iran/Sudan Free Index (Net), representing both developed and emerging international markets, posted a negative 13.67 percent decrease. OP&F's international managers returned negative 12.37 percent gross of fees besting our international equity policy benchmark by 130 bps.

FIXED INCOME

Apart from some European borrowers, bonds had a relatively calm finish to the year. Yield levels and equity prices retained a strong correlation through the fourth quarter, and bond volatility tapered off just as share fluctuations slowly simmered down. In the midst of historically low interest rates, one of 2011's biggest surprises was that fixed income in general produced large positive returns, with long-duration government instruments leading the charge. The final quarter of the year served to strengthen the belief that short-term interest rates would stay low for a long time indeed, as the Bank of England expanded its quantitative easing program by £75 billion, as inflation figures began to ebb in the UK and many other countries. Despite prices for crude oil remaining high, the behavior of metals and grains stayed calm, and central banks delivered rate cuts in Europe, Israel, and Australia, as well as in a few emerging nations. While late year improving data releases made fears of faltering growth in the U.S. begin to fade, doubts persisted about the resilience of emerging markets activity as well as the potential effects of European fiscal strains. While these unfavorable funding conditions contributed to caution on non-government issues during the final months of 2011, corporate bonds echoed government paper by ending the year with a strong month and a solid quarter. For the full year, broad bond benchmarks achieved returns in the mid to high single digits, with inflation protected and long duration obligations doing twice that or more.

OP&F's core fixed income composite returned 6.41 percent gross of fees versus the Barclays Aggregate Index return of 7.84 percent for 2011, or underperformance of 143 bps. It should be noted that OP&F's core fixed income composite currently includes a short duration bond portfolio that is awaiting a strategy change. The Inflation Linked Policy return was 24.41 percent for the year, while OP&F's global inflation protected bond manager's return of 35.50 percent gross of fees was better by a whopping 1109 bps.

HIGH YIELD

U.S. high yield bonds (represented by the Merrill Lynch U.S. High Yield Master II Constrained Index) rebounded during a volatile 4th quarter to deliver a 6.18 percent return for the quarter and 4.38 percent for the year. High yield spreads over similar-maturity U.S. Treasuries tightened 84 bps in 4th quarter, but were 141 bps wider for the year at 724 bps over U.S. Treasuries. U.S. senior secured loan prices also rose in the 4th quarter to deliver a 1.82 percent annual return, while European senior secured loans continued to struggle, falling 0.83 percent for the 12 months.

For all of 2011, better quality high yield bonds and defensive issuers outpaced lower quality, cyclical credits. BB rated issues delivered a 6.12 percent return, significantly higher than the negative 1.40 percent return for CCC rated issues. The top performing industries were the food and drug, cable, energy, lodging, and electric sectors. The airline industry was the worst performing sector, pressured by AMR's bankruptcy filing in November.

At the end of the 3rd quarter, concerns surrounding a slowing economy and the future direction of default rates resulted in a material re-pricing of risk in the high yield market. In fact, these concerns continued into the beginning of the 4th quarter as spreads continued to widen. There was a recognition that fears of a double dip recession were possibly overblown, which when coupled with very attractive valuations, resulted in large flows into the high yield market. The net result was significant spread tightening and very attractive returns.

OP&F's composite high yield return was 6.00 percent gross of fees in 2011, while the high yield benchmark, the Credit Suisse (CS) Developed Countries High Yield Index, had a return of 5.47 percent resulting in outperformance of 53 bps.

REAL ESTATE

Real estate markets continued their recovery in 2011, driven by both favorable capital market conditions and a fairly steady, modest improvement in demand-side fundamentals. In most markets, new supply remained subdued.

The rebound in the real estate market has been bifurcated, with high-quality, well-leased assets in primary markets experiencing very strong appreciation, while other assets saw relatively little value growth. OP&F benefited from this dynamic due to its intentional overweight to high-quality core assets. These types of assets, held in the Strategic Portfolio within the real estate program, represented approximately 75 percent of the total real estate portfolio at year end.

During the year, the total real estate portfolio delivered a 17.5 percent return before fees (real estate returns are lagged by one quarter), which bested the Open End Diversified Core Equity fund index (ODCE) return of 17.2 percent.

Performance was strongest in OP&F's Strategic Portfolio, which generated a net return of 18.0 percent for the year, and compared favorably to the return of the ODCE (which consists of investment positions that are similar to those in the Strategic Portfolio).

Over the long run, the portfolio continues to outperform the benchmark by a wide margin, delivering a net return of 6.4 percent over the trailing ten-year period relative to a 5.4 percent return by the benchmark (ODCE plus 50 bps) over that period.

In spite of a fairly steady improvement in fundamentals, many investors remain relatively risk-averse. As a result, investors with long investment horizons can obtain attractive risk premiums if they are willing to assume leasing risk, are able to access deal flow and are able to partner with managers who can operate assets efficiently. OP&F continued to take advantage of these opportunities by making new Tactical Portfolio commitments to one value-add office fund, one value-add industrial fund and a value-add multifamily fund. OP&F also positioned itself to benefit from emerging market growth, while also further diversifying the portfolio, with a measured commitment to an experienced manager in Brazil.

In the Strategic Portfolio, OP&F further enhanced its lower-risk core holdings by seeding a new fund and obtaining a series of "founding investor" benefits in exchange. It also redeemed from an existing core fund position.

OP&F's total real estate exposure increased during the year from 6.8 percent to 9.5 percent due to appreciation and new commitments. If unfunded commitments are added, the total exposure at the end of the year increases to 11.6 percent. This compares to a target for real estate of 12.0 percent and a range of 10.0 percent to 14.0 percent.

PRIVATE MARKETS

For the year ended Sept. 30, 2011 (private market returns are lagged by one quarter), OP&F's private markets portfolio provided a return of 17.66 percent versus its policy benchmark (Wilshire 5000 + three percent) return of 3.65 percent, or outperformance of 1401 bps. In terms of the two most prominent private markets subclasses, venture capital and private equity, the one-year pooled return, net to limited partners, for the Cambridge Associates LLC U.S. Private Equity Index was 13.76 percent as of Sept. 30, 2011, while the Cambridge Associates LLC U.S. Venture Capital Index one-year pooled return, net to limited partners, was 20.93 percent. Looking beyond the U.S., in dollar terms, the Cambridge Associates LLC Global ex U.S. Developed Markets Private Equity and Venture Capital Index returned 12.7 percent for the one-year period ending Sept. 30, 2011, while the Cambridge Associates LLC Emerging Markets Private Equity and Venture Capital Index returned 9.5 percent. On the whole, 2011 was a roller coaster of a year across all metrics (fundraising, investment levels, valuation (pricing), divestments (exits/liquidity) and performance) for both venture capital and private equity. While the first half of 2011 was relatively strong, a slowdown occurred in August and September given fears over the European sovereign debt crisis, a global economic contraction as well as the downgrade of the U.S. credit rating. The fourth quarter saw a welcome rebound as these fears subsided.

With respect to the state of the venture capital industry, primarily in the U.S., this subclass is continuing its road to recovery, albeit slowly. On a positive note, 2011 marked another year in which the amount of dollars invested in venture-backed companies exceeded the amount of money raised by venture capital funds. This combination should prevent an overhang of capital from forming, which should keep pricing tempered and lead to positive future performance. A dichotomy currently exists when assessing the health of the liquidity, or exit environment, for venture capital. On the one hand, venture-backed merger and acquisition activity remains strong. However, venture-backed initial public offering (IPO) activity remains subdued. For venture capital to make a full recovery, the health of the IPO market is paramount. With pending legislation to ease the IPO path for emerging growth companies and a full pipeline of companies in registration in the U.S., including the much anticipated offering of Facebook in late spring/early summer 2012, there are glimmers of hope for the IPO market for venture-backed companies in 2012 and beyond.

With respect to the state of the global private equity industry, this subclass is continuing to rebound from the financial crisis in 2008 and settle into a new normal level of activity. Overall, fundraising continues to improve but a clear separation exists between the "haves" and the "have nots". Globally, private equity experienced an uptick in the level of investment activity in 2011. However, it was constrained by uneven credit markets due to the above mentioned developments in August and September. Pricing remained relatively flat in 2011 despite ever increasing competition and a large overhang of capital still in the marketplace. Finally, the exit environment for private equity-backed companies remains relatively strong, especially for merger and acquisition activity.

OP&F continues to work prudently toward its seven percent target allocation to private markets. On an invested basis, private markets comprised approximately four percent of OP&F's total assets as of year-end. Total committed capital since inception of OP&F's private markets program through Dec. 31, 2011, was $1,183.5 million, of which $476.4 million has yet to be called. In addition, OP&F had commitments of €80.5 million, of which €41.4 million has yet to be called. Distributions since inception of the program have totaled $510.2 million and €21.8 million.

In the future, OP&F will continue to work toward its seven percent target by reviewing existing relationships for further investment and by looking at a number of new managers. As always, OP&F continues to look for ways to diversify its private markets program in order to achieve the highest risk-adjusted returns as well as to manage the private markets portfolio to comply with its policy objectives and constraints.

2012 DEVELOPMENTS AND CHALLENGES AHEAD

As stated earlier in this Investment Report, OP&F has commenced an asset liability valuation study to determine if its current long-term asset allocation policy is still the best policy for funding OP&F's liabilities. The first step was to run an asset only analysis of OP&F's current policy using the investment consultant's most recent capital market assumptions in order to provide thought analysis for the full asset liability valuation study. The preliminary results from the asset only analysis suggested that certain components of OP&F's current long-term asset allocation policy may not be as effective as when first adopted in 2010. However, this analysis did not take into account OP&F's liabilities, nor did it provide an analysis of each asset class's contribution to volatility, a critical component of OP&F's risk parity investment philosophy. The next step in this study will be to incorporate OP&F's liabilities and the risk parity investment philosophy. This more thorough analysis should reveal several possible policy portfolios for consideration by OP&F's Board with the hope they will adopt a more efficient policy portfolio in the months ahead. Below are some of the other items already addressed in 2012 and a number that still lie ahead:

- Amended and adopted OP&F's Investment Policy and Guidelines.
- Amended and adopted the Proxy Voting Policy.
- Approved the 2012 Private Markets Investment Plan.
- Continued to work toward target allocation in private markets with commitments to:
    - Coller International Partners VI, Harvest Partners VI, Northgate V– Small Market PE Series, and Northgate Venture Partners VI.
- Continued to work toward target allocation in real estate with commitments to:
    - Blackstone Real Estate Partners VII, Fortress Japan Opportunity Fund II, and Lion Industrial Trust.
- Approved investment manager guidelines for Franklin Templeton, one of OP&F's new international small cap managers.
- Approved investment manager guidelines for MacKay Shields – High Yield Active Core mandate and Penn Capital, two new high yield mandates.
- Hired Forest Investment Associates LP to manage $100 million in strategic timberland assets for OP&F via a separate account and approved investment manager guidelines for this mandate.
- Hired Hancock Timber Resource Group to manage $100 million in strategic timberland assets via an investment in Hancock Timberland XI LP.
- Upon completion of the asset liability valuation study, conduct asset class investment structure analysis where appropriate.
- In conjunction with asset liability valuation study, determine direction for our fixed income allocation.

- Implement newly acquired risk measurement tool.
- Transition the beta management portion of certain mandates in OP&F's portable alpha program to Russell Implementation Services Inc.
- Complete implementation of Dimensional Fund Advisors, Franklin Templeton, and Pyramis international small cap mandates.
- Complete implementation of MacKay Shields – High Yield Active Core and Penn Capital high yield mandates.
- Continue to implement the 2012 Private Market Investment Plan.
- Evaluate possible strategic relationships in the private markets portfolio.
- Continue to implement the 2012 Real Estate Investment Plan.
- Evaluate composition of the Real Estate Strategic Portfolio for possible rebalancing.
- Continue due diligence on tactical timberland investment management organizations and work towards implementation of any Board approved investment manager(s) and/or investments in commingled timberland vehicles.

As mentioned above, OP&F expects to dedicate a significant amount of time over the rest of the year conducting the asset liability valuation study. Based on the results of the study, OP&F will also be evaluating asset class structures and working toward implementation of any new strategies and managers. From an operational standpoint, OP&F will continue to look for ways to improve the efficiency of and reduce the costs of operations.

Investment Portfolio Summary

Investment Portfolio Summary

Investment Type	% of Net Investment Value	Fair Value
Cash and Cash Equivalents	6.25%	$724,903,190
U.S. Government Obligations	6.94%	804,979,188
U.S. Government STRIPS	0.75%	87,187,021
U.S. Government Agencies	0.80%	92,559,754
Municipal Bond Obligations	0.09%	10,598,283
Corporate Bonds and Obligations	11.25%	1,304,654,856
Mortgage and Asset-Backed Obligations	5.45%	632,559,619
Domestic Stocks	13.04%	1,512,154,416
Domestic Pooled Stocks	22.78%	2,642,324,487
International Securities	29.53%	3,425,226,056
Real Estate	9.52%	1,104,131,167
Commercial Mortgage Funds	0.33%	38,189,077
Private Equity	3.97%	460,957,188
Total Fair Value - Cash and Securities	110.70%	$12,840,424,302
Reverse Repurchase Agreements	(9.66)%	(1,120,205,429)
Net Investments Trade Receivable/(Payable)	(1.04)%	(121,085,059)
TOTAL INVESTMENT VALUE (TRADE DATE BASIS)	**100.00%**	**$11,599,133,814**

Ten Largest Common Stocks (by Fair Value)

Stock	Shares	Fair Value
British American Tobacco PLC	860,224	$40,848,204
Vodafone Group PLC	12,795,510	35,575,176
Novartis AG-Reg Shs	550,525	31,615,006
Tesco PLC	4,610,585	28,908,454
Nestle SA-Registered	480,030	27,720,693
Royal Dutch Shell PLC A Shs	758,484	27,717,222
Toyota Motor Corp.	824,327	27,481,139
Siemens AG	281,982	27,066,102
Sap AG	507,594	26,917,419
BG Group PLC	1,099,588	23,522,600

Ten Largest Bonds and Obligations (by Fair Value)

Description	Coupon	Maturity Date	Par Value	Fair Value
France (Government Of)	2.250	July 25, 2020	$55,095,889	$59,439,525
France (Government Of)	1.000	July 25, 2017	50,729,643	51,547,687
Deutschland DB	1.500	April 15, 2016	41,456,353	45,328,513
France (Government Of)	2.500	July 25, 2013	39,621,015	41,927,603
France (Government Of)	1.600	July 25, 2015	39,423,712	41,325,672
Deutschland DB	1.750	April 15, 2020	35,706,191	41,227,802
Deutschland DB	0.770	Jan. 10, 2012	43,198,938	40,756,022
Deutschland DB	0.170	Jan. 12, 2012	52,583,894	38,216,119
U.S. Treasury Note	2.375	Jan. 15, 2025	29,849,571	37,967,452
U.S. Treasury Note	1.125	Jan. 15, 2021	33,328,932	37,174,329

Ten Largest Real Estate Holdings (by Fair Value)

Description	Fair Value
Invesco Core R.E.	$143,343,378
Morgan Stanley Prime Property Fund	128,326,778
JP Morgan Strategic Property Fund	119,068,045
UBS Trumbull Property Fund	104,422,581
Heitman Core Property Fund	95,105,449
Jamestown Premier Property Fund	75,067,230
Prudential PRISA	72,644,990
RREEF America REIT II	37,294,600
Blackstone Real Estate Partners V	26,508,909
Blackstone Real Estate Partners VI	22,318,928

A complete listing of portfolio holdings can be obtained by calling 614-228-2975.

Schedule of Investment Results

For the Year Ended Dec. 31, 2011

	Annualized Rates of Return		
	1-Year	3-Year	5-Year
U.S. Equity			
OP&F	0.94%	17.97%	1.40%
DJ Wilshire 5000	0.98%	14.93%	0.12%
International Equity			
OP&F	(12.37)%	12.08%	(1.61)%
International Equity Policy Benchmark *	(13.67)%	10.72%	(2.92)%
Fixed Income			
OP&F - Core	6.41%	9.27%	6.88%
Barclays Aggregate	7.84%	6.77%	6.50%
OP&F - High Yield (HY)	6.00%	21.48%	8.05%
CSFB Developed Countries HY	5.47%	23.03%	7.13%
OP&F - GIPS	35.50%	19.72%	14.36%
Barclays Global Inflation Linked Bond Index	24.41%	12.88%	9.98%
OP&F - Commercial Mortgages **	4.99%	6.76%	4.62%
Barclays Mortgage Index **	5.56%	7.02%	6.69%
Real Estate **			
OP&F	18.01%	(8.10)%	(0.89)%
NCREIF ODCE Index	17.19%	(7.22)%	(0.88)%
Private Equity **			
OP&F	17.66%	5.40%	8.56%
Wilshire 5000 + 3%	3.65%	4.56%	2.25%
Total Portfolio			
OP&F	2.56%	12.78%	2.65%
Policy Index***	2.43%	11.74%	1.72%

* International Equity benchmark is a blend of the MSCI ACWI ex U.S. (Net) through June 30, 2011 and the MSCI ACWI ex U.S. (Net) Iran/Sudan Free from July 1, 2011 forward.

** One quarter in arrears.

*** Interim Policy Index: 36.9 percent Wilshire 5000, 23 percent MSCI ACWI ex-U.S. (Net) Iran/Sudan Free, 10 percent Barclays Aggregate, 9.67 percent CSFB Dev. Countries HY, 6.45 percent Global Treasury Inflation Protected Securities (TIPS) Custom, 10 percent NCREIF ODCE Index Lagged, 4 percent Wilshire 5000 + 3% Lagged.

- Long Term Policy: 21.7 percent Wilshire 5000, 21.7 percent MSCI ACWI ex-U.S. (Net), 23.7 percent Barclays Long Govt/Credit, 15 percent CSFB Dev. Countries HY, 12.9 percent Global TIPS Custom, 12 percent NCREIF ODCE Index Lagged, 7 percent Wilshire 5000 +3% Lagged, 3 percent Timber, 3 percent Commodities (adds to 120 percent as "Risk Parity" approach uses levered Long Duration and levered Global Inflation-Protected Securities).

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

Investment Consultants and Money Managers

For the Year Ended Dec. 31, 2011

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
Conway MacKenzie
Francisco Partners
GTCR LLC
HarbourVest Partners, LLC
Horsley Bridge Partners, LLC
Kirtland Capital Partners
Landmark Equity Partners
Lexington Capital Partners
Linsalata Capital Partners
MV Economic Development, Ltd.
Montauk TriGuard Management, Inc.
Morgenthaler Venture Partners
Northgate Capital Group
Park Street Capital
Peppertree Partners, LLC
Primus Venture Partners
Riverside Capital Associates
TA Associates, LP
Wilshire Private Markets, LLC

Investment Managers – Fixed Income

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

Investment Managers – International Equity

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

Investment Managers – U.S. Equity

AQR Capital Management
Bridgewater Associates LP
Columbia Asset Management
Earnest Partners, LLC
Grosvenor Capital Management LP
FX Concepts, LLC
Mellon Capital Management
N.A. Investcorp, LLC
Russell Implementation Services Inc.
State Street Global Advisors

Investment Managers - Real Estate

AEW Capital Management
The Blackstone Group
CB Richard Ellis Investors, LLC
Colony Capital, LLC
DivcoWest Real Estate Services, LLC
DLJ Real Estate Capital Partners, Inc.
Exeter Property Group
Fortress Japan Opportunity Management LLC
Fremont Realty Capital, LP
Greystar Investment Group, LLC
Heitman Capital Management, LLC
INVESCO Realty Advisors
Jamestown Premier GP, LP
JP Morgan Investment Management, Inc.
LaSalle Investment Management
Lone Star Funds
Lubert-Adler Management Co., LLC
Morgan Stanley Real Estate Advisors, Inc.
Prudential Investment Management, Inc.
RREEF America, LLC
Savanna Investment Management, LLC
Starwood Capital Group
Stockbridge Real Estate Fund
TA Realty Associates
TRECAP Commercial Realty Partners LP
Tricon Capital Group, Inc.
UBS Realty Investors, LLC
VBI Real Estate
Walton Street Capital, LLC
Westbrook Partners, LLC

Other Professional Consultants

(see page iii)

Schedule of Brokers' Fees Paid

For the Year Ended Dec. 31, 2011

Broker Name	Fees Paid	Units Traded	Average Cost Per Unit
Credit Suisse	$321,265	38,545,550	$0.0083
Goldman Sachs & Co.	256,753	16,218,779	0.0158
Citigroup Global Markets	248,386	55,482,344	0.0045
Merrill Lynch	216,821	84,377,956	0.0026
UBS	198,803	16,456,937	0.0121
Morgan Stanley & Co., Inc.	186,974	26,880,482	0.0070
JP Morgan Securities LLC	141,805	9,690,364	0.0146
Nomura Securities Co. Ltd	127,023	27,558,647	0.0046
Barclays Capital	119,810	8,948,399	0.0134
Macquarie Capital Markets Ltd	111,455	16,681,361	0.0067
Deutsche Bank	101,753	9,664,742	0.0105
Royal Bank of Scotland PLC	68,418	19,716,383	0.0035
Societe Generale	64,969	13,551,920	0.0048
Knight Securities	54,044	2,521,181	0.0214
FBR Capital Markets	50,347	1,678,220	0.0300
Credit Agricole	44,318	1,295,691	0.0342
Investment Technology Group	43,105	3,259,017	0.0132
RBC Capital Markets LLC	40,317	1,318,592	0.0306
Jefferies & Co., Inc.	38,588	1,805,214	0.0214
HSBC Securities Inc.	38,527	9,781,629	0.0039
Bloomberg Tradebook	35,706	2,746,986	0.0130
G Trade Services Ltd.	33,242	9,027,617	0.0037
Sanford C. Bernstein & Co. LLC	31,255	1,659,388	0.0188
Instinet	29,816	10,281,300	0.0029
Jonestrading Institutional Services LLC	29,551	1,018,238	0.0290
Keefe, Bruyette & Woods Inc.	27,386	1,196,273	0.0229
Liquidnet Inc.	26,499	2,737,541	0.0097
Daiwa Securities Group	24,405	1,837,767	0.0133
Stifel, Nicolaus & Co.	22,829	740,306	0.0308
CIBC World Markets Corp	21,048	637,655	0.0330
Robert W. Baird & Co.	20,691	655,992	0.0315
Canaccord Genuity Inc	20,266	1,235,390	0.0164
Brokers Less Than $20,000	344,194	26,030,104	0.0132
TOTAL	**$3,140,369**	**425,237,965**	**$0.0074**

Minor formatting edits have been made to the Board approved investment policy and guidelines in order to provide style consistency throughout the CAFR.

OHIO POLICE & FIRE PENSION FUND INVESTMENT POLICY AND GUIDELINES

I. INTRODUCTION

The purpose of this Investment Policy and Guidelines (Policy or Statement) is to define the framework for investing the assets (Total Portfolio) of the Ohio Police & Fire Pension Fund (OP&F or Plan). 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 Investment Committee/Board of Trustees (the Board of Trustees or 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 amended from time to time.

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 at a reasonable level of risk.
- To achieve and maintain a fully funded status with regard to the accumulated benefit obligation over a 30-year amortization period.
- To control the costs of administering OP&F and managing the investments.

The investment objectives of the Total Portfolio are:

- Long-term returns on Plan investments, in addition to contributions received from members and employers, should satisfy any current funding obligations of the Plan when and as prescribed by law and, once the Plan is fully funded, should keep pace with the growth of Plan liabilities.
- The investment performance goal for the Total Portfolio is to meet or exceed the return of the Total Portfolio policy benchmark over a full market cycle, generally measured over three- to five-years, without taking on additional risk as measured by standard deviation of returns. The Total Portfolio policy benchmark is a weighted average, based on the allocation target defined in Section III below, of each asset class benchmark.

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 review and adopt policies, objectives or criteria for the operation of the investment program and make such changes as appropriate.

Investment policies and Investment Manager(s) guidelines referenced in this document are separate policies governing specific aspects of managing the Total Portfolio and are not reproduced in this Statement, but are incorporated by reference as governing documents of the Plan.

II. DEFINITION OF RESPONSIBILITIES

A. Investment Committee/Board of Trustees

The statutory investment authority of the Board with regard to the Plan is set forth in Chapter 742, as described above, provides that in its capacity as a fiduciary, the Investment Committee/Board of Trustees must discharge its duties in a prudent manner and for the exclusive benefit of the participants and beneficiaries of the Plan.

In discharging its duties, the responsibilities of the Investment Committee/Board of Trustees pursuant to this Policy include the following:

- Establish the strategic investment policy (Asset Allocation Policy) for OP&F in accordance with the above goals, and periodically review Asset Allocation Policy in light of any changes in actuarial variables and/or market conditions.
- Approve the investment structure for applicable asset classes identified in the Asset Allocation Policy.

- Select qualified Investment Consultant(s) and Investment Manager(s) 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 Investment Manager(s) to determine achievement of goals and compliance with policy guidelines.
- Monitor the costs of the investment operations at least annually.
- Review, at least annually, the current investment policies of OP&F and make such changes as appropriate.
- Review applicable annual investment plan(s) prepared by the staff and/or Investment Consultant(s). As conditions warrant, revise the annual investment plan(s) 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 Manager(s) to strategy and direction.
- Review the overall investment performance to determine whether it meets established benchmarks.
- Evaluate and assign all Investment Manager(s) to a rating category as outlined in OP&F's 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.
- Fulfill any other responsibilities as provided in the ORC and Investment Committee Charter.

The Investment Committee/Board of Trustees may authorize others such as OP&F staff, and may utilize the services of external advisors, such as actuaries, auditors, consultants and legal counsel, to implement decisions made by the Board.

B. Staff

Staff will be the primary liaison between the Investment Committee/Board of Trustees and the Investment Consultant(s), the Investment Manager(s), and the custodial bank(s). In doing so, the staff will:

- Manage OP&F assets under its care and/or control in accordance with this Policy's objectives and guidelines set forth herein.
- Implement Board decisions regarding asset allocation, investment structure, Investment Manager(s) selection, and portfolio rebalancing procedures.
- Coordinate the Investment Manager(s) selection, evaluation, and retention decisions for the Plan's investments, consistent with OP&F's Investment Manager Search Policy.
- Monitor both internally and externally managed assets to ensure compliance with guidelines set forth in this Policy.
- Establish a process to promptly vote all proxies and related actions in a manner consistent with OP&F's long-term interests and objectives set forth herein and OP&F's Proxy Voting Policy. Maintain detailed records of said voting of proxies and related actions and comply with all regulatory objectives related thereto.
- Manage the overall liquidity in the Total Portfolio to ensure timely payment of member benefit payments and Plan expenses and the investment of contributions consistent with established asset allocation and portfolio rebalancing policies.
- Report to the Board at least quarterly regarding the status of the Total 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 this Policy set forth herein, and as modified in the future.

C. Investment Consultant(s)

The Investment Committee/Board of Trustees may retain an investment consulting organization or organizations (the Investment Consultant(s)) to assist in the overall strategic investment direction of the Total Portfolio and its implementation. Each such Investment Consultant(s), in recognition of its role as a fiduciary of the Plan, will assume specific duties. These duties shall generally include the following:

- Provide independent and unbiased information.
- Assist in the development of this Policy.
- Monitor compliance with this Policy.
- Assist in the development and recommendation of strategic asset allocation targets, investment structure, and rebalancing procedures.
- Assist in development of performance measurement standards.
- Assist in the Investment Manager(s) search and selection process consistent with OP&F's Investment Manager Search Policy.
- Monitor, evaluate and report to the Board on Total Portfolio and Investment Manager (s) performance on an ongoing basis.
- Conduct due diligence when an Investment Manager(s) fails to meet a standard.
- Establish a procedural due diligence search process.

D. Investment Manager(s)

The Investment Committee/Board of Trustees may, from time to time, cause the Plan to retain one or more qualified investment managers (Investment Manager(s)) to manage a portion of the Plan assets. When applicable, the Investment Committee/Board of Trustees shall approve each Investment Manager(s) guidelines, which may set forth the purpose, Investment Manager(s) philosophy and approach, authorized investments, prohibitions, typical portfolio characteristics, performance objectives and evaluation, and Investment Manager(s) communications. The Investment Manager(s) have certain responsibilities that include the following:

- Manage OP&F assets under its care, custody, where applicable, and/or control in accordance with this Policy's 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 and, where applicable, the specific guidelines established for the Investment Manager(s) in the governing agreements with OP&F.
- Constructing a portfolio of securities that reflects the execution of a specific investment strategy.
- 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 and OP&F's Proxy Voting Policy. Each Investment Manager(s) designated to vote shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
- Provide reporting to the Board or staff or Investment Consultant(s) quarterly regarding the status of the portion of the Total Portfolio managed by the Investment Manager(s) and its performance for various time periods. Meet with the Board or staff or Investment Consultant(s) annually or as needed to report on their performance and compliance with goals and objectives.
- Acknowledge and agree in writing to their fiduciary responsibility to fully comply with this Policy set forth herein, and as modified in the future.

E. Office of the Ohio Treasurer/Board of Deposit/Custodian(s)

Per Section 742.11 of the ORC, the Treasurer of the State of Ohio (the Treasurer of State) is designated as custodian of investment assets. As custodian, the Treasurer of State or its designee (as described below) will be responsible for holding and safekeeping Plan assets, settling purchases and sales of securities; and identifying and collecting income which becomes due and payable on assets held. The Treasurer of State may engage a qualified bank or trust company, as authorized agent of the Treasurer of State, to perform certain services on behalf of the Treasurer of State to fulfill its responsibilities as custodian.

III. ASSET ALLOCATION AND REBALANCING

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, and diversification characteristics.

The asset allocation must be consistent with the investment standards specified in ORC Section 742.11.

The risk/return characteristics of OP&F shall be reviewed on a periodic basis (no less than every five years) through a comprehensive asset liability valuation study. The goal of the study shall be to formulate an Asset Allocation Policy which maximizes return while minimizing overall risk through the most efficient combination of acceptable asset classes under the prudent person standard.

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

Asset Class	Long-Term Target Allocation– Notional Exposure	Range
Domestic Equity	21.7%	± 3%
Non-U.S. Equity	21.7%	± 3%
Total Equity	**43.4%**	**± 5%**
Long Duration Fixed Income	23.7%	± 4%
Global Inflation Protected Securities	12.9%	± 2%
High Yield	15.0%	± 2.5%
Total Fixed Income	**51.6%**	**± 7%**
Real Estate	12.0%	± 2%
Private Markets	7.0%	± 1%
Timber	3.0%	± 1%
Commodities	3.0%	± 1%
Total Alternatives	**25.0%**	**± 5%**
Cash Equivalents	0.0%	+ 0.5%
TOTAL	**120.0%**	

Asset Class	Long-Term Target Allocation–Market Value
Domestic Equity	21.7%
Non-U.S. Equity	21.7%
Long Duration Fixed Income	10.1%
Global Inflation Protected Securities	6.5%
High Yield	15.0%
Real Estate	12.0%
Private Markets	7.0%
Timber	3.0%
Commodities	3.0%
Cash Equivalents	0.0%
TOTAL	**100.0%**

The most recent study has shown that this is a favorable asset mix for meeting longer-term goals under multiple market conditions. In addition, this study incorporates the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing Total Portfolio risk. From the notional portfolio perspective above, the Total Portfolio shall be levered at 1.2 times due to the application of leverage to certain fixed income asset classes. The Board selected a 1.2 times levered Asset Allocation Policy for the reasons listed below:

- Increases the Total Portfolio's Sharpe Ratio relative to the former unlevered asset allocation policy;
- Reduces the expected benefits funding cost relative to the former unlevered asset allocation policy;
- Reduces the worst case benefits funding cost relative to the former unlevered asset allocation policy;
- Allows a reduction in equity risk exposure and an increase in fixed income and alternatives exposure, which reduces overall expected risk without sacrificing return;
- Creates a more risk-balanced portfolio by reducing the Total Portfolio's risk contribution from equities and significantly increasing the risk contribution from fixed income and alternatives; and
- Allocates risk based on the relationship between asset classes and economic environments.

The Asset Allocation Policy represents a long-term strategy and thus, the Total Portfolio should strategically meet its performance objectives in the long-term but not necessarily every year.

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 staff shall direct rebalancing transactions to reallocate assets from the over-allocated asset class to the under-allocated asset class. This rebalancing discipline is intended to encourage "buying low" and "selling high" and to keep the Total Portfolio invested at an appropriate overall risk level. Except when there is a perceived extraordinary downside risk in a particular asset class, movement outside the normal ranges should be avoided. Investments in private markets and private real assets (real estate and timber) are generally less liquid than investments in public markets securities and are typically implemented via periodic commitments to funds with limited partnership structures. As a result, actual allocations to these asset classes may deviate from their strategic targets for extended periods. Actual vs. target deviations for these asset classes shall not be considered in violation of the Asset Allocation Policy. Under/overweights to these asset classes shall be invested in public markets securities with the most similar risk/return characteristics as a short-term proxy for the private asset classes. To assist in rebalancing, OP&F may retain a derivative overlay Investment Manager(s) which may provide several benefits including: (1) reduce OP&F's tracking error relative to our target allocations; (2) improve Total Portfolio returns; and (3) reduce the administrative burden associated with management of monthly cash flows.

The Board may adopt interim Asset Allocation Policy target allocations to reflect the transition from previous policy target allocations to new policy target allocations. The interim target allocations will reflect dollar cost averaging and/or opportunistic implementation to most prudently reach the new policy target allocations.

IV. INVESTMENT IMPLEMENTATION

The implementation of an investment portfolio designed to achieve the Total Portfolio 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, the Ohio-Qualified Broker Policy, and OP&F's Broker Policy.

Where appropriate, OP&F will invest assets through the use of qualified Investment Manager(s). The allocations to these Investment Manager(s) will be made in accordance with the results of the asset liability valuation study, investment structure analysis, and established procedures.

For a complete description of the selection of Investment Manager(s), please see OP&F's Investment Manager Search Policy.

V. ASSET CLASS OBJECTIVES, CHARACTERISTICS AND INVESTMENT STRUCTURE

Investment structure targets will be established within applicable asset classes to address risk and return factors present in the respective asset class. For example, the domestic equity composite portfolio structural targets will be established to ensure style (growth vs. value) and market capitalization neutrality relative to the overall market, and to address active versus passive implementation decisions. External Investment Manager(s) will be hired to implement the structural targets in a diversified manner and will therefore have derived target weightings within the overall investment program. These are set forth below.

Domestic Equity

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

Investment Characteristics
The main focus of investing will be on companies headquartered and/or domiciled in the United States. The domestic equity composite portfolio shall have similar portfolio characteristics as that of the Wilshire 5000 Index, and should not exhibit any size (market capitalization) or style (value vs. growth) bias.

Investment Structure
The structure of the domestic equity composite portfolio will be diversified among passive and active investment strategies as follows:

1. *Passive Large Capitalization Core Exposure*
   The passive large capitalization core component has a target allocation of 45 percent of the domestic equity composite portfolio. This passive portfolio is intended to provide broad market exposure for and diversification to OP&F's domestic equity composite portfolio through holdings in large capitalization equities or futures and is to be constructed so as to match the characteristics and return of the Russell 1000 Index.

2. *Active Large Capitalization Alpha Transfer Exposure*
   The active large capitalization alpha transfer component has a target allocation of 30 percent of the domestic equity composite portfolio, comprised of 10 percent to global macro strategies, 10 percent to market neutral strategies, and 10 percent to active currency strategies. The overall objective is to provide risk-adjusted returns greater than the return of the Standard & Poor's (S&P) 500 Index. S&P 500 market exposure, obtained through the use of derivatives and/or physicals, 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.

3. *Active Small/Mid Capitalization Core Exposure*
   The active small/mid capitalization core component has a target allocation of 25 percent of the domestic equity composite portfolio, comprised of 13 percent to active mid capitalization core strategies and 12 percent to active small capitalization core strategies.

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 ex-U.S. Index – Iran and Sudan Free (MSCI ACWI-ex U.S. I/S Free) over a three-year period on an annualized basis. Total return of each Investment Manager(s) portfolio should rank above the median when compared to their peer group, if applicable, over a three-year period on an annualized basis and should exceed their benchmark return as specified in each Investment Manager(s) guidelines.

Investment Characteristics
The main focus of investing will be on companies headquartered or domiciled in the MSCI ACWI-ex U.S. countries, which includes both developed and emerging markets. The Non-U.S. Equity composite portfolio shall have similar portfolio characteristics as that of the MSCI ACWI-ex U.S. I/S Free.

Investment Structure
Non-U.S. equity assets will be managed solely on an active basis in order to exploit the perceived inefficiencies in the Non-U.S. equity markets. The structure of the Non-U.S. equity composite portfolio will be diversified among active all capitalization ACWI-ex U.S. strategies and dedicated ACWI-ex U.S. small capitalization strategies as follows:

1. *Active All Capitalization ACWI-ex U.S. Exposure*
   The Active All Capitalization ACWI-ex U.S. component has a target allocation of 75 percent of the Non-U.S. equity composite portfolio.

2. *Active ACWI-ex U.S. Small Capitalization Exposure*
   The dedicated Active ACWI-ex U.S. Small Capitalization component has a target allocation of 25 percent of the Non-U.S. equity composite portfolio.

Fixed Income

1. Long Duration

Investment Objectives
Total return of the long duration fixed income composite portfolio should exceed the return of the Barclays Long Government/Credit Index over a three-year period on an annualized basis. Total return of each Investment Manager(s) portfolio should rank above the median when compared to their peer group, if applicable, over a three-year period on an annualized basis and should exceed their benchmark return as specified in each Investment Manager(s) guidelines.

Investment Characteristics
The main focus of investing will be a diversified mix of fixed income securities which may include, but not be limited to, government, corporate, mortgage-backed, foreign, and high yield securities. The long duration fixed income composite portfolio shall have similar portfolio characteristics as that of the Barclays Long Government/Credit Index.

Investment Structure
Long duration fixed income assets will be managed solely on an active basis in order to exploit the perceived inefficiencies in this asset class. Given the long duration fixed income allocation target set forth in the Asset Allocation Policy above, the long duration fixed income composite portfolio will be levered approximately 2.3x. Implementation of the long duration fixed income composite portfolio will be consistent with OP&F's Derivatives Policy Statement, which provides a complete description of the appropriate use of derivatives in the Plan.

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 a three-year period on an

annualized basis. Total return of each Investment Manager(s) portfolio should exceed their benchmark return as specified in each Investment Manager(s) guidelines. In addition, there is an alpha transfer component to the GIPS composite portfolio whereas the overall objective is to provide risk-adjusted returns greater than the return of the custom weighted-average mix of the Barclays country indexes within the Global Inflation-Linked Bond Index.

Investment Characteristics
The main focus of investing will be a diversified mix of global inflation-linked securities of the Barclays country index within the Global Inflation-Linked Bond Index. The GIPS composite portfolio, as well as each Investment Manager(s) portfolio, shall have similar portfolio characteristics as that of a custom weighted-average mix of the Barclays country indexes within the Global Inflation-Linked Bond Index.

Investment Structure
GIPS assets will be managed solely on an active basis in order to exploit the perceived inefficiencies in inflation protected securities markets. Given the long GIPS allocation target set forth in the Asset Allocation Policy above, the GIPS composite portfolio will be levered approximately 2.0x. GIPS exposure, obtained through the use of derivatives and/or physicals, will be combined with a strategy that provides a diversified source of alpha with customized risk tolerances. Implementation of the GIPS composite portfolio will be consistent with OP&F's Derivatives Policy Statement, which provides a complete description of the appropriate use of derivatives in the Plan.

3. Investment Grade

The investment grade composite portfolio represents an existing portfolio that will eventually be liquidated based on the Asset Allocation and Rebalancing set forth in Section III of this Policy.

Investment Objectives
While in existence, total return of the investment grade composite portfolio should exceed the return of the Barclays Aggregate Index over a three-year period on an annualized basis. Total return for each Investment Manager(s) portfolio should rank above the median when compared to their peer group, if applicable, over a three-year period on an annualized basis and should exceed their benchmark return as specified in each Investment Manager(s) guidelines.

Investment Characteristics
While in existence, the main focus of investing will be on dollar denominated fixed income securities. The investment grade composite portfolio as well as each Investment Manager(s) portfolio shall have similar portfolio characteristics as that of the Barclays Aggregate Index.

Investment Structure
While in existence, investment grade assets will be managed solely on an active basis in order to exploit the perceived inefficiencies in the investment grade fixed income markets.

4. Commercial Mortgages

The commercial mortgage composite portfolio represents an existing portfolio that is being liquidated over time.

Investment Objectives
While in existence, total return of the commercial mortgage composite portfolio should exceed the return of the Barclays Mortgage Index, it being understood that both the returns for the commercial mortgage composite portfolio and Barclays Mortgage Index are lagged one quarter.

Investment Characteristics
While in existence, the main focus of investing will be on commercial mortgage whole loans which provide for fixed income payments derived from underlying property cash flows. Risk shall be controlled through diversification strategies and the retention of qualified Investment Manager(s) with acceptable loan underwriting and/or commercial mortgage acquisition experience.

Investment Structure
While in existence, commercial mortgage assets will be managed solely on an active basis in order to exploit the perceived inefficiencies in the commercial mortgage market. 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 Investment Manager(s) portfolio should rank above the median when compared to their peer group, if applicable, over a three-year period on an annualized basis and should exceed their benchmark return as specified in each Investment Manager(s) guidelines.

Investment Characteristics
The main focus of investing will be on below investment grade fixed income securities, those securities rated below BBB- or equivalent, issued by U.S. corporations. The high yield fixed income composite portfolio shall have similar portfolio characteristics as that of the CS First Boston High Yield Index, Developed Countries Only. Each Investment Manager(s) portfolio shall have similar portfolio characteristics as that of their respective benchmark.

Investment Structure
High yield fixed income assets will be managed solely on an active basis in order to exploit the perceived inefficiencies in the high yield fixed income markets and to minimize the probability of exposure to securities in default.

E. Real Estate

Investment Objectives
The primary role of real estate in the Total Portfolio is to provide: (i) an inflation hedge, (ii) diversify the Total Portfolio by providing a return that has a low or negative correlation with stock and bond returns and (iii) provide a total return that is competitive on a risk–adjusted basis with stocks and bonds and is accretive to OP&F achieving its long-term target rate of return. The return target for the real estate composite portfolio is set forth in OP&F's Real Estate Strategic Plan.

Investment Characteristics
Investments will adhere to certain risk management and diversification criteria set forth in OP&F's Real Estate Strategic Plan.

Investment Structure
The target allocation of Total Portfolio assets to real estate will be established by OP&F's long-term Asset Allocation Policy. In order to meet this allocation target, it will generally be necessary to make commitments in excess of the target because of the contribution and distribution cash flow characteristics inherent in the underlying real estate investments.

F. Private Markets

Investment Objectives
The private markets composite portfolio is designed to provide an attractive risk-adjusted rate of return to OP&F. The performance objective for the private markets composite portfolio and for individual investments is set forth in OP&F's Private Markets Investment Policy.

Investment Characteristics
Investments will be diversified by certain criteria as set forth in OP&F's Private Markets Investment Policy.

Investment Structure
OP&F may utilize any of the following types of vehicles in implementing the private markets composite portfolio: fund-of-funds, partnerships, limited liability companies or group trusts. OP&F may also participate in secondary offerings or purchase private markets placements from other investors on the secondary market. Annual commitment targets to such investments will be established by OP&F's Private Markets Investment Plan. As stated in OP&F's Private Markets Investment Policy, in order to meet the target allocation of Total Portfolio assets to private markets investments, it will generally be necessary to make commitments in excess of the target because of the contribution and distribution cash flow characteristics inherent in the underlying individual private markets investments.

G. Timber

Investment Objectives
The primary performance objective, along with the strategic objectives, of the timber composite portfolio will be set forth in OP&F's Timberland Investment Policy.

Investment Characteristics
Investments will be diversified by certain criteria as set forth in OP&F's Timberland Investment Policy.

Investment Structure
The target allocation of Total Portfolio assets to timber will be established by OP&F's long-term Asset Allocation Policy. In order to meet this allocation target, it will generally be necessary to make commitments in excess of the target because of the contribution and distribution cash flow characteristics inherent in the individual timberland investments, with the exception of investments in timberland-focused public Real Estate Investment Trusts (REITs) or exchange traded funds.

H. Commodities

The investment objectives, characteristics and structure of this class of investments will be established per the Investment Committee/Board of Trustees adoption of a Commodities Investment Policy.

I. Cash Equivalents

Investment Objectives
Total return of the cash equivalents composite 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 Characteristics
Authorized investments, minimum short-term credit ratings, portfolio concentration limits and maturity limits for the short-term investment fund (STIF) shall be set forth in OP&F's Short-Term Cash Management Policy. In addition, the frequency of credit reviews of approved issuers of commercial paper will be based on the short-term credit rating of the issuer and set forth in OP&F's Short-Term Cash Management Policy.

Investment Structure
Staff is responsible for the cash management function, which is described in OP&F's Short-Term Cash Management Policy.

VI. 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 and OP&F's Proxy Voting Policy. Common stock proxies may be executed by the Sr. Investment Officer or the Chief Investment Officer, or their designees. Staff or their designee 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 OP&F's Proxy Voting Policy. Staff shall provide a semi-annual summary report of proxy voting actions to the Investment Committee/Board of Trustees.

VII. 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 by the agent(s) and a minimum average of at least 102 percent for domestic, and 105 percent for Non-U.S. collateral shall be diligently maintained. Securities lending reports shall be provided monthly by the agent(s) to staff. Staff will present a semi-annual summary report to the Investment Committee/Board of Trustees.

VIII. INVESTMENT MANAGER MONITORING AND EVALUATION POLICY

The purpose of OP&F's Investment Manager Monitoring and Evaluation Policy is to establish the process and discipline for managing the Investment Manager(s) relationship. The policy states the process, responsibilities and important factors for consideration in the monitoring and evaluation process. For a complete description of the monitoring and evaluation process, please see OP&F's Investment Manager Monitoring and Evaluation Policy.

IX. COMMUNICATIONS

Each Investment Manager(s) 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 Investment Manager(s) is expected to meet with OP&F's Board or staff or Investment Consultant(s) annually or as needed.

X. INVESTMENT MANAGER SEARCH POLICY

When applicable, the selection of Investment Manager(s) will be conducted under a Request for Proposal (RFP) process and the search may be on a closed or open manager universe basis. For a complete description of the selection of Investment Manager(s), please see OP&F's Investment Manager Search Policy.

XI. SECURITIES LITIGATION POLICY

The Securities Litigation Policy has been adopted to ensure that OP&F takes prudent, effective, appropriate, and efficient actions to protect and increase the value of OP&F investments and to ensure that OP&F receives all money or assets which are due it as a result of the resolution of class action suits in a cost effective manner consistent with the Board's fiduciary duties. For a complete description of the policy objectives, monitoring, reporting requirements and procedures, please see OP&F's Securities Litigation Policy.

XII. IRAN AND SUDAN DIVESTMENT POLICY

As required by uncodified provisions of Chapter 742 of the ORC, OP&F has adopted an Iran and Sudan Divestment Policy, the purpose of which is to divest and restrict the purchase of stocks and bonds issued by a publicly traded company with scrutinized business operations in Iran and Sudan, subject to the fiduciary responsibilities of the Board of Trustees. For a complete description of the responsibilities, process, reporting requirements, etc., please see OP&F's Iran and Sudan Divestment Policy.

2011 Comprehensive Annual Financial Report

Actuarial Section

Ohio Police & Fire Pension Fund

Ohio Police & Fire Pension Fund
140 East Town Street • Columbus, Ohio 43215
www.op–f.org • 1-888-864-8363

REPORT OF ACTUARY

buckconsultants A Xerox Company

Sept. 30, 2011

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

Members of the Board:

Ohio Police & Fire retained Buck Consultants, LLC (Buck) to complete this actuarial valuation of the Ohio Police & Fire Pension Fund (OP&F). This report presents the results of the annual actuarial valuation of the assets and liabilities of OP&F as of Jan. 1, 2011, prepared in accordance with Chapter 742 of the Ohio Revised Code (ORC). 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 Table 1A in the report.

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

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

Assets and Membership Data

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

Funding Objectives and Progress

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

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The total of Deferred Retirement Option Plan (DROP) accruals reported as of Dec. 31, 2010 was $1.187 billion. It should be noted that the financial statements prepared by OP&F treats the balance of DROP accruals as a benefit payable, which is subtracted from (i.e., not included in) the net asset value. For consistency with this exclusion from the asset value, the AAL also has been reduced by the same amount. By treating the DROP accruals as a benefit payable, and excluding the accruals from both the liabilities and the assets, the UAAL is the same as if both the assets and liabilities included the DROP accruals.

The actuary determines how many years are required by OP&F to completely amortize the UAAL (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 2011, and each year since 2003, the funding period is infinite years, meaning the annual contribution toward the unfunded when compared to the unfunded amount is not sufficient to pay it off. The infinite funding period is attributable to an increase in the unfunded amount due to less than assumed investment performance, the level of funding (contributions to OP&F), and other adverse experience. It should be noted that an infinite funding period does not mean that OP&F is insolvent. Readers of this report are encouraged to not equate the two concepts.

Section 742.16 of the ORC, 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 such a plan to the ORSC in February 2011. This plan to reach 30-year funding has not been acted upon by the Ohio legislature as of the publication of this report and, therefore, is not reflected in this valuation. This is the sixth consecutive year that a plan was submitted with no action by the Ohio Legislature.

The funded ratio (i.e., the ratio of actuarial assets to the AAL) determined as of Jan. 1, 2011 is 69.4 percent, compared to 72.8 percent determined as of Jan. 1, 2010. Taking into account the Medicare Part B premium reimbursements, the funded ratio would be 67.8 percent.

Financial Results and Membership Data

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

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

Respectfully submitted,

Paul R. Wilkinson

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

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

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Description of Actuarial Assumptions and Methods

Assumptions

Interest Rate

8.25 percent per annum, compounded annually.

Salary Increase

Assumed annual salary increases are as follows:

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

Withdrawal Rates

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

Police

	Years of Service										
Age	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

	Years of Service										
Age	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

	Annual Rate of:		
Age	Death Male	Death Female	Disability
20	.027%	.017%	.002%
30	.038%	.021%	.177%
40	.077%	.048%	1.102%
50	.151%	.112%	2.359%
55	.214%	.168%	2.583%
60	.362%	.272%	2.513%
62	.469%	.348%	2.545%
65	.675%	.506%	–

Firefighters

	Annual Rate of:		
Age	Death Male	Death Female	Disability
20	.027%	.017%	.004%
30	.038%	.021%	.100%
40	.077%	.048%	.494%
50	.151%	.112%	2.390%
55	.214%	.168%	3.526%
60	.362%	.272%	4.172%
62	.469%	.348%	3.964%
65	.675%	.506%	–

Occurrence Of Disability

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

Retirement Rates

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

Annual Rate of Retirement

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

DROP Retirement Rates

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

Retirement Age For Inactive Vested Participants

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

Deferred Retirement Option Plan (DROP) Elections

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

Death After Retirement

According to the RP2000 Combined Table (male only) for pensioners with one-year set forward for police and one-year set back for firefighters. RP2000 Combined Table (female only) with one-year set forward for all beneficiaries. RP2000 Combined Table (male only) for disabled, 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 of active members are assumed to be married.

Age of Spouse

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

Optional Form Election

20 percent of retirees are assumed to elect the 50 percent Joint and Survivor pension. If the joint annuitant predeceases the retiree, assume the retiree's benefit increases 17.65 percent.

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 subsidy ($96.40 per month for 2011) is assumed to increase as follows:

Year	Increase
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 AAL. Gains and losses are reflected in the accrued liability. To be consistent with the asset methodology employed by OP&F, DROP accruals are netted out of the liabilities.

Asset Valuation Method

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

Payroll Growth

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

DATA

Census and Assets

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

PLAN SUMMARY

Summary of Benefit and Contribution Provisions

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

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 Fund's Board of Trustees which is comprised of the following nine members:

- Two active representatives of police departments.
- Two active representatives of fire departments.
- One retired firefighter.
- One retired police officer.
- Three statutory members—one appointed by the Governor of Ohio, one by the Ohio Treasurer of State, and one appointed jointly by the Ohio Senate President and the Ohio Speaker of the House—must have professional investment expertise.

The representatives of police and fire departments are elected to four–year terms by their 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 are required to satisfactorily complete or have satisfactorily completed a firefighter training course approved under former Section 3303.07, Section 4765.55 or conducted under Section 3737.33 of the ORC, are required to be OP&F members.

Eligibility for Membership

Full-time police officers or firefighters are eligible for membership in OP&F immediately upon commencement of employment as a full-time police officer or firefighter.

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 pension.

Normal Service Retirement

Eligibility

Age 48 with 25 years of service credit.

Benefit

An annual pension equal to a percentage of the allowable 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 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.

Service Commuted Retirement

Eligibility

15 years of service credit.

Benefit

Commencing at age 48 and 25 years have elapsed from full-time hire date, whichever is later; an annual pension equal to 1.5 percent of the allowable average annual salary multiplied by the number of full years of service.

Age/Service Commuted Retirement

Eligibility

Age 62 and 15 years of service credit.

Benefit

The same formula as for the Normal Service Retirement benefit.

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 Employee Contributions

Upon separation from service, a member can receive the contributions that he or she made to the plan or the employee share of member contributions picked-up on the member's behalf by their employer. Employer contributions are not refundable.

Termination Before Retirement With 25 Years Service Credit

Benefit

Same as the Normal Service Retirement benefit, except benefit commences when member reaches age 48.

Termination Before Retirement With 15 Years Service Credit

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 have elapsed from the date of full-time hire.

Termination Before Retirement With Less Than 15 Years Service Credit

Benefit

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

Deferred Retirement Option Plan (DROP) Eligibility

Age 48 with 25 years of service credit.

Benefit

The Normal Service 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 Service Retirement Benefit at DROP entry, with applicable COLA paid at DROP anniversary, member contributions credited to DROP and interest. In 2011, DROP interest was credited at a fixed rate of 5 percent compounded annually.

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

Years 1 and 2	50 percent of member's contributions (5 percent of pay)
Year 3	75 percent of member's contributions (7.5 percent of pay)
Years 4–8	100 percent of member's contributions (10 percent of pay)

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

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

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

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 a 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. Annual earnings statements are also required to be submitted to OP&F.

Permanent and Total Disability (On Duty)

Eligibility

No age or service requirement.

Benefit

An annual benefit equal to 72 percent of allowable 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 up to 60 percent of the allowable average annual salary. If the member has 25 or more years of service, the annual disability benefit is equal to the Normal Service Retirement amount.

Non-Service Incurred Disability (Off Duty)

Eligibility

Any age and 5 years of service.

Benefit

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

Pre–Retirement Survivor Annuity

Eligibility

Upon death before retirement, but after having satisfied the requirements for a Normal Service Retirement or an Age/Service Commuted retirement.

Benefit

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

Statutory Survivor Benefits

Eligibility

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

Benefit

Surviving Spouse's Benefit
An annual amount equal to $6,600 ($550 monthly), plus an annual cost of living allowance of 3 percent of the original base benefit, paid each July 1, beginning July 1, 2000. The benefit is paid to the surviving spouse for life.

The spouse's Statutory Survivor Benefit is $4,920 ($410 monthly) if the spouse is receiving a full death benefit under the Death Fund Benefit statute. The Death Benefit Fund is funded by the State of Ohio and provides special benefits to eligible survivors of public safety officers who are killed in the line of duty or who die from injuries or disease incurred in the performance of official duties. These eligible survivors are entitled to receive the member's full monthly salary, which will be reduced at the member's retirement eligibility date. These death benefit payments are in addition to any optional payment plan benefits elected by the member.

Surviving Child's Benefit
An annual amount equal to $1,800 ($150 monthly), payable until such child attains age 18 or marries, whichever occurs first. The payment can continue to an unmarried full–time student until age 22. A dependent disabled child regardless of age at time of member's death, is entitled to a benefit until death or recovery. A cost–of–living allowance of 3 percent of the original base is payable each July 1.

Dependent Parents' Benefit
If there is no surviving spouse or children, an annual amount of $2,400 ($200 monthly) is payable to one dependent parent or $1,200 ($100 monthly) each to two dependent parents for life or until dependency ceases or remarriage. A cost–of–living allowance of 3 percent of the original base is payable each July 1.

Survivors	Monthly Pension	Causes of Termination
Widow Widower	current amount + future COLA	• Death
Minor child	current amount + future COLA	• Death • Marriage • Attainment of age 18
Dependent disabled child	current amount + future COLA	• Death • Recovery from disability
Student	current amount + future COLA	• Death • Marriage • Attainment of age 22 • Loss of student status
One dependent parent Two dependent parents	current amount + future COLA 1/2 current amount (each) + future COLA	• Death • Re-marriage • Termination of dependency

Benefit Type	Base Monthly Benefit Amount	Base Monthly Benefit Amount Plus Increases Through July 1, 2010	Next Monthly Increase Effective July 1, 2011
Spouse*	$550	$727.10**	$16.50
Child	$150	$198.30***	$4.50
One Parent	$200	$264.40****	$6.00
Two Parents	$100	$132.20	$3.00

* Spouse's benefit is $410 if spouse is receiving a full death benefit under the Death Fund Benefit statute. There is no annual increase on this benefit payment.

** On July 1, 2000 The Statutory Surviving Spouse Benefit increased by $12.10 per month. This increase was a percentage of the original benefit amount, equaling the percentage increase in the Consumer Price Index (CPI) plus unused prior increases, to a maximum of 3 percent. Every year after 2000, the monthly increase was $16.50 or 3 percent of the base benefit.

*** On July 1, 2000 The Statutory Surviving Child Benefit increased by $3.30 per month. This increase was a percentage of the original benefit amount, equaling the percentage increase in the CPI plus unused prior increases, to a maximum of 3 percent. Ever year after 2000, the monthly increase was $4.50 or 3 percent of base benefit.

**** On July 1, 2000 The Statutory Surviving One Parent Benefit increased by $4.40 per month. This increase was a percentage of the original benefit amount, equaling the percentage increase in the CPI plus unused prior increases, to a maximum of 3 percent. Ever year after 2000, the monthly increase was $6.00 or 3 percent of base benefit.

Lump Sum Death

Eligibility

Upon death of any retired or disabled member of OP&F.

Benefit

A lump sum payment of $1,000 is paid to the member's surviving spouse or, if no surviving spouse, to a designated beneficiary. If there is no surviving spouse or beneficiary, then to the member's estate.

ANNUITIES

Effective Feb. 28, 1980, for those members who are retiring on either service pensions or disability benefits, optional annuity plans can be chosen, subject to certain limitations. Members can elect actuarially reduced benefits under a joint and survivor annuity, life annuity certain and continuous, or multiple beneficiary annuity plan. These optional annuity plans allow the member's beneficiary(ies) to receive a lifetime payment upon their death.

Annuity Types

Single Life Annuity

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

Joint and Survivor Annuity

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

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

Life Annuity Certain and Continuous

The minimum guarantee is 5 years and the maximum is 20 years. 100 percent of the members' reduced pension continues to the beneficiary for the guarantee period selected. Elected option may be canceled within one year after benefits commence, with the consent of the beneficiary.

Group Health Insurance and Medicare

Commencing Jan. 1, 1974, the Board may contract for group health insurance on the basis of part or all of the cost of the premium for the coverage to be paid by OP&F. Medical and prescription drug coverage sponsored by OP&F are not rights vested and are subject to change at any time upon action of the Board of Trustees. Effective Jan. 1, 1977, OP&F is mandated to pay the premium for supplemental Medicare (Part B) up to the statutory maximum provided the benefit recipient is not eligible for reimbursement from any other sources. By law, OP&F is required to pay monthly to each recipient of service benefits, disability benefits and survivor benefits not less than $96.40, with the exception that OP&F cannot pay an amount that exceeds the amount paid by the recipient for the coverage. Once OP&F obtains the proper documentation from the service retiree, disability retiree or surviving beneficiary of their enrollment in the Medicare program, Medicare (Part B) premium payments begin. Note: This benefit is not included in the principal valuation results, but is included in the retiree health care valuation results.

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

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

Members retiring on or after July 24, 1986, who had 15 or more years of service as of Jan. 1, 1989 are allowed to select between two different pension calculation plans. Under the terminal pay method, a pension is calculated using terminal payments such as accrued sick leave and vacation compensation to increase the average annual salary, but subject to certain limitations, and these members do not receive cost of living adjustments. Under the COLA method, no terminal payments are added, but the pension is subject to annual increases equal to a 3 percent increase of the original base benefit per year.

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

Post–Retirement Cost–of–Living Allowance (COLA)

Members who retired prior to July 24, 1986 or their surviving beneficiaries under optional plans are entitled to cost–of–living increases. The annual increase is paid on July 1st of each year. The annual COLA increase is $360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

Re–employed Retirants' Defined Contribution Plan Benefit

Effective June 30, 1991, every person who is retired under an Ohio public pension plan and who is re–employed in an OP&F covered position must contribute to OP&F at the same rate as other police officers or firefighters. The employer pays the normal rate as well. If you terminate your employment before age 60, Ohio law allows you to receive a lump sum payment of your post-retirement employee contributions made during the period of reemployment, plus interest. If you wait until age 60 to receive this benefit, you can choose to receive either a lump sum payment in an amount equal to twice your contributions, plus interest, or a lifetime annuity paid monthly. If, after calculation, your lifetime monthly annuity would be less than $25, you may only select the lump sum payment option. Spousal consent may be required before payment can occur.

Analysis of Financial Experience

Gains and losses in accrued liabilities resulting from differences between assumed and actuarial experience as of Jan. 1, 2011 and Jan. 1, 2010

Type of Activity	2011	2010
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.	$(4,842,033)	$(5,596,505)
Retirement		
If members retire at older ages than assumed, there is a gain. If younger, there is a loss.	18,303,447	17,199,669
Death among retired members and beneficiaries		
If more deaths occur than assumed, there is a gain. If fewer deaths than assumed, there is a loss.	(30,836,168)	(19,201,046)
Disability Retirants		
If disability claims are less than assumed, there is a gain. If more claims, a loss.	30,751,730	11,820,706
Salary increase/decrease		
If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	140,437,313	206,925,536
Return to work		
If participants return to work with previous service restored, there is a loss.	(157,441)	(1,998,378)
New Entrants		
If new entrants join OP&F, there is a loss.	(4,353,734)	(5,742,679)
Deaths among actives		
If claims costs are less than assumed, there is a gain. If more claims, a loss.	(4,677,425)	(4,251,552)
Investments		
If there is a greater investment return than assumed, there is a gain. If less return, a loss.	(529,943,334)	1,165,513,702
Other Experience and Payroll Growth		
If other experience, including less than expected payroll growth, increases the unfunded liability, there is a loss. Otherwise, there is a gain.	(11,412,375)	(42,975,153)
TOTAL GAIN (OR LOSS) DURING THE YEAR	**$(396,730,020)**	**$1,321,694,300**

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.

Solvency Test ($ Amounts in Thousands)

	Valuation as of Jan. 1	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
Police	2011	$1,100,251	$4,368,659	$3,008,219	$5,885,449	100%	100%	14%
Fire	2011	956,559	3,132,521	2,818,228	4,795,563	100%	100%	25%
Police	2010	1,067,209	4,216,219	2,926,199	5,975,121	100%	100%	24%
Fire	2010	916,033	3,004,267	2,700,815	4,818,972	100%	100%	33%
Police	2009	1,026,597	4,077,113	2,832,235	5,163,648	100%	100%	2%
Fire	2009	874,756	2,895,243	2,601,180	4,145,508	100%	100%	14%
Police	2008	985,169	3,992,482	2,671,816	6,248,107	100%	100%	48%
Fire	2008	830,439	2,827,320	2,420,526	4,964,761	100%	100%	54%
Police	2007	934,517	3,850,347	2,444,583	5,654,396	100%	100%	36%
Fire	2007	796,751	2,757,852	2,203,455	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%

Active Member Valuation Data

Year Ended Dec. 31	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	
2011	533	384	15,293	12,929	$65,649	$67,559	2.0%	2.0%	$1,868.5
2010	536	385	15,581	13,038	64,373	66,223	1.4%	1.7%	1,895.2
2009	539	382	15,889	13,173	63,480	65,097	3.1%	3.3%	1,900.9
2008	538	385	15,829	13,035	61,545	62,989	1.5%	2.4%	1,831.4
2007	540	384	15,646	12,963	60,638	61,512	0.1%	(1.3)%	1,782.9
2006	536	376	15,304	12,722	60,573	62,326	3.1%	4.5%	1,756.2
2005	537	368	15,270	12,609	58,744	59,617	4.7%	3.9%	1,683.6
2004	540	363	15,746	12,695	56,081	57,367	(1.0)%	1.2%	1,644.4
2003	541	362	15,924	12,556	56,661	56,687	4.3%	4.2%	1,606.3
2002	559	354	15,877	12,451	54,335	54,402	10.6%	10.0%	1,534.3

* Includes rehired retirees.

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

	Added to rolls		Removed from rolls		Rolls end of year				
Year Ended Dec. 31	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Percentage Change in Allowance	Average Annual Allowances	Percentage Change in Membership
2010	1,165	$34,553	803	$15,721	26,074	$744,144	4.74%	$28.54	1.41%
2009	1,128	30,920	733	14,566	25,712	710,463	4.52%	27.63	1.56%
2008	1,046	25,590	607	12,825	25,317	679,769	4.18%	26.85	1.76%
2007	1,128	27,877	933	14,586	24,878	652,474	3.55%	26.23	0.79%
2006	1,186	32,147	962	12,701	24,683	630,080	4.70%	25.53	0.92%
2005	916	19,803	797	12,132	24,459	601,775	3.64%	24.60	0.49%

2011 Comprehensive Annual Financial Report

Statistical Section

Ohio Police & Fire Pension Fund

Ohio Police & Fire Pension Fund
140 East Town Street • Columbus, Ohio 43215
www.op–f.org • 1-888-864-8363

STATISTICAL OBJECTIVES

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

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

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

The schedules beginning on page 76 show revenue capacity information, demographic and economic information, and operating information. The demographic and economic information is designed to assist in understanding the environment in which OP&F operates. The operating information is intended to provide contextual information about OP&F's operations to assist in assessing OP&F's economic condition. The revenue capacity information, the demographic and economic information and the operating information presented include:

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

To help readers of this CAFR, OP&F has added a List of Professional Acronyms to the end of the statistical section.

Financial Trends

Changes in Fiduciary Net Assets

Combined Trust Fund (dollars in millions)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Additions										
Employer Contributions	$409	$415	$406	$407	$402	$374	$357	$349	$337	$322
Member Contributions and Purchases	177	175	168	173	165	167	168	166	165	167
Investment Income	230	1,652	1,895	(3,833)	1,163	1,630	847	1,152	1,745	(870)
Health Care Contributions	62	59	59	57	56	59	55	56	17	13
Other Revenues	39	25	23	24	21	25	11	19	21	18
Total Additions	**917**	**2,326**	**2,551**	**(3,172)**	**1,807**	**2,255**	**1,438**	**1,742**	**2,285**	**(350)**
Deductions										
Benefit Payments	1,204	1,132	1,085	1,021	965	945	877	821	773	678
Administrative Expenses	16	15	16	16	16	17	16	16	17	15
Refund of Member Contributions	22	16	16	18	15	18	16	15	17	17
Discount on Early Payoff	–	–	–	–	–	–	–	–	–	–
Other Expenses	–	–	–	–	–	–	–	–	1	1
Total Deductions	**1,242**	**1,163**	**1,117**	**1,055**	**996**	**980**	**909**	**852**	**808**	**711**
Changes in Net Assets	**(325)**	**1,163**	**1,434**	**(4,227)**	**811**	**1,275**	**529**	**890**	**1,477**	**(1,061)**
Net Assets – Beginning of Year	**10,793**	**9,630**	**8,196**	**12,423**	**11,612**	**10,337**	**9,808**	**8,918**	**7,441**	**8,502**
Net Assets – End of Year	**10,468**	**10,793**	**9,630**	**8,196**	**12,423**	**11,612**	**10,337**	**9,808**	**8,918**	**7,441**
Reserve Fund Balances:										
Employers' Contribution Reserves	901	1,516	675	(525)	3,999	3,655	2,687	2,437	1,785	726
Members' Contribution Reserves	2,066	2,057	1,983	1,901	1,816	1,731	1,642	1,532	1,432	1,340
Health Care Contribution Reserves	780	718	573	439	527	437	343	294	231	205
Pension Reserves	6,721	6,502	6,399	6,381	6,081	5,789	5,665	5,545	5,470	5,170
TOTAL NET ASSETS	**$10,468**	**$10,793**	**$9,630**	**$8,196**	**$12,423**	**$11,612**	**$10,337**	**$9,808**	**$8,918**	**$7,441**

Financial Trends

Changes in Fiduciary Net Assets

Pension Trust Fund (dollars in millions)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Additions										
Employer Contributions	$280	$286	$279	$278	$280	$235	$229	$224	$216	$204
Member Contributions and Purchases	177	175	168	173	165	167	168	166	165	167
Investment Income	211	1,551	1,791	(3,697)	1,113	1,567	819	1,117	1,690	(847)
Health Care Contributions	–	–	–	–	–	–	–	–	–	–
Other Revenues	10	8	9	8	8	11	7	12	18	15
Total Additions	**678**	**2,020**	**2,247**	**(3,238)**	**1,566**	**1,980**	**1,223**	**1,519**	**2,089**	**(461)**
Deductions										
Benefit Payments	1,028	972	916	868	816	766	714	663	605	523
Administrative Expenses	15	14	16	15	14	15	13	14	15	13
Refund of Member Contributions	22	16	15	18	15	18	16	15	17	17
Discount on Early Payoff	–	–	–	–	–	–	–	–	–	–
Other Expenses	–	–	–	–	–	–	–	–	1	1
Total Deductions	1,065	1,002	947	901	845	799	743	692	638	554
Changes in Net Assets	(387)	1,018	1,300	(4,139)	721	1,181	480	827	1,451	(1,015)
Net Assets - Beginning of Year	10,075	9,057	7,757	11,896	11,175	9,994	9,514	8,687	7,236	8,251
Net Assets - End of Year	9,688	10,075	9,057	7,757	11,896	11,175	9,994	9,514	8,687	7,236
Reserve Fund Balances:										
Employers' Contribution Reserves	901	1,516	675	(525)	3,999	3,655	2,687	2,437	1,785	726
Members' Contribution Reserves	2,066	2,057	1,983	1,901	1,816	1,731	1,642	1,532	1,432	1,340
Pension Reserves	6,721	6,502	6,399	6,381	6,081	5,789	5,665	5,545	5,470	5,170
TOTAL NET ASSETS	**$9,688**	**$10,075**	**$9,057**	**$7,757**	**$11,896**	**$11,175**	**$9,994**	**$9,514**	**$8,687**	**$7,236**

Financial Trends

Changes in Fiduciary Net Assets

Health Care Trust Fund (dollars in millions)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Additions										
Employer Contributions	$129	$130	$127	$129	$122	$139	$128	$125	$121	$118
Member Contributions and Purchases	–	–	–	–	–	–	–	–	–	–
Investment Income	19	100	103	(136)	50	63	28	35	55	(23)
Health Care Contributions	62	59	59	57	56	59	55	56	17	13
Other Revenues	29	17	15	16	13	14	4	7	3	3
Total Additions	**239**	**306**	**304**	**66**	**241**	**275**	**215**	**223**	**196**	**111**
Deductions										
Benefit Payments	176	160	169	153	149	179	163	158	168	155
Administrative Expenses	1	1	1	1	2	2	3	2	2	2
Refund of Member Contributions	–	–	–	–	–	–	–	–	–	–
Discount on Early Payoff	–	–	–	–	–	–	–	–	–	–
Other Expenses	–	–	–	–	–	–	–	–	–	–
Total Deductions	**177**	**161**	**170**	**154**	**151**	**181**	**166**	**160**	**170**	**157**
Changes in Net Assets	**62**	**145**	**134**	**(88)**	**90**	**94**	**49**	**63**	**26**	**(46)**
Net Assets - Beginning of Year	**718**	**573**	**439**	**527**	**437**	**343**	**294**	**231**	**205**	**251**
Net Assets - End of Year	**780**	**718**	**573**	**439**	**527**	**437**	**343**	**294**	**231**	**205**
Reserve Fund Balances:										
Health Care Contribution Reserves	780	718	573	439	527	437	343	294	231	205
TOTAL NET ASSETS	**$780**	**$718**	**$573**	**$439**	**$527**	**$437**	**$343**	**$294**	**$231**	**$205**

Financial Trends

Benefit Expenses by Type (dollars in millions)

Year	Service	DROP**	Disability	Health Care	Survivor	Total Benefits
2011	$490.2	$241.1	$225.0	$176.3	$71.6	$1,204.2
2010	444.4	241.0	217.8	159.9	69.1	1,132.2
2009	423.7	215.4	211.1	168.7	66.1	1085.0
2008	407.4	194.9	202.1	153.4	63.1	1020.9
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

** Implementation date of Jan. 1, 2003.

Revenues by Source (dollars in millions)

Year	Employer Contributions	Member Contributions and Purchases	Employer Contributions as a Percentage of Covered Payroll	Investment and Securities Lending Income	Health Care Contributions	Other Revenues	Total Revenues
2011	$408.8	$176.8	21.6%	$229.6	$62.5	$39.2	$916.9
2010	415.4	175.5	21.9%	1,651.8	58.9	24.4	2,326.0
2009	405.7	168.4	21.3%	1,894.9	59.1	23.0	2,551.1
2008	407.3	172.5	22.2%	(3,833.0)	57.0	24.6	(3,171.6)
2007	400.9	165.1	23.1%	1,163.1	56.0	21.4	1,806.5
2006	373.9	167.4	21.3%	1,629.8	58.5	25.1	2,254.7
2005	357.0	167.8	21.2%	847.4	55.3	11.4	1,438.9
2004	349.4	165.9	21.2%	1,152.4	55.7	18.8	1,742.2
2003	337.2	164.5	20.5%	1,745.2	17.2	21.2	2,285.3
2002	321.7	167.1	19.2%	(870.4)	12.6	18.5	(350.5)

Expenses by Type (dollars in millions)

Year	Benefit Payments	Administrative Expenses	Refund of Member Contributions	Discount on Early Payoff	Other Expenses	Total Expenses
2011	$1,204.2	$15.5	$22.0	$-	$-	$1,241.7
2010	1,132.2	15.0	15.8	–	–	1,163.0
2009	1,085.0	16.3	15.7	–	0.1	1,117.1
2008	1,020.9	16.0	17.7	–	–	1,054.7
2007	965.1	16.3	15.0	–	–	996.4
2006	945.5	16.8	18.0	–	(0.4)	979.8
2005	876.7	15.9	16.5	–	0.2	909.3
2004	820.9	15.9	15.3	–	0.2	852.2
2003	773.9	16.7	16.8	–	1.2	808.6
2002	677.7	14.9	16.8	–	1.0	710.3

Financial Trends

DROP Program Accrued Liability (dollars in millions)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police									
DROP Liability Beginning Balance	$650.8	$544.9	$436.9	$337.8	$246.8	$161.5	$87.7	$34.1	$-
Accrued Pension and COLA	92.3	98.3	92.4	86.4	80.3	74.6	62.3	47.8	31.6
Accrued Member Share Contributions	11.7	12.5	13.0	11.8	12.1	9.0	5.6	2.9	1.8
Accrued Interest	32.2	29.2	23.9	18.7	14.2	10.0	6.0	2.9	0.7
Withdrawals	(92.3)	(34.1)	(21.3)	(17.8)	(15.6)	(8.3)	(0.1)	-	-
DROP Liability Ending Balance	**694.7**	**650.8**	**544.9**	**436.9**	**337.8**	**246.8**	**161.5**	**87.7**	**34.1**
Fire									
DROP Liability Beginning Balance	536.2	441.4	344.5	257.3	180.0	113.6	60.3	22.6	-
Accrued Pension and COLA	89.3	89.6	80.0	75.0	66.9	55.8	45.2	33.6	20.9
Accrued Member Share Contributions	11.2	11.2	11.3	10.0	9.5	6.9	3.9	2.1	1.2
Accrued Interest	27.3	23.8	19.2	14.7	10.6	7.2	4.2	2.0	0.5
Withdrawals	(70.9)	(29.8)	(13.6)	(12.5)	(9.7)	(3.5)	-	-	-
DROP Liability Ending Balance	**593.1**	**536.2**	**441.4**	**344.5**	**257.3**	**180.0**	**113.6**	**60.3**	**22.6**
Combine Police and Fire									
DROP Liability Beginning Balance	1,187.0	986.3	781.4	595.1	426.8	275.1	148.0	56.7	-
Accrued Pension and COLA	181.6	187.9	172.4	161.4	147.2	130.4	107.5	81.4	52.5
Accrued Member Share Contributions	22.9	23.7	24.3	21.8	21.6	15.9	9.5	5.0	3.0
Accrued Interest	59.5	53.0	43.1	33.4	24.8	17.2	10.2	4.9	1.2
Withdrawals	(163.2)	(63.9)	(34.9)	(30.3)	(25.3)	(11.8)	(0.1)	-	-
DROP LIABILITY ENDING BALANCE	**$1,287.8**	**$1,187.0**	**$986.3**	**$781.4**	**$595.1**	**$426.8**	**$275.1**	**$148.0**	**$56.7**

Revenue Capacity Information

Active Member and 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
2011	$1,869	$177	28,222	(1.4)%	1.1%	(1.4)%
2010	1,895	175	28,619	(0.3)%	4.2%	(1.5)%
2009	1,901	168	29,062	3.8%	(2.9)%	0.7%
2008	1,831	173	28,864	5.4%	4.8%	0.9%
2007	1,783	165	28,609	(1.1)%	(1.2)%	2.1%
2006	1,756	167	28,026	4.3%	(0.6)%	0.5%
2005	1,684	168	27,879	2.4%	1.2%	(2.0)%
2004	1,644	166	28,441	2.4%	1.2%	(0.1)%
2003	1,606	164	28,480	4.7%	(1.8)%	0.5%
2002	1,534	167	28,328	8.9%	10.6%	1.4%

*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	359									359
	$42,868									$42,868
25-29	1,790	401	4							2,195
	$51,862	$62,811	$69,390							$53,894
30-34	1,204	1,606	655	2						3,467
	$52,995	$64,226	$67,135	$72,296						$60,880
35-39	616	1,241	2,498	654	7					5,016
	$52,204	$63,287	$66,775	$70,564	$66,513					$64,617
40-44	257	622	1,744	2,329	894	15				5,861
	$52,300	$61,560	$65,778	$69,309	$73,800	$71,805				$67,382
45-49	99	222	599	1,291	2,041	690	17			4,959
	$50,438	$60,885	$65,820	$67,681	$73,698	$77,118	$80,291			$70,640
50-54	39	84	193	422	869	1,254	587	13		3,461
	$53,873	$58,932	$62,994	$66,111	$70,905	$75,671	$79,466	$84,477		$72,627
55-59	17	20	71	145	289	553	715	211	5	2,026
	$45,258	$61,509	$61,700	$63,918	$69,058	$72,815	$77,161	$83,340	$98,345	$73,603
60-64	5	14	18	46	70	89	128	202	56	628
	$67,440	$51,994	$57,922	$60,677	$66,731	$68,279	$71,680	$79,876	$83,223	$72,639
Over 64	1	1	4	6	6	9	8	28	38	101
	$36,462	$86,052	$62,975	$65,962	$59,447	$65,003	$68,376	$72,613	$81,180	$73,039
Total	4,387	4,211	5,786	4,895	4,176	2,610	1,455	454	99	28,073
	$51,485	$63,091	$66,200	$68,528	$72,668	$75,137	$77,597	$81,170	$83,203	$66,526

*Excludes rehired retirees

Revenue Capacity Information

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

	Service		Disability		Survivors		Total
Year	Police	Fire	Police	Fire	Police	Fire	Beneficiaries
2011	6,762	5,185	3,772	2,566	4,479	3,310	26,074
2010	6,619	5,108	3,762	2,539	4,416	3,268	25,712
2009	6,546	5,060	3,721	2,496	4,300	3,194	25,317
2008	6,523	5,036	3,682	2,470	4,090	3,077	24,878
2007	6,459	5,012	3,594	2,436	4,067	3,115	24,683
2006	6,419	5,045	3,521	2,403	3,982	3,089	24,459
2005	6,452	5,101	3,429	2,364	3,931	3,063	24,340
2004	6,459	5,173	3,291	2,300	3,912	3,001	24,136
2003	6,418	5,188	3,193	2,202	3,916	3,006	23,923
2002	6,321	5,155	3,055	2,088	3,798	2,996	23,413

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

Age Last Birthday	Number	Annual Allowance	Average Annual Allowance
Service Retirees			
Under 60	2,236	$96,782,951	$43,284
60 - 64	2,769	119,945,507	43,317
65 - 69	2,391	97,776,081	40,893
70 - 74	1,699	63,317,241	37,267
75 - 79	1,188	36,626,088	30,830
Over 79	1,664	41,358,187	24,855
TOTAL	**11,947**	**$455,806,055**	**$38,152**
Survivors and Beneficiaries			
Under 60	1,611	$12,654,435	$7,855
60 - 64	667	7,243,925	10,860
65 - 69	818	8,253,367	10,090
70 - 74	921	8,741,045	9,491
75 - 79	1,140	10,364,284	9,091
Over 79	2,632	22,853,198	8,683
TOTAL	**7,789**	**$70,110,254**	**$9,001**
Disability Retirees			
Under 60	2,900	$106,328,929	$36,665
60 - 64	1,256	45,370,265	36,123
65 - 69	907	30,892,859	34,060
70 - 74	640	20,109,623	31,421
75 - 79	309	8,343,342	27,001
Over 79	326	7,182,649	22,033
TOTAL	**6,338**	**$218,227,667**	**$34,432**

Revenue Capacity Information

Retirees and Beneficiaries Statistics (dollars in millions)

Year	Benefit Payments*	Refunds	Total Payments*	Number of Benefit Recipients**	Percentage Change in Benefit Recipients	Percentage Change in Benefit Payments
2011	$1,028	$22	$1,050	26,225	1.4%	6.3%
2010	972	16	988	25,853	1.6%	6.0%
2009	916	16	932	25,439	1.7%	5.2%
2008	868	18	886	25,013	0.7%	6.6%
2007	816	15	831	24,831	0.3%	6.0%
2006	766	18	784	24,766	0.8%	7.3%
2005	714	16	730	24,564	0.9%	7.7%
2004	663	15	678	24,347	1.1%	9.1%
2003	605	17	622	24,081	2.3%	15.2%
2002	523	17	540	23,546	2.3%	7.2%

* Excludes health care benefits

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

Average Monthly Benefit Payments * for members placed on Retirement Rolls

Service Retirement

Year	Normal	Service Commuted	Age Commuted	Age / Service
2011	$3,442	$1,282	-	$2,699
2010	3,339	1,374	-	3,016
2009	3,301	1,460	-	2,359
2008	3,266	1,222	-	2,315
2007	3,251	1,265	-	1,928
2006	3,274	1,068	-	1,665
2005	3,125	1,102	-	1,231
2004	3,128	1,081	-	1,673
2003	3,150	990	-	1,569
2002	3,130	742	-	1,840

Disability Retirement*

Year	Permanent and Total	Permanent and Total Presumptive	Partial	Partial Presumptive	Off Duty
2011	$3,838	$3,870	$2,963	$2,983	$2,510
2010	3,495	3,886	2,827	3,659	2,785
2009	3,626	3,810	2,807	2,966	2,697
2008	3,509	3,424	2,874	2,696	2,511
2007	3,301	3,611	2,846	2,959	2,634
2006	3,341	2,930	2,793	2,939	2,306
2005	3,327	3,254	2,624	3,160	1,924
2004	3,209	3,163	2,712	3,080	2,167
2003	3,133	3,203	2,854	3,042	2,029
2002	2,970	3,029	2,672	2,965	1,993

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

Revenue Capacity Information

Member Health Care Contributions (dollars in millions)

Year	Contributions	Percentage Change in Contributions Received	Number of Covered Lives	Health Care Benefit Payments	Percentage of Benefit Payments Covered by Member Contributions	Net Benefit Payment Per Covered Life
2011	$62	5%	26,636	$176	35%	$0.00428
2010	59	0%	25,699	160	37%	0.00393
2009	59	4%	25,660	169	35%	0.00429
2008	57	2%	25,563	153	37%	0.00376
2007	56	(5)%	26,601	149	38%	0.00350
2006	59	7%	28,100	179	33%	0.00428
2005	55	(2)%	29,006	163	34%	0.00372
2004	56	229%	29,708	158	35%	0.00344
2003	17	31%	35,513	168	10%	0.00425
2002	13	86%	35,452	154	8%	0.00398

State of Ohio Subsidy Payments

Year	Subsidy Amount	Percentage Change
2011	$639,099	(8)%
2010	692,634	(11)%
2009	782,060	(9)%
2008	856,413	(12)%
2007	968,373	(10)%
2006	1,077,865	(9)%
2005	1,185,989	(53)%
2004	2,501,471	(5)%
2003	2,635,910	(5)%
2002	2,780,378	(5)%

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

Revenue Capacity Information

Employer Contribution Rates (1967–present)*

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

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

Member Contribution Rates

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

Revenue Capacity Information

Actuarial Interest Rates

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

Actuarial Valuation Information

Pension Trust (dollars in millions)

As of Jan. 1	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded/ (Overfunded) Actuarial Accrued Liabilities(UAAL)	Ratio of Assets to AAL	Active Member Payroll	Funding Period in Years
2011	$10,681	$15,384	$4,703	69.43%	$1,869	Infinite
2010	10,794	14,831	4,037	72.80%	1,895	Infinite
2009	9,309	14,307	4,998	65.07%	1,901	Infinite
2008	11,213	13,728	2,515	81.68%	1,831	Infinite
2007	10,158	12,988	2,830	78.21%	1,783	Infinite
2006	9,551	12,190	2,639	78.35%	1,756	Infinite
2005	9,337	11,545	2,208	80.87%	1,684	Infinite
2004	9,337	10,798	1,461	86.47%	1,644	Infinite
2003	8,683	10,508	1,825	82.63%	1,606	Infinite
2002	9,076	9,786	710	92.75%	1,534	28.00

Retiree Health Care Trust (dollars in millions)

As of Jan. 1	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded/ (Overfunded) Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2011	$718	$3,295	$2,577	21.78%	$1,869	137.9%
2010	573	3,232	2,659	17.74%	1,895	140.3%
2009	439	3,164	2,725	13.87%	1,901	143.3%
2008	527	3,623	3,096	14.54%	1,831	169.1%
2007	437	3,274	2,837	13.30%	1,783	159.1%
2006	343	3,335	2,992	10.29%	1,756	170.4%

Historical Annual Investment Results

U.S. Equity	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
OP&F	0.94%	22.43%	32.82%	(38.02)%	5.37%	14.80%	7.59%	13.11%	30.00%	(19.81)%
International Equity										
OP&F	(12.37)%	15.11%	39.58%	(45.71)%	20.61%	28.24%	14.10%	21.18%	35.92%	(17.70)%
Emerging Markets										
OP&F	N/A	N/A	N/A	N/A	N/A	N/A	26.24%	22.68%	58.23%	(8.69)%
Fixed Income										
OP&F–Core	6.41%	9.72%	11.76%	0.37%	6.50%	4.59%	2.67%	4.75%	5.35%	8.60%
OP&F–High Yield	6.00%	15.02%	47.02%	(20.17)%	2.91%	10.22%	2.61%	10.65%	N/A	N/A
OP&F–GIPS	35.50%	15.28%	9.84%	2.04%	11.72%	2.97%	2.96%	6.97%	N/A	N/A
OP&F–Commercial Mortgage*	4.99%	16.63%	(0.63)%	0.68%	2.31%	5.08%	9.83%	4.82%	N/A	N/A
Real Estate *										
OP&F	18.01%	4.86%	(37.27)%	2.07%	20.67%	26.60%	26.07%	14.14%	13.06%	5.70%
Private Equity *										
OP&F	17.66%	12.57%	(11.61)%	(2.32)%	31.88%	17.43%	26.76%	7.15%	(13.15)%	(21.61)%
Total Portfolio										
OP&F	2.56%	15.83%	20.73%	(28.06)%	10.47%	16.15%	9.07%	13.29%	24.96%	(9.90)%
Policy Index**	2.43%	12.61%	22.81%	(28.89)%	9.16%	15.69%	8.98%	12.84%	26.47%	(10.81)%

* International Equity benchmark is a blend of the MSCI ACWI ex U.S. (Net) through June 30, 2011 and the MSCI ACWI ex U.S. (Net) Iran/Sudan Free from July 1, 2011 forward.

** One quarter in arrears.

*** Interim Policy Index: 36.9 percent Wilshire 5000, 23 percent MSCI ACWI ex-U.S. (Net) Iran/Sudan Free, 10 percent Barclays Aggregate, 9.67 percent CSFB Dev. Countries HY, 6.45 percent Global Treasury Inflation Protected Securities (TIPS) Custom, 10 percent NCREIF ODCE Index Lagged, 4 percent Wilshire 5000 + 3% Lagged.

- Long Term Policy: 21.7 percent Wilshire 5000, 21.7 percent MSCI ACWI ex-U.S. (Net), 23.7 percent Barclays Long Govt/Credit, 15 percent CSFB Dev. Countries HY, 12.9 percent Global TIPS Custom, 12 percent NCREIF ODCE Index Lagged, 7 percent Wilshire 5000 +3% Lagged, 3 percent Timber, 3 percent Commodities (adds to 120 percent as "Risk Parity" approach uses levered Long Duration and levered Global Inflation-Protected Securities).

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

Debt Capacity Information

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

Demographic and Economic Information

Number of Employer Units

	Municipalities		Townships		Villages		Total		Total
Year	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Both
2011	250	227	0	123	283	34	533	384	917
2010	252	229	0	123	284	33	536	385	921
2009	252	229	0	121	287	32	539	382	921
2008	251	228	0	123	287	34	538	385	923
2007	251	229	0	122	289	33	540	384	924
2006	252	225	0	119	284	32	536	376	912
2005	251	224	0	113	286	31	537	368	905
2004	252	225	0	109	288	29	540	363	903
2003	252	223	0	110	289	29	541	362	903
2002	252	219	0	106	307	29	559	354	913

Demographic and Economic Information

Principal Participating Employers

Employer Name	Covered Employees	Rank	Percentage of Total Covered Members
City of Columbus	3,624	1	12.84%
City of Cleveland	2,494	2	8.84%
City of Cincinnati	1,904	3	6.75%
City of Toledo	1,191	4	4.22%
City of Akron	807	5	2.86%
City of Dayton	691	6	2.45%
City of Canton	323	7	1.14%
City of Youngstown	306	8	1.08%
City of Springfield	265	9	0.94%
City of Hamilton	235	10	0.83%
All Others	16,382		58.05%
TOTAL	**28,222**		**100.00%**

Operating Information

OP&F Employee Budgeted Position Counts

Department	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Administration	45	46	46	47	44	45	42	44	38	40
Finance**	22	13	13	13	13	13	16	16	28	29
Health Care Services*	0	0	0	0	0	0	0	16	15	15
Information Services	24	24	24	24	25	25	25	26	29	31
Investments	15	15	15	14	14	14	14	17	15	18
Member Services**	38	46	46	51	54	64	69	56	56	57
Projects	0	0	0	0	0	0	0	0	0	0
TOTAL FULL-TIME POSITIONS	**144**	**144**	**144**	**149**	**150**	**161**	**166**	**175**	**181**	**190**

* Health Care Services was combined with Member Services in 2006.

** The Employer Services Group was transitioned to Finance from Member Services in 2012.

Personnel Salaries by Year (dollars in thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Salaries and Wages	$8,807.9	$8,313.9	$8,660.2	$8,866.4	$8,844.4	$8,763.8	$8,963.4	$9,037.8	$9,443.8
Average Salary per Budgeted Staff	$61.2	$57.7	$58.1	$59.1	$54.9	$52.8	$51.2	$49.9	$49.7

Operating Information

OP&F Budget* (dollars in millions)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Administrative Expenses (Actual)*		$50.3	$46.5	$41.0	$43.6	$45.9	$41.7	$38.7	$41.3	$35.9
Administrative Expenses (Budget)*	$58.7	54.5	45.6	46.5	54.6	61.0	48.5	44.1	45.0	35.9
Percentage of Budget vs Actual		92%	102%	88%	80%	75%	86%	88%	92%	100%

* Excludes depreciation expense

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Capital (Actual)		$1.7	$2.0	$0.6	$2.1	$1.2	$0.7	$2.0	$2.4	$3.2
Capital (Budget)	$3.4	3.7	4.4	3.2	4.6	3.8	5.8	2.8	2.8	4.4
Percentage of Budget vs Actual		46%	45%	19%	46%	32%	12%	71%	86%	73%

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Expenses (Actual)*		15.4	$15.0	$16.3	$16.0	$16.7	$14.7	$13.9	$14.3	$15.4
Investment Expenses (Actual)*		34.9	31.5	24.7	27.6	29.2	27.0	24.8	27.0	20.5

* Excludes depreciation expense

Other Operating Statistics

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total Staff	144	144	149	150	161	166	175	181	190
Investment Staff	15	15	14	14	14	14	17	15	18
Investment Actual Expenses	$34.9	$31.5	$24.7	$27.6	$29.2	$27.0	$24.8	$27.0	$20.5
Investment Income	$230	$1,652	$1,895	$(3,833)	$1,163	$1,630	$847	$1,152	$1,745
Investment Staff to Investment Expense Ratio	$2	$2	$2	$2	$2	$2	$1	$2	$1
Total Staff to Investment Income Ratio	$1.6	$11.5	$12.7	$(25.6)	$7.2	$9.8	$4.8	$6.4	$9.2
Investment Staff to Investment Income Ratio	$15.3	$110.1	$135.4	$(273.8)	$83.1	$116.4	$49.8	$76.8	$97.0

Death Benefit Fund

Pursuant to Section 742.63 of the Ohio Revised Code, the Board of Trustees of the Ohio Police & Fire Pension Fund (OP&F) administers the State of Ohio Death Benefit Fund (DBF). This program was established by the State of Ohio to provide monthly benefit payments to surviving family members of Ohio fire fighters and law enforcement officers who have been killed in the line of duty or die of a duty-related accident or illness. Funds are disbursed to OP&F, on a quarterly basis, each State fiscal year (July 1-June 30) and benefits are paid monthly by OP&F to eligible recipients. The unused balance at June 30 is returned to the State. The assets and liabilities of the DBF are included in the Fund's combining statement of plan net assets as of Dec. 31, 2011 as an agency fund. The following is a schedule of DBF financial activity:

Balance Jan. 1, 2011	**$238,235**
Less: Survivor Benefits Paid Jan. 1 thru June 30, 2011	(9,757,123)
Balance returned to State of Ohio	(481,675)
State Funding Received	20,000,000
Less: Survivor Benefits Paid July 1 thru Dec. 31, 2011	(9,750,945)
BALANCE DEC. 31, 2011	**$248,492**

List of Professional Acronyms

AAL = Actuarial Accrued Liabilities

ACWI Ex-U.S. = All Country World Ex-U.S. Index

ARC = Annual Required Contributions

AICPAs = American Institute of Certified Public Accountants

bps = Basis Points

CAFR = Comprehensive Annual Financial Report

CMBS = Commercial Mortgage-Backed Securities

COLAs = Cost of Living Adjustments

CPI = Consumer Price Index

CS = Credit Suisse

DB = Defined Benefits

DBF = Death Benefit Fund

DC = Defined Contribution

DROP = Deferred Retirement Option Plan

EAFE = Europe, Australia, Far East

EM = Emerging Markets

EMI = Executive Management Institute

FDIC = Federal Deposit Insurance Corporation

FHLMC = Federal Home Loan Mortgage Corporation

FNMA = Federal National Mortgage Association

GASB = Government Accounting Standards Board

GDP = Gross Domestic Product

GFOA = Government Finance Officers Association of the U.S. and Canada

GIPS = Global Inflation Protected Securities

GNMA = Government National Mortgage Association

HY = High Yield

IPOs = Initial Public Offering

IRS = Internal Revenue Service

I/S Free = Iran and Sudan Free

ISM = Institute of Supply Management

M&A = Mergers and Acquisitions

MBS = Mortgage-Backed Securities

MD&A = Management Discussion and Analysis

MSCI = Morgan Stanley Capital International

NCREIF Property Index = National Council of Real Estate Investment Fiduciaries Property Index

ODCE = Open End Diversified Core Equity

OP&F = Ohio Police & Fire Pension Fund

OPEB = Other Post-Employment Benefit

OPERS = Ohio Public Employees Retirement System

ORC = Ohio Revised Code

ORSC = Ohio Retirement Study Council

PIIGS = Portugal, Italy, Ireland, Greece and Spain

PPCC = Public Pension Coordination Council

QE1 = Quantitative Easing Program

QE2 = Second Quantitative Easing Program

QE3 = Third Quantitative Easing Program

REITs = Real Estate Investment Trusts

REMICs = Real Estate Mortgage Investment Conduits

RFP = Request for Proposal

ROR = Rate of Return

RSI = Required Supplementary Information

S&P = Standard and Poor's

SSGA = State Street Global Advisors

STIF = Short Term Investment Fund

TALF = Term Asset-Backed Securities Loan Facility

TIPS = Treasury Inflation Protected Securities

TTY = TeletypeWriter

UAAL = Unfunded Actuarial Accrued Liabilities

U.S. = United States of America

USD= United States Dollar

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Securing the Future for Ohio's Police and Firefighters

Ohio Police & Fire Pension Fund

Prudence Integrity Empathy

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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*

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, 2011, which collectively comprise the Fund's basic financial statements and have issued our report thereon dated June 18, 2012. 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.

Internal Control Over Financial Reporting

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 18, 2012

Dave Yost • 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
SEPTEMBER 13, 2012

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