2012 | The Comprehensive Annual Financial Report

For the years ended December 31, 2012 and 2011

Ohio Public Employees
Retirement System

OPERS

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Ohio Public Employees Retirement System, Franklin County, prepared by CliftonLarsonAllen LLC, for the audit period January 1, 2012 through December 31, 2012. 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 Public Employees Retirement System is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

July 5, 2013

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2012 | The Comprehensive Annual Financial Report

For the years ended December 31, 2012 and 2011

Prepared by OPERS'
Finance Division staff

Ohio Public Employees
Retirement System

OPERS

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Annual Report Organization

Employer Composition and Membership Information

For actuarial purposes, participating employers are divided into state, local government, law enforcement and public safety divisions. A complete description of the OPERS membership is contained in the Plan Statement section of this document, beginning on page 180.

Annual Report Organization

This annual report is divided into six sections, listed as each appears in this document:

1. **Introductory Section**—with the Letter of Transmittal, organizational chart, and recognition awards garnered in 2012;
2. **Financial Section**—with the Independent Auditor's Report, Management's Discussion and Analysis, the financial statements of the System, Required Supplementary and Additional Information;
3. **Investment Section**—with the Chief Investment Officer's report on investment activity, Independent Investment Consultant's Report, investment policies, investment results, and various investment schedules;
4. **Actuarial Section**—with the Actuary's Certification Letter, and the most recent results of the annual actuarial valuation;
5. **Statistical Section**—with significant data pertaining to the System; and the
6. **Plan Statement**—with complete membership information and details about the retirement plans offered through OPERS.

Introductory Section

First key: Partnering with stakeholders

Partnerships work. Although the pension changes legislated in 2012 were necessary to maintain the strength of OPERS, the OPERS Board of Trustees recognized that the changes would only be accepted and sustained by seeking active partnerships with all stakeholders.

OPERS strives to ensure all members know their benefits. In addition, because of the importance of OPERS to the state's economy, OPERS works to ensure all stakeholders understand how OPERS serves as an economic engine for the state of Ohio. During their working years, public employees provide important support services that improve the life of every Ohio resident. In retirement, more than 90% of OPERS retirees reside within the state—providing significant consumer spending power.

Throughout 2012, OPERS sought an active partnership with our more-than-a-million members, thousands of public employers, and all Ohioans who recognized the positive economic impact OPERS provides. This partnership proved to be a strong one as stakeholders contacted the legislature to show support for the pension legislation ultimately enacted in 2012.

Board of Trustees members as of January 2013

Seated, front row (left to right): Robert C. Smith, Treasurer's appointee; Cinthia Sledz, Chair, representing miscellaneous employees; Matthew Schulz, representing state employees

Standing, second row (left to right): Sharon M. Downs, Vice Chair, representing retirees; Ken Thomas, representing municipal employees; James Tilling, General Assembly appointee; David Payne (designee for Robert Blair, Director of the Ohio Department of Administrative Services, statutory member); John Maurer, representing retirees; Helen Youngblood, representing county employees

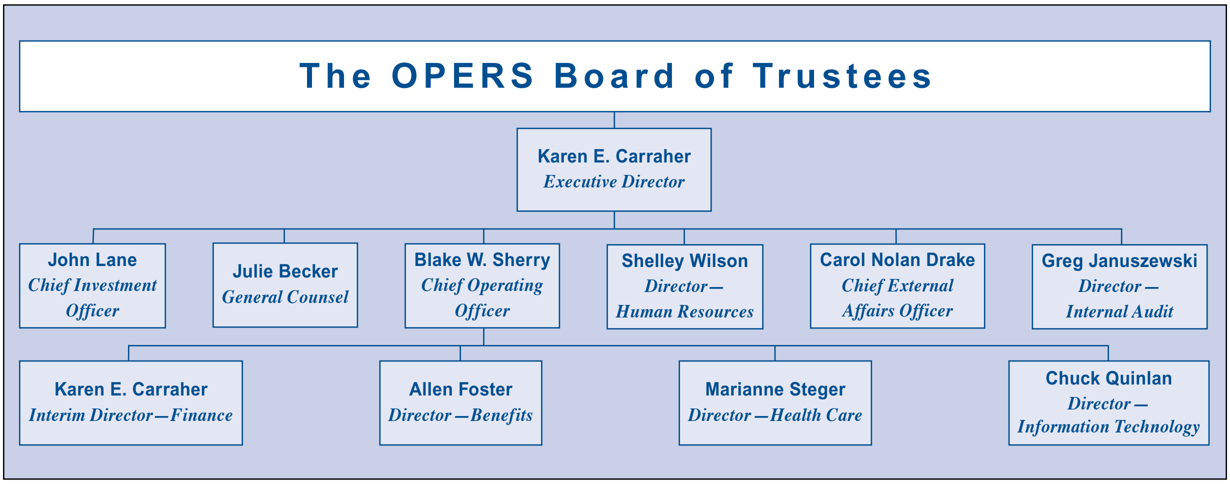
Not shown in photo: Governor's appointee; college/university employees member—both vacant as of photo.

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

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

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

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



Leadership Team

Front row (left to right): Carol Nolan Drake, Chief External Affairs Officer; Chuck Quinlan, Director of Information Technology; Greg Januszewski, Director of Internal Audit; Marianne Steger, Director of Health Care

Standing: Julie Becker, General Counsel; Allen Foster, Director of Benefits; Karen Carraher, Executive Director, Interim Director, Finance; Blake Sherry, Chief Operating Officer; John Lane, Chief Investment Officer; Shelley Wilson, Director of Human Resources

Auditors

CliftonLarsonAllen LLP
Toledo, Ohio
(under contract with the Auditor of State)

Advisors

Actuary—

Gabriel, Roeder, Smith & Company
Southfield, Michigan

Investment Policy Advisors to the Board of Trustees—

Hewitt EnnisKnupp, Inc.
Chicago, Illinois

NEPC
Cambridge, Massachusetts

See page 78 for a list of investment consultants and payments; page 96 for a list of external asset managers.

OPERS Ohio Public Employees Retirement System

277 East Town Street Columbus, Ohio 43215-4642 1-800-222-7377 www.opers.org

April 30, 2013

Dear Chairman and Members of the Board of Trustees:

We are pleased to submit the *2012 Comprehensive Annual Financial Report* (CAFR or annual report) of the Ohio Public Employees Retirement System (OPERS or the System) for the fiscal years ending December 31, 2012 and 2011. This report provides all stakeholders with an overview of the significant events for OPERS in 2012 and summarizes the major activities of the organization. The theme, *A Bright Future: Six Keys to a Secure Retirement*, demonstrates OPERS' ongoing commitment and positive positioning to continue the tradition of providing retirement security for our members.

Fiscal year 2012 brought the completion of a number of significant initiatives designed to strengthen the System and position OPERS for a bright future. Key activities included the passage of pension legislation, the completion of health care plan design revisions, strong investment market returns, the approval of landmark changes from the Governmental Accounting Standards Board (GASB), and continued implementation of Our Way Forward (technology and business process redesign)—all accomplished while providing superior service to our members with a significant increase in the number of members seeking retirement guidance in relation to the benefit changes and in the number of member retirements (many of which were effective in January 2013). These activities will be described in more detail in this executive summary.

Report Contents and Structure

This CAFR is designed to comply with the reporting requirements of the Governmental Accounting Standards Board (GASB) and in accordance with Governmental Accounting Standards Best Practices. The responsibility for the accuracy of the data presented here as well as the completeness and fairness of the presentation rests with OPERS management.

The management of OPERS is responsible for internal accounting controls, which are designed to provide reasonable assurance regarding the safeguarding of assets and the reliability of financial records. The concept of reasonable assurance recognizes the relationship between the cost of a control and the benefit likely to be derived, based on the judgment of management. We believe the internal accounting controls currently in place are adequate to meet the purpose for which they were intended. We also believe the financial statements presented in this report and supporting schedules and statistical tables are presented fairly in all material aspects. To provide a reasonable basis for these representations, OPERS has established a comprehensive internal control framework that is designed to protect the assets from loss and to compile sufficient reliable information for the preparation of OPERS financial statements in conformity with generally accepted accounting principles. Even an effective internal control system may not prevent or detect misstatements and can provide only a reasonable assurance with respect to financial statement preparation.

The System's external auditors, CliftonLarsonAllen LLP, conducted an independent audit of the financial statements in accordance with U.S. generally accepted government auditing standards. This audit and the financial statements are described in the Financial Section of this annual report beginning on page 20.

Overview of OPERS

OPERS was established and exists solely for the purpose of providing retirement, disability and survivor benefits to Ohio's public employees. OPERS was created in legislation in 1933 and commenced operations January 1, 1935, prior to Social Security. For more than 75 years, OPERS has been the key for retirement security for our members. In 1974, OPERS added access to health care, and in 2003 OPERS increased the pension options offered from one to three. The key to these changes is that OPERS has remained steadfast in its commitment to provide quality retirement, disability, and survivor benefits as well as health care coverage, all while working to deliver superior service to all members. Complete information on current benefits can be found in the Plan Statement section starting on page 180.

As of year-end 2012, OPERS served nearly 1,005,000 members, including nearly 191,000 retirees and beneficiaries. In addition, the System works with approximately 3,700 public employers. With an asset base of $81.4 billion, OPERS is the largest public pension system in Ohio and the 11th largest public pension system in the nation.

Landmark Pension Plan Legislation

In September 2012, the Governor of Ohio signed into law landmark pension legislation, an important key to enabling OPERS to continue its history of providing members with secure retirement. OPERS worked for more than three years to pass this important legislation. The legislation (Senate Bill 343) reflects the changes proposed by OPERS and recognizes the changing demographics of OPERS membership.

Specifically, the pension changes modify the retirement eligibility criteria and benefits to provide for the longer life expectancies of our members. The changes will be phased-in so that those members closest to retirement are not adversely impacted. The pension plan design changes updated benefit programs such as the disability program under which some members are able to return to employment in different capacities. The plan changes also include updates to other provisions such as the cost of purchasing service credit and the impact of retiring early with a reduced retirement benefit.

By law, OPERS is required to pay off unfunded liabilities within 30 years. OPERS has always met this requirement. The pension plan design changes are important to ensure that the System's long-term funded status remains strong and are key to OPERS' continued ability to offer our members access to health care, an important component of retirement security. This goal, and likely outcome, was substantiated by an independent study of the legislative changes conducted by the Ohio Retirement Study Council. The study found OPERS' approach to extending retirement eligibility requirements benefited both the retirement plan and the health care plan and satisfied the dual objectives of improving pension funding and health care solvency. Additionally, the study found that OPERS' plan would be able to withstand market volatility and continue to meet the goals established.

The key to this legislation passing was the overwhelming support of our members. OPERS worked to educate members on the positive impact of the pension legislation. Our members responded with outreach of their own by requesting their elected officials support the changes. Ultimately, we believe all stakeholders understood that changes today would result in sustainable, long-term benefits to pension funding and health care access. We thank our members for their successful efforts and ongoing support.

Health Care Preservation Plan 3.0

Although not mandated, for nearly one-half of our history, OPERS has provided access to health care for retirees. In 1974 OPERS began offering access to health care and established a health care trust fund. This approach is substantially different than most other pension systems and has provided a consistent source of funding for retiree health care. As of December 31, 2012, the health care fund totaled $12.8 billion, which translates into sufficient funding to provide coverage for approximately 10 years (based on the current level of expenditures of approximately $1.6 billion annually). While this is the largest health care trust fund in the U.S., assets are not sufficient to fund health care for current retirees and future retirees under the current plan design.

OPERS periodically reviews and modifies the health care program, which the Board of Trustees (Board) has the authority to change. The OPERS Board began reviewing the health care program in 2010. OPERS recognized that while the pension changes were intended to allow the System to continue to fund health care, the key to maintaining a strong health care program was to make modifications to allow the program to be sustainable for future generations. In 2012, the Board approved significant program changes, now referred to as Health Care Preservation Plan 3.0 (HCPP 3.0). These changes include:

- Increasing age-and-service eligibility criteria to qualify for participation in the health care program and to receive an OPERS subsidy (allowance),
- Changes to the subsidy provided by OPERS,
- Changes to the manner in which health care is delivered by allowing members who are age 65 years or older to select their plan,
- Eliminating the subsidy for spouses and reduce the subsidy for dependent children, and
- Eliminating the Medicare B premium reimbursement.

These changes are being phased in with the earliest segment of the changes effective January 1, 2014. However, the majority of the changes are not effective until January 1, 2015 and those are subject to a three-year, phase-in timeframe. Our analysis indicates that these changes should strengthen the Health Care Fund to meet future challenges. Again, a key component of the success of these changes was the strong support of our members.

As with all OPERS-recommended changes, these modifications are designed to strengthen the program in order to provide access to health care for current and future retirees. As prudent stewards of retirement contributions, OPERS works diligently to preserve access to and financial assistance for affordable, meaningful health care—although this benefit is neither mandated nor guaranteed.

Retirement Decisions—Anticipated Increase a Reality

With significant changes to both pension and health care on the horizon, OPERS embarked on a communication campaign to educate our members about the changes. As noted previously, both the pension and health care changes included a phase-in period. Thus, members eligible to retire before the phase-in period had to determine whether they would choose to retire before or after the changes became effective. Members had complete information on both the pension and health care changes, so they were able to make an informed decision. The pension legislation under Senate Bill 343 became effective January 7, 2013, allowing eligible members to retire at the end of the year 2012 under the current law with a benefit effective date of January 1, 2013. As a result, OPERS experienced a significant increase in call volumes, counseling, education and retirement processing in the fourth quarter. Because this volume increase was anticipated, OPERS' current staff members were able to provide quality service to members, largely due to the information technology improvements implemented over the last several years.

Governmental Accounting Standards Board Changes

In 2012, the Governmental Accounting Standards Board (GASB) finalized new pronouncements for pension accounting and financial reporting. These required changes are the most extensive and significant changes impacting pensions in a long time. Specifically, GASB changes the manner under which governmental sponsors of defined benefit pension plans account for and report pension assets, liabilities, and expense in annual financial reports. The GASB changes will require OPERS to allocate the pension unfunded liability and expense to all 3,700 OPERS-reporting employers, and for those employers to include their allocated portion of the liability and expense on their financial statements.

These changes will not be effective for OPERS until 2014 and, for our employers, the changes will not be effective until 2015. Given the magnitude of the impact these pronouncements will have on pension reporting, OPERS will work with employers throughout 2013 to provide guidance on the implementation process. The GASB is expected to offer more details through its implementation guide in June 2013. OPERS is working closely with the GASB to address implementation issues.

Our Way Forward

During 2012, OPERS continued the implementation of Our Way Forward (OWF)—a project designed to position the System for the future. As the baby-boomer generation prepares for retirement, OPERS will face an increasing number of retirees. These retirees, as well as our current and future members want account access 24/7 with self-service features. OPERS has long anticipated the change in needs and has invested in an effort to strengthen our internal systems to support our services without a commensurate increase in staffing. This key internal initiative will provide for increased efficiency and streamlined operations that will enhance service levels while managing administrative costs.

This project involves a four-year implementation of a pension data system that will serve as the infrastructure for all OPERS data systems. This implementation began in 2011 with the launch of the first phase of the project and is ongoing. As noted above, the implementation of the completed components to date facilitated OPERS' ability to service the increase in volumes at the end of 2012.

Investment Results

The 2012 investment market provided a strong return for OPERS with a total return of 14.4%, which is one of the higher returns in the industry. This decade has represented a challenge for investors as the markets have been very volatile. Throughout the last several years, global uncertainty has affected the international markets. In the U.S., the budget deficit debate impacted the confidence of the U.S. investment market. This volatility and uncertainty created significant challenges for investors. However, OPERS is a long-term investor. Thus, we understand and anticipate the cyclical events that create volatility and opportunity within the investment markets. As a long-term investor, OPERS has the resources to weather the market turns and continue to invest for the long term.

OPERS investment results were 14.4% for the year on the total portfolio. While these solid returns exceeded the actuarial rate of return assumption of 8.0%, they slightly lagged the OPERS benchmark of 15.0%. OPERS' total portfolio is made up of three underlying portfolios that fund the pension benefits and health care. Specifically, the Defined Benefit portfolio returned 14.5% compared to the benchmark return of 15.4% and compared to the actuarial rate of 8.0%. The Health Care portfolio returned 13.7% compared to the benchmark return of 13.5% and the actuarial rate of 5.0%. The Defined Contribution portfolio returned 13.4%, comparable to the benchmark.

As noted above, market volatility has been extremely high with 2008 providing a record low return followed by strong returns in 2009 and 2010 and 2012. Again, OPERS is a long-term investor and, as such, focuses on the long-term returns rather than the more volatile yearly returns. Over the past 30 years, which has seen three substantial drops in stock market performance, OPERS has averaged an 8.55% return on investments, further evidence of a successful long-term investment strategy. A complete discussion of OPERS' investment returns, activities, asset allocation strategy, and policies governing those activities can be found in the Investment Section, beginning on page 80.

2012 Financial Highlights

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

OPERS' 2011 actuarial valuation (most recent valuation) shows a funded status of 77.4% with the unfunded liability expected to be funded within 29 years on a GASB-reporting basis. OPERS uses a four-year smoothing with a 12% market corridor to recognize investment gains and losses in the actuarial valuation. Because OPERS' investment returns for 2011 were 0.2%, compared to an expected return of 8.0%, the 2011 actuarial valuation includes $3.6 billion of unrealized investment loss. OPERS remains in compliance with the 30-year funding window required by law.

These actuarial results do not reflect the impact of the changes from the pension legislation. The 2012 actuarial valuation will be the first valuation to reflect these results. However, preliminary estimates indicate that OPERS' unfunded liability of $19.1 billion will decrease by $4.1 billion as a result of the pension legislation. OPERS does not expect the amortization period to decrease as a result of the pension changes since the reductions in normal cost were redeployed to increase health care funding.

As noted previously, OPERS is not required by statute or GASB to pre-fund health care; however, OPERS has historically pre-funded this expense. OPERS is one of the few systems in the country that pre-funded health care and consequently has one of the largest health care funds. As of the 2011 health care actuarial valuation, OPERS was 39% funded with an expected solvency period of 10 years. The solvency period reflects the number of years the fund could last without additional contributions based on the current level of expenditures. As noted before, in 2012 OPERS completed revisions to the health care plan. Although these changes will not take effect until 2014 and beyond, the expected impact of these changes will increase the solvency period from 10 years to 100 years.

Retirement contributions: Employee contributions, employer contributions and income from investments provide the funds necessary to finance retirement benefits. Approximately two-thirds of OPERS' revenue, from which benefits are paid, is generated from investment returns. The remaining funding comes from employee and employer contributions. OPERS' total net assets at the end of 2012 were $81.4 billion, as compared to the 2011 net assets of $74.0 billion and the 2010 net assets of $76.5 billion.

Expenses: Expenses for fiscal year 2012 were $6.6 billion, an increase of 4.5% over 2011, which totaled $6.3 billion. This increase is primarily due to growth in the pension benefits. Health-care expenses rose 2.1% in 2012 to $1.6 billion. It is significant to note that in 2012, OPERS paid $4.6 billion in pension benefits and $1.6 billion in health care to nearly 191,000 retired Ohioans and their beneficiaries, of which 90% remain in Ohio during their retirement.

Administrative costs: OPERS works to keep administrative costs low. Administrative costs in 2012 were $102.6 million, including investment expenses. This is an increase of $5.9 million or 6.2%, when compared to fiscal 2011. The increase is primarily due to a change in accounting practice related to investment commission sharing agreements. In prior years, these expenses were recorded as a component of the cost of investment assets. However, in 2012, these expenses were reported as administrative expenses of the System. Complete details of administrative expenses are detailed in the Financial Section, starting on page 20.

The Management's Discussion and Analysis, beginning on page 22, has a more in-depth discussion of OPERS' funded status as well as a complete analysis of the additions and deductions to Plan Net Position.

Professional Services

Professional services are provided to OPERS by consultants appointed by the Board of Trustees. Actuarial services are provided by Gabriel, Roeder, Smith & Company; Southfield, Michigan. The investment advisors to the Board of Trustees for all the plans are NEPC, Cambridge, Massachusetts; and Hewitt EnnisKnupp, Chicago, Illinois. The financial records of the System are audited by CliftonLarsonAllen, LLP, Certified Public Accountants, Toledo, Ohio, under contract with the Auditor of the state of Ohio.

Acknowledgments

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

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

Key to a Secure Retirement

In closing, although 2012 represented a year of change, OPERS' steadfast commitment to delivering on our promise of retirement security for our members, remains the same. Our 2012 activities and results have enabled the staff, management and Board to deliver on the promise of a bright future by adhering to the six keys that have traditionally positioned OPERS positively for the future:

- Partnering with stakeholders,
- Pension plan updates,
- Sound investment policies,
- Strengthening the health care plan,
- Forward positioning, and
- Member education.

As with any business, to continue to do well, we must change at a pace consistent with the changes around us. OPERS' pension plan changes resulting from the legislation, and the changes to the health care plan approved by the Board, allow us to make the necessary adjustments to evolve and grow for an even stronger and brighter future. We recognize the most important key to ongoing success is constant communication with our members; we strive to do just that. The support of our members was instrumental to our success and we thank our members for changing with us. We look forward to a bright future for OPERS and our members.

Respectfully Submitted,

Karen E. Carraher

Karen E. Carraher, CPA

Executive Director &
Interim Director—Finance

Blake W. Sherry

Blake W. Sherry

Chief Operating Officer

Blake W. Sherry
Chief Operating Officer

Karen E. Carraher, CPA
Executive Director
Interim Director-Finance

Fiduciary Responsibilities

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

Request for Information

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

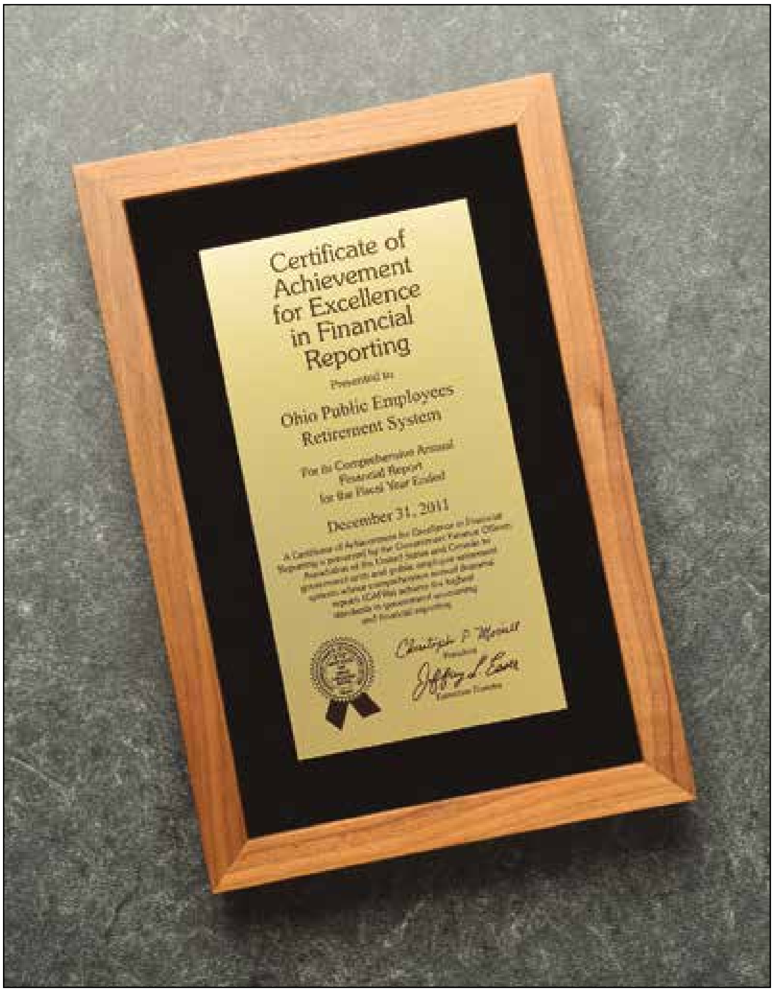
Ohio Public Employees Retirement System
Director—Finance
277 East Town Street
Columbus, Ohio 43215-4642

Awards

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

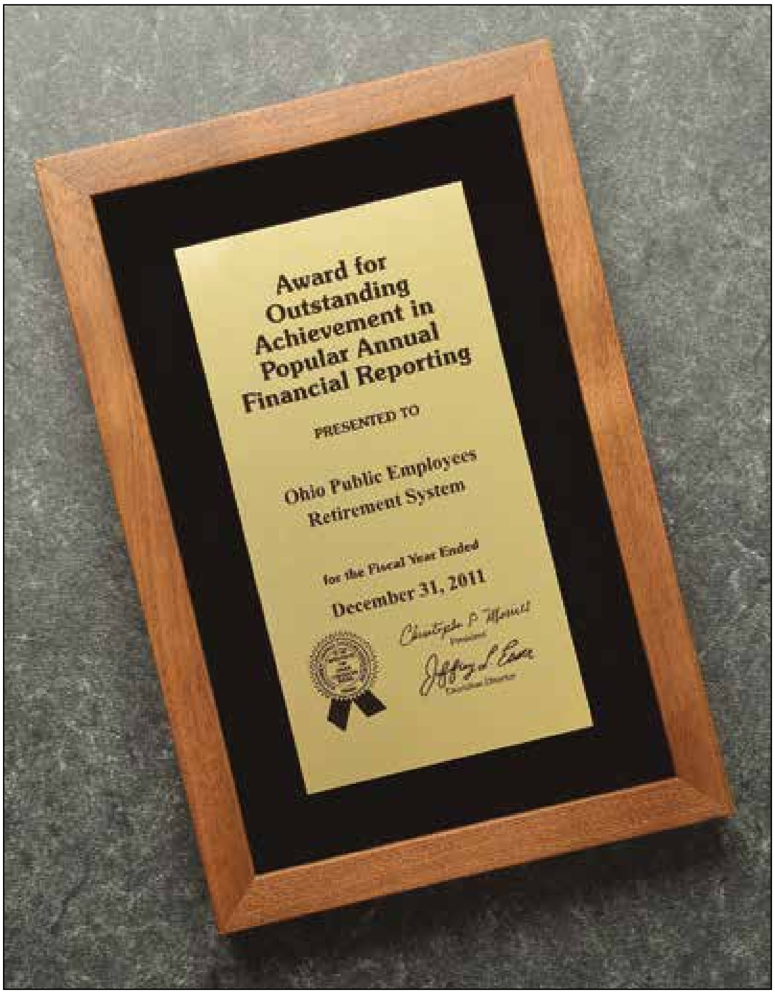
- ***2011 Certificate of Achievement***—For the 29th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded OPERS a Certificate of Achievement for Excellence in Financial Reporting for its *Comprehensive Annual Financial Report* for the fiscal year ended December 31, 2011. In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

Certificate of Achievement for Excellence in Financial Reporting



- **2011 Award for Outstanding Achievement**—The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to OPERS for its second *Popular Annual Financial Report* for the fiscal year ended December 31, 2011. This award is a prestigious national award recognizing conformance with the highest standards of creativity, presentation, understandability, and reader appeal for preparation of governmental popular reports.

Award for Outstanding Achievement in Popular Annual Financial Reporting



- ***2012 Public Pension Standards Award***—Issued by the Public Pension Coordinating Council, this award recognizes OPERS for demonstrating a high level of plan design, funding, member communications and administrative practices. The Standards serve as a benchmark by which all public defined benefit plans are measured.

2012 Public Pension Standards Award

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2012

Presented to

Ohio Public Employees Retirement System

In recognition of meeting professional standards for
plan funding and 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

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OPERS

Financial Section

Second key: Pension plan updates

OPERS is diligent in its efforts to preserve and strengthen the pension fund. Recognizing the significant changes in retiree demographics in terms of longer life expectancies and larger numbers of retirees, OPERS needed to propose thoughtful changes so that the System could continue to provide financial security for the anticipated retiree population.

After careful study, we did just that. In 2012, landmark legislation was passed–legislation designed to recognize the longer life expectancies by modifying the retirement eligibility criteria and benefits. Because the changes were established with a phased-in implementation, members closest to retirement will not be adversely affected. Most importantly, the changes approved in 2012 will help ensure OPERS' long-term funded status remains strong so that we can continue to provide financial security for current and future retirees.

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Ohio Public Employees Retirement System (OPERS), which comprise the combining statements of fiduciary net position as of December 31, 2012 and 2011, and the related combining statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the OPERS as of December 31, 2012 and 2011, and the respective changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the distribution for net positions held in trust for pension and post-employment healthcare benefits have been restated in the 2011 financial statements to correct the allocation of investment income between the Traditional Pension, Post-employment Health Care, Combined, Member-Directed, and Voluntary Employees' Beneficiary Association plans. Accordingly, an adjustment has been made to the allocation of cash and short-term investments and investment income in the 2011 financial

An independent member of Nexia International statements now presented, and an adjustment has been made to the allocation of 2011 beginning net positions held in trust for pension and post-employment healthcare benefits between the Traditional Pension, Post-employment Health Care, Combined, Member-Directed, and Voluntary Employees' Beneficiary Association plans. The restatement does not impact the total net position held in trust for pension and post-employment healthcare benefits. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions and related notes, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the OPERS financial statements. The additional information, including the administrative expenses, and schedules of investment expenses, payments to consultants, and external asset managers' fees, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The additional information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 additional information, including the administrative expenses, and schedules of investment expenses, payments to consultants, and external asset managers' fees, as listed in the table of contents, is fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory, investment, actuarial and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013 on our consideration of the OPERS 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the OPERS internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Toledo, Ohio
April 30, 2013

The management of the Ohio Public Employees Retirement System (OPERS or the System) offers readers of the System's financial statements this narrative overview of the financial activities of OPERS for the years ended December 31, 2012 and 2011. This narrative is intended to supplement the System's financial statements. Readers are encouraged to consider the information presented here in conjunction with the financial statements that begin on page 42.

Overview of the Financial Statements

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

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

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

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

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

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

The financial statements contained in this Annual Report disclose financial data for each of the benefit plans described below. Please refer to the Plan Statement section beginning on page 180 for a comprehensive description of the plan structures and benefits. These plans are established as separate legal entities in accordance with Internal Revenue Service regulations and Ohio law.

The Traditional Pension Plan

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

The Combined Plan

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

The Member-Directed Plan

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

Upon retirement or termination, the member may choose a defined contribution retirement distribution, or may elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

Post-employment Health Care Plan

The Post-employment Health Care Plan is a legal plan established under Section 401(h) of the Internal Revenue Code. This plan is pre-funded and holds the portion of employer contributions made to the Traditional Pension and Combined plans that are set aside for funding retiree health care. The health care portion of the employer contribution rate for the Traditional Pension and Combined plans is comparable, as the same benefits are provided to participants in both plans.

For retirees under the age of 65, OPERS operates the plan on a self-insured basis, assuming both the cost savings of favorable claims experience, and the risk of catastrophic claims. Eligible retirees are provided with a monthly allowance and may choose from three coverage levels with varying costs. If the cost of the selected coverage is less than the monthly allowance, the excess funds are deposited into a Retiree Medical Account (RMA) in the retiree's name. The retiree may use the funds in the RMA to pay for qualified medical expenses not covered by the plan.

For retirees over the age of 65, OPERS offers a fully insured, premium based Medicare Advantage plan. As with the under 65 population, eligible retirees are provided with a monthly allowance and any excess funds are deposited to a RMA for use in paying qualified medical expenses not covered by the plan.

Voluntary Employees' Beneficiary Association (VEBA)

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

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

Combining Statements of Fiduciary Net Position

The Combining Statements of Fiduciary Net Position is a point-in-time snapshot of plan fund balances at fiscal year end. It reports the assets available to pay future benefits to retirees, and any liabilities that are owed as of the statement date. The resulting Net Position (Assets – Liabilities = Net Position) represents the value of assets held in trust for pension benefits and post-employment health care. (See Combining Statements of Fiduciary Net Position for years ended December 31, 2012 and 2011 on pages 42 – 43 of this report.)

Combining Statements of Changes in Fiduciary Net Position

The Combining Statements of Changes in Fiduciary Net Position display the effect of financial transactions that occurred during the fiscal year, where Additions – Deductions = Net Increase (or Net Decrease) in Net Position. This net increase (or decrease) in net position reflects the change in the value of Fiduciary Net Position that occurred between the current and prior year. (See Combining Statements of Changes in Fiduciary Net Position for years ended December 31, 2012 and 2011 on pages 44 – 45 of this report.)

Notes to Combining Financial Statements

The Notes to Combining Financial Statements are an integral part of the financial statements and provide additional information that is essential for a comprehensive understanding of the data provided in the financial statements. These notes describe the accounting and administrative policies under which OPERS operates, and provide additional levels of detail for selected financial statement items. (See Notes to the Combining Financial Statements, December 31, 2012 and 2011 on pages 46 – 69 of this report.)

The financial statements described above are prepared in compliance with Governmental Accounting Standard Board (GASB) Pronouncements, including GASB Statement 59, *Financial Instruments Omnibus*; GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions — an amendment of GASB Statement 53*. GASB 59 was implemented in 2011 and updates and expands existing standards related to financial reporting of certain financial instruments and external investment pools.

GASB 63 introduces and defines the elements of deferred inflows and outflows as an acquisition or consumption of net assets that is applicable to a future reporting period. OPERS implemented the standard in 2012. However, because OPERS does not currently have deferred inflow or outflow transactions the implementation is reflected as a redefinition of the term "Net Assets" to "Net Position" in the Combining Financial Statements.

GASB Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions — an amendment of GASB Statement 53*, establishes criteria for when an effective hedging relationship continues and hedge accounting should continue to be applied. OPERS implemented GASB 53 in 2009 and GASB 64 in 2012.

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

Schedules of Funding Progress

The Schedules of Funding Progress (pages 70 – 72) include actuarial information about the status of the defined benefit pension plans from an ongoing, long-term perspective, and the progress made in accumulating sufficient assets to pay pension benefits under these plans when due. Valuation Assets in excess of Actuarial Accrued Liabilities indicate that sufficient assets exist to fund the future defined pension benefits of the current members and benefit recipients. Actuarial Accrued Liabilities in excess of Valuation Assets reflect an Unfunded Actuarial Accrued Liability (UAAL). The UAAL represents the value, in current dollars, that would need to be accumulated to fund the pensions of all active and retired members as of the date represented in the schedule.

For OPERS, the UAAL is being systematically funded over 29 years on a GASB-reporting basis as of the most recent valuation dated December 31, 2011.

Similarly, the Schedule of Funding Progress for the Post-employment Health Care Plan (page 72) includes actuarial information about the status of the health care fund from an ongoing, long-term perspective, and the progress made in accumulating sufficient assets to pay for future health care coverage. However, unlike pensions, health care coverage is not statutorily guaranteed and may be changed to ensure the long-term solvency of the fund and OPERS' ability to provide future coverage for all eligible retirees. Actuarial accrued liabilities are determined based on the current plan, and do not reflect potential changes until approved by the Board of Trustees.

Schedules of Employer Contributions

The Schedules of Employer Contributions (page 73) present historical trend information regarding the value of total annual contributions required to be paid by employers for the employees participating in each defined benefit plan, and the actual performance of employers in meeting this requirement. The information contained in these schedules reflects the required contributions based on the contribution rates approved by the Board of Trustees.

Similarly, the Schedule of Contributions from Employers and Other Contributing Entities – Post-employment Health Care (page 72) presents information regarding the value of total annual contributions required to fund health care coverage and the total portion of the employers' contributions applied toward this funding. In addition, OPERS participates in federal programs such as Medicare Part D reimbursements and prescription drug plans that provide direct subsidies of health care expenses. These reimbursement/subsidy programs contribute to the funded status of the plan. This schedule is presented in accordance with GASB 43, which OPERS implemented in 2006.

Notes to Required Supplementary Information

The Notes to Required Supplementary Information (pages 74 – 76) provide background information, a summary of the actuarial assumptions used for valuation of the pension and post-employment health care plans, and explanatory detail to help in understanding the required supplementary schedules.

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

Administrative Expenses

The Administrative Expenses schedule displays the total operating costs of managing the System, by major categories of expense (page 77).

Schedule of Investment Expenses

The Schedule of Investment Expenses summarizes the costs incurred in managing the investment assets of the System (page 78). These costs are reported as Investment Administrative Expenses in the Combining Statements of Changes in Fiduciary Net Position, and are reflected as a reduction in Net Investment Income.

Schedule of Payments to Consultants

The Schedule of Payments to Consultants represents payments made to investment consultants for market analyses, performance statistics, and other activities. These payments are included in the Schedule of Investment Expenses, and provide a more detailed listing of the major investment service providers utilized by the System (page 78).

Schedule of External Asset Managers' Fees

The Schedule of External Asset Managers' fees reports fees paid to external portfolio managers based on the value of assets managed (page 78). These External Asset Manager Fees are not accounted for in OPERS' administrative expenses, but are netted against investment income in the Combining Statements of Changes in Fiduciary Net Position.

Financial Highlights

- The OPERS investment portfolio reported a total return of 14.40% for the year ended December 31, 2012, as compared to a return of 0.20% in 2011 and a return of 13.90% in 2010. The OPERS total portfolio is divided into three sub portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio earned an investment return of 14.54% in 2012 compared to a return of 0.36% in 2011, and 13.98% in 2010. The Health Care portfolio experienced a gain of 13.72% in 2012 compared to a loss of 0.52% in 2011 and a gain of 13.53% in 2010. The Defined Contribution portfolio also experienced a gain of 13.37% in 2012 compared to an investment loss of 2.59% in 2010 and a gain of 13.74% in 2010.
- Net position increased by more than $7.4 billion in 2012, compared to a decrease of nearly $2.5 billion in 2011, due primarily to the strength of the recovering investment markets. Net income from investing activities totaled nearly $10.4 billion in 2012 compared to the relatively flat market income of $180.0 million in 2011 and the robust market gains of $9.3 billion in 2010. Despite the volatility of the investment markets over the past five years, OPERS has recovered to within 97% of the System's high net position of $83.6 billion for the year ended December 31, 2007. (Refer to Table 1 for a three-year comparative history of changes in plan net position.)

Changes to Fiduciary Net Position (Revenues) (for the years ended December 31, 2012, 2011, and 2010) **Table 1**

	2012	2011	2010	Amount Increase/ (Decrease) from 2011 to 2012	Percent Increase/ (Decrease) from 2011 to 2012
Member and Employer Contributions	$3,205,143,203	$3,244,226,260	$3,183,670,479	($39,083,057)	(1.2)%
Contract Receipts and Other Income	429,924,781	425,298,672	358,624,180	4,626,109	1.1
Net Income from Investing Activity	10,375,431,044	179,956,702	9,268,181,189	10,195,474,342	5,665.5
Total Additions	**14,010,499,028**	**3,849,481,634**	**12,810,475,848**	**10,161,017,394**	**264.0**
Benefits and Account Refunds	6,507,582,847	6,230,047,461	5,762,672,679	277,535,386	4.5
Administrative and Other Expenses	86,598,838	80,178,697	81,558,708	6,420,141	8.0
Total Deductions	**6,594,181,685**	**6,310,226,158**	**5,844,231,387**	**283,955,527**	**4.5**
Net Increase (Decrease) in Net Position	**7,416,317,343**	**(2,460,744,524)**	**6,966,244,461**	**9,877,061,867**	**401.4**
Net Position, Beginning of Year	74,030,876,166	76,491,620,690	69,525,376,229	(2,460,744,524)	(3.2)
Net Position, End of Year, as Restated	**$81,447,193,509**	**$74,030,876,166**	**$76,491,620,690**	**$7,416,317,343**	**10.0%**

- As of December 31, 2011, the date of the most recent actuarial valuation, OPERS' unfunded actuarial liability for defined benefit pension plans had grown to $19.1 billion. The past several years have marked one of the more volatile periods in OPERS' funding history. In 2007, OPERS' unfunded actuarial liability was $2.6 billion; however, the significant market loss in 2008 increased this unfunded actuarial liability to $18.2 billion. OPERS experienced investment gains in 2009 and 2010, but these did not materially improve the System's funding status due to the deferred recognition of a portion of the 2008 loss resulting from the smoothing techniques. OPERS recognizes actuarial gains and losses over a four year smoothing period subject to a 12% market corridor. The relatively flat investment market of 2011 further hampered the recovery. OPERS experienced an investment gain in 2012 which will be reflected in the upcoming 2012 valuation. Refer to Table 2 for a comparative history of OPERS' actuarial liabilities and funding years for pension benefits, and to the Funding Status section beginning on page 38 for a discussion of actuarial smoothing.

- OPERS' funding objective is to meet long-term pension benefit obligations, and to the extent possible, fund post-employment health care. As of December 31, 2011, the date of the latest actuarial valuation, OPERS' funded ratio for defined benefit pensions was 77.4%. In general, this means that for each dollar's worth of future pension liability, OPERS had accumulated over $0.77 to meet that obligation. This actuarial report indicated that if future activity proceeded according to assumptions, OPERS would accumulate sufficient assets to pay all pension liabilities for active members and retirees within 29 years on a GASB-reporting basis.

  Using the 2006-2010 fiscal years, an actuarial experience study was performed comparing actual experience for the past five years to the assumptions used in the actuarial valuation. This experience study resulted in changes to the mortality tables and wage assumptions in both the pension and health care valuations. Additionally, OPERS reset the actuarial funding value to equal the market value, thereby recognizing the remaining unrealized gains. Implementation of these changes resulted in a reduction in the projected actuarial accrued liabilities, unfunded actuarial accrued liability (UAAL), and funding years for the year ended December 31, 2010. The original 2010 valuation UAAL of $19.0 billion was decreased to an estimated $16.8 billion, with a corresponding increase in the funding ratio from 76.1% to 79.1%. Based on the revised assumptions, OPERS would accumulate sufficient assets to pay all pension liabilities as of December 31, 2010 within 24 years.

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Funding Years
2011	$84,530	$65,436	$19,094	77.4%	29
2010***	80,485	63,649	16,836	79.1	24
2010**	79,630	60,600	19,030	76.1	29
2009	76,555	57,629	18,926	75.3	30
2008	73,466	55,315	18,151	75.3	30
2007	69,734	67,151	2,583	96.3	14
2006	66,161	61,296	4,865	92.6	26

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

The investment performance of 2011 was less than the actuarially assumed rate of return, representing an actuarial loss. As a result, the December 31, 2011 valuation reflects a return to a $19.1 billion unfunded accrued actuarial liability and a decline in the funding ratio to 77.4%. Though the actuarial valuation for the year ended December 31, 2012 is not yet complete as of the date of this report, it is expected to reflect an improvement in both the UAAL and funding years.

- OPERS has been reporting long-term health care obligations and the corresponding assets set aside to pay those obligations in accordance with GASB 43 since 2006. As of December 31, 2011, the date of the latest actuarial valuation, OPERS' actuarial liability for health care was $31.0 billion and the System had accumulated assets of $12.1 billion for that obligation. OPERS had an unfunded actuarial accrued liability of $18.9 billion, representing an increase of nearly $3.2 billion from the original December 31, 2010 valuation. The funding ratio also decreased from 41.8% in 2010 to 39.1% in 2011. OPERS remains one of only a handful of retirement systems around the country that pre-funds any portion of health care (the accounting requirements do not mandate pre-funding of post-employment health care).

However, as previously noted, health care coverage is not statutorily guaranteed, and may be changed to ensure the long-term solvency of the fund and OPERS' ability to provide future coverage. The funding progress of the health care plan is measured in terms of solvency years, or the number of years that funds are projected to be available to pay health care expenses under the current plan structure before the plan would be reduced to a pay-as-you-go basis. The market loss of 2008 reduced the solvency years of the health care fund from 31 years as of December 31, 2007, to 11 years for the years ended December 31, 2008 through 2010. The investment loss of 2011 resulted in a decline in the solvency years to 10 for the year ended December 31, 2011. Refer to Table 3 for a comparative history of OPERS' actuarial liabilities and solvency years for health care.

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Solvency Years*
2011	$31,020	$12,115	$18,905	39%	10
2010***	30,531	12,320	18,211	40	11
2010**	26,929	11,267	15,662	42	11
2009	31,558	10,936	20,622	35	11
2008	29,623	10,748	18,875	36	11
2007	29,825	12,801	17,024	43	31
2006	30,748	12,025	18,723	39	27

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

OPERS performed an actuarial experience study of the health care fund comparing actual experience for the past five years to the assumptions used in the actuarial valuation. In addition to the changes in mortality tables and wage assumptions noted for the pension study, this experience study also included a reduction in the discount rate and a new participation rate assumption to reflect the impact of eligible members who elect not to participate in the OPERS Post-employment Health Care Plan. Implementation of these recommendations resulted in an increase in the actuarial accrued liabilities from $26.9 billion to $30.5 billion for the year ended December 31, 2010. The original 2010 valuation UAAL of $15.7 billion increased to $18.2 billion, with a corresponding decrease in the funding ratio from 41.8% to 40.4%. However, the revised assumptions had a minimal impact on the solvency period.

- Revenues (additions to plan net position) for the year 2012 were $14.0 billion, and include member and employer contributions of $3.2 billion, net income from investment activities of $10.4 billion, and other income totaling more than $429.9 million. Other income is comprised of purchased service agreements, employer interest and penalty charges, vendor performance guarantees and rebates, federal subsidies, settlements, interplan activity, and miscellaneous other income. Interplan activity represents transactions between plans that are additions to plan assets. Additions to plan net position for the year 2011 were $3.8 billion, comprised of $3.2 billion in contribution revenues, $180.0 million in net income from investment activities, and $425.3 million in other income. Refer to Table 5 for a comparative history of OPERS' Additions to Fiduciary Net Position.
- Expenses (deductions to plan net position) increased from $6.3 billion during 2011 to nearly $6.6 billion in 2012, or 4.5%. The increase relates primarily to pension benefits and health care payments that comprise $6.2 billion of the 2012 expenditures. Refunds of member contributions, including interest and additional payments on withdrawal where required by statute, fluctuate each year, decreasing by $16.2 million or 5.0% from 2011 to 2012. Non-investment related administrative expenses also decreased by 0.7% from the prior year, and represent 1.1% of the total expenses. The remaining expenses are comprised of interplan activity transactions representing deductions to plan assets. Interplan activity for additions and deductions will always be equal, creating a net effect of zero on the Combining Statements of Changes in Fiduciary Net Position. Refer to Table 6 for a comparative history of OPERS' Deductions in Fiduciary Net Position.

Analysis of Financial Activities

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

Membership (as of December 31, 2012, 2011, 2010)				Table 4
Member Counts	2012	2011	2010	Increase/ (Decrease) from 2011 to 2012
Active Contributing	348,235	349,188	356,734	(953)
Inactive Members	465,940	451,353	438,434	14,587
Retired Members*	190,619	184,963	175,040	5,656
Dependents and Beneficiaries Receiving Benefits*	5,213	4,859	4,525	354
Total Pension Plan Membership	**1,010,007**	**990,363**	**974,733**	**19,644**
Post-employment Health Care:				
Retired Members	163,940	161,315	157,269	2,625
Dependents and Beneficiaries	62,456	62,507	60,624	(51)
VEBA Recipients	2,589	2,073	1,577	516
Total Health Care Recipients	**228,985**	**225,895**	**219,470**	**3,090**

* Prior to 2011, Benefits Recipients in the Statistical Section includes dependents and beneficiaries receiving benefits. In 2011, these counts represent retired members only. Survivor benefits paid for member accounts with less than five years of service are classified as Retired Members (rather than Dependents and Beneficiaries Receiving Benefits).

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

As previously noted, the reserves needed to finance retirement benefits are accumulated primarily through the collection of member and employer contributions, and through investment income (net of investment expense). Revenues for the year ended December 31, 2012, totaled $14.0 billion, of which $10.4 billion resulted from net earnings on investments. By comparison, revenues for 2011 totaled over $3.8 billion, with net investment income of $180.0 million. The net investment gains of 2009 through 2012 total $32.1 billion compared to the 2008 net investment loss of $22.8 billion. On average, investment income historically represents approximately 65 - 75% of total revenues.

Additions to Fiduciary Net Position (Revenues) (for the years ended December 31, 2012, 2011, and 2010)					Table 5
	2012	2011	2010	Amount Increase/ (Decrease) from 2011 to 2012	Percent Increase/ (Decrease) from 2011 to 2012
Members' Contributions	$1,426,415,134	$1,434,755,544	$1,387,327,050	($8,340,410)	(0.6)%
Employers' Contributions	1,778,728,069	1,809,470,716	1,796,343,429	(30,742,647)	(1.7)
Contract and Other Receipts	218,259,489	211,847,098	197,507,372	6,412,391	3.0
Federal Subsidies	182,579,917	192,118,407	142,658,293	(9,538,490)	(5.0)
Other Income, Net	12,103,692	11,255,503	7,930,265	848,189	7.5
Interplan Activity	16,981,683	10,077,664	10,528,250	6,904,019	68.5
Net Income from Investing Activities	10,375,431,044	179,956,702	9,268,181,189	10,195,474,342	5,665.5
Total Additions	**$14,010,499,028**	**$3,849,481,634**	**$12,810,475,848**	**$10,161,017,394**	**264.0%**

Total revenues for 2012 increased by nearly $10.2 billion compared to the prior year. The financial crises of 2008 created a volatile global economy that continues to fluctuate in various sectors. It's important to put these market swings in the proper perspective. During the past 30 years, in aggregate OPERS has experienced negative returns in only eight years, four of which occurred since 2000. The most significant of these losses were triggered by the market declines of 2008, the post 9/11 recession, and the recession of the early 1980s brought on by the 1979 energy crisis. Each of these market declines was followed by periods of investment returns in excess of 20%. Despite these economic crises, OPERS has achieved an average annual rate of return of nearly 8.6% during this 30-year period, exceeding the annual actuarial funding requirement of 8.0%. (Refer to the Investment Section for historical rates of return.)

Member and employer contributions for 2012 decreased by $39.1 million compared to 2011, or 1.2%. Member and employer contributions include amounts paid by active members and their employers for future retirement benefits, and amounts paid by retirees towards the cost of OPERS-provided health care. Retirement contributions from active members and their employers decreased by $50.3 million in 2012, compared to an increase of $23.8 million in 2011. The market volatility of 2008 resulted in many employers denying or deferring pay raises in both 2009 and 2010, implementing furlough days, and reducing the number of employees. The market recovery of 2009 and 2010 began to reverse these trends in 2011; however, the number of actively contributing members continued to decline in 2012.

Employment trends reported by the Bureau of Labor Statistics show a continuing decline in the number of government sector employees in Ohio. This employment trend is evident in the staffing levels of OPERS public employers. The decline in the number of actively contributing members that began in 2008 continued through 2011 at a rate in excess of 2% per year, slowing to a decline of 0.3% in 2012. At the same time, the number of inactive members (those no longer employed but not retired) increased by an average of 4.5% each year for the four-year period 2009 through 2012. The number of retired members also increased by an average of 4.2% per year for the same period.

In addition, the employment cost index for the region indicates average wage increases of 2.5% for 2010 and 2.4% for 2011, declining to 1.4% by the end of 2012. While most public employers have discontinued the furlough programs instituted in 2008, the annual salary increases for public employees nationwide continue to lag behind those of the private sector. Nationwide, public administration salary increases for calendar year end 2012, 2011, and 2010 were 1.1%, 0.9%, and 1.1%, respectively. The compounding effect of relatively low wage increases can no longer keep pace with the loss in the number of actively contributing members, resulting in a 1.6% decrease in revenues from both employee and employer contributions for those members still actively employed.

Member contributions also include amounts paid by retirees toward the cost of OPERS-provided health care. Retirees share in the cost of providing health care coverage for their spouse and dependents. In 2012 these contributions totaled $159.6 million, compared to $148.4 million in 2011 and $111.6 million in 2010. This increase reflects the rising cost of health care, an increase in the retiree population, and the impact of program design changes. The number of retirees eligible for post-employment health care in 2012 increased by 1.6% compared to 2011. However, the number of dependents and beneficiaries receiving health care coverage remained basically the same as in 2011. By comparison, the number of retirees and dependents/beneficiaries receiving health care coverage in 2011 increased by 2.9% and 3.1%, respectively, over the 2010 populations.

Because OPERS is self-insured for health care provided to retirees under the age of 65, the member's cost share is not based on market premiums. Retirees over the age of 65 are covered by the Medicare Advantage program. To determine the member's cost share, OPERS determines self-supporting rates for each population based on claims and premium experience. In 2011 and 2012, the self-supporting rates were frozen as OPERS used funds received from the federal Early Retirement Reinsurance Program (ERRP) to cover cost increases that otherwise would have been passed on to the retirees. Under the federal guidelines, these ERRP funds must be used by 2014.

Plan design changes adopted in 2004 and 2009 shifted a greater portion of health care expense to the retiree. In 2004, the Board adopted the Health Care Preservation Plan to extend the number of years the health care fund would be available to provide coverage to current and future retirees. The plan features three coverage levels, and provides monthly allowances for health care coverage for retirees and their eligible dependents based on the retiree's years of service. Members who were eligible to retire on January 1, 2007 with at least 10 years of service (Group 1) receive an allowance equal to 100% of the cost of health care coverage under the enhanced plan. Members hired prior to January 1, 2003 but eligible to retire after January 1, 2007 (Group 2), receive allowances ranging from 50% to 100%, while members hired after January 1, 2003 (Group 3) receive allowances ranging from 25% to 100%. The allowances for Groups 2 and 3 increase with each year of service, up to the maximum of 100% with 30 years of service.

The majority of retirees participating in the health care plan represent Group 1 members who were provided allowances covering the majority of their health care premium. However, by 2012, 16.9% of the retirees in the health care plan were Group 2 and 3 members receiving lower allowances and required to pay a portion of their health care premiums. In addition, effective in 2011, OPERS ceased subsidizing health care coverage for retiree spouses under the age of 55. These spouses may continue to participate in the health care program, but must pay 100% of the premium cost. The plan design changes increased member contribution revenues for health care by $11.2 million in 2012 over the 2011 revenues. However, by comparison, member contributions for health care in 2011 were $36.7 million higher than 2010. The decline in growth of both the member health care contributions and the number of participating dependents may indicate the withdrawal of these dependents from participation in the plan on a full-cost basis.

Contracts and other receipts represent funds received for member purchase of service contracts, employer early retirement incentive programs, vendor rebates, and funds received from other Ohio retirement systems for members with service credit under more than one retirement system. These receipts totaled $218.3 million in 2012, reflecting a 3.0% increase over the $211.8 million earned in 2011. The majority of this increase represents gain-sharing revenues received in conjunction with the Medicare Advantage program. OPERS is self-insured for retirees under the age of 65, but contracts with a vendor to provide a premium-based Medicare Advantage program for retirees over the age of 65. The premium is estimated at the beginning of the year, and adjusted at year end based on OPERS actual claims experience. In essence, these revenues represent a premium adjustment based on actual experience. In 2012, gain-sharing revenues totaled $52.2 million compared to $46.8 million in 2011 and $22.0 million in 2010. Prescription drug rebates also increased from $35.0 million in 2011 to $37.6 million in 2012. In 2010, these revenues were $49.0 million; however, participation in a Medicare-eligible prescription drug plan in 2011 required the use of specific formularies which reduced the purchase volumes subject to the rebate program.

Federal subsidies are comprised of reimbursements and direct subsidies OPERS received from the federal government for participation in Medicare prescription drug programs (PDP) and the Early Retirement Reinsurance Program. In 2012, total federal subsidies decreased by $9.5 million, from $192.1 million in 2011 to $182.6 million in 2012, primarily due to the termination of the Early Retirement Reinsurance Program. In 2011 and 2010, OPERS received ERRP funds totaling $109.5 million and $70.6 million, respectively, from the federal government as reimbursement for a portion of the health care claims incurred by retirees under the age of 65. The funds for this program were exhausted in 2011; however, OPERS received the third-highest distribution of nationwide recipients participating in the program. The loss of these revenues was nearly offset by a $99.9 million increase in Medicare PDP revenues.

Employers that offer a high-quality prescription drug program for retirees and their dependents are eligible for a federal subsidy under either the Medicare Part D program or a qualified prescription drug plan (PDP). The Medicare Part D program provides reimbursement of approximately 25-28% of eligible retiree prescription drug costs, and represented over $72.1 million in revenue for OPERS in 2010. These revenues declined to $0.8 million in 2011 and $0.9 million in 2012 with the implementation of the Medicare prescription drug plan (PDP) in 2011. The Medicare PDP is structured as a direct subsidy rather than a reimbursement program. OPERS receives a fixed amount per member based on the member's risk score, regardless of the member's actual claims experience. Members participate in either the Medicare Part D reimbursement program or the PDP subsidy program, but not both. In 2012, the PDP subsidies totaled $181.7 million compared to $81.8 million in 2011. Receipts from Medicare related programs are expected to continue to rise as the OPERS retiree population ages into Medicare and these expenses grow with age-related conditions.

Other income represents the gain or loss on disposal of OPERS' fixed assets, cancellation of prior year's warrants and accruals, settlement activity, and tenant lease revenue. This activity fluctuates and typically represents approximately 1/10 of 1% of the System's total revenue. Receipts of this nature in 2012 totaled $1.4 million compared to $0.6 million in 2011 and $1.4 million in 2010.

Other income also includes significant adjustments to prior years' expense accruals. Historically, at the end of each year OPERS estimates the value of health care claims incurred but not yet reported (IBNR), and records an expense necessary to adjust the medical accounts payable liability for the value of these pending claims. Payment of these delayed claims may lag several years beyond the incurred date. Accordingly, the accrual is estimated based on an average of the historical claims experience for the preceding four years. Participation in the Medicare Advantage program is mandatory when a retiree or their spouse reaches age 65, and as a premium based program OPERS does not bear the risk of unreported claims. As the retiree population ages and moves to the Medicare Advantage program, the IBNR reserve needed also decreases, with a corresponding charge to other income for the write-off of prior years' expense accruals. The liability account is gradually being reduced over a four year period commensurate with the claims lag history. The amounts included in other income for 2012, 2011, and 2010 for the reversal of prior years' accruals are $10.7 million, $10.7 million and $6.6 million, respectively.

Interplan activity represents transfers between the plans to settle-up for activity occurring between the plans. This activity includes members changing from one plan to another in addition to the repayment of initial plan start-up costs. Interplan activity in 2012 resulted in a net inflow of $17.0 million, compared to $10.1 million in 2011 and $10.5 million in 2010. Since this activity represents one plan paying another plan, there is a corresponding interplan expense activity of the same amount in each year. (Refer also to the Deductions from Fiduciary Net Position discussion below.)

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

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

Expenses for the year ended December 31, 2012 totaled $6.6 billion, an increase of 4.5% over 2011. Expenses for 2011 increased by 8.0% when compared to 2010, from $5.8 billion in 2010 to $6.3 billion in 2011. Pension benefits and post-employment health care paid on behalf of current retirees and their beneficiaries comprise approximately 94% of the total expenses reported in each of these years.

Deductions from Fiduciary Net Position (Expenses) (for the years ended December 31, 2012, 2011 and 2010) Table 6					
	2012	2011	2010	Amount Increase/ (Decrease) from 2011 to 2012	Percent Increase/ (Decrease) from 2011 to 2012
Benefits—Pension	$4,590,938,871	$4,329,918,267	$3,961,552,022	$261,020,604	6.0 %
Benefits—Health Care	1,609,157,697	1,576,457,152	1,568,065,943	32,700,545	2.1
Refunds	307,486,279	323,672,042	233,054,714	(16,185,763)	(5.0)
Administrative Expenses	69,617,155	70,101,033	71,030,458	(483,878)	(0.7)
Interplan Activity	16,981,683	10,077,664	10,528,250	6,904,019	68.5
Total Deductions	**$6,594,181,685**	**$6,310,226,158**	**$5,844,231,387**	**$283,955,527**	**4.5 %**

Pension benefits increased by $261.0 million over the 2011 level, or 6.0%. This increase reflects the combination of a net growth of 3.2% in the total number of retirees and beneficiaries receiving benefits, coupled with changing demographics in the retiree population. Defined benefit pension payments are based on a formula determined by the years of contributing service and the average of the three highest years of earnable salary (or final average salary). Benefit reduction factors are then applied to retirees under the age of 65 who have less than 30 years of service. In addition, members may retire at the age of 60 with a minimum of five years of service, subject to retirement reduction factors. The impact of each of these factors is discussed below. (Refer also to the Schedule of Average Benefits on page 168 of the Statistical Section for details related to new retiree populations by year.)

The number of new retirees in 2012 declined by 7.9% from the number of members who retired in 2011, while the number of new retirees in 2011 represented an increase of 15.3% from the 2010 new retirements. The increase in the number of new retirees in 2011 is likely due to a combination of factors that include: baby boomers reaching normal retirement eligibility, potential layoffs due to poor market returns resulting in retirement decisions, and members electing early retirement with a reduced benefit due to concerns over potential changes in the pension plan design. These pension plan changes were actively debated by the legislature during 2012, culminating in passage of Senate Bill 343 (SB 343) in September. This bill increased the number of years of service required for full retirement and the age at which members are eligible for full or early retirement. It is likely that in 2012 members delayed retirement decisions pending a final determination of the nature of the benefit changes. Following passage of the pension bill, OPERS received nearly 6,300 retirement applications, representing a 75% increase over the number of applications received for the same period in 2011. This increase in retirees is not reflected in the number of 2012 retirees as the retirement effective dates were predominately January 1, 2013 — the latest date at which members could retire before the effective date of the new legislation.

As the number of new retirees increases as a percentage of the total retiree population, the cost of these pension payments typically also rises as the percentage of recent retirees with higher final average salaries exceeds the population of benefit recipients that retired years ago when salaries were significantly lower than those paid for comparable positions today. The cost of pension benefits for 2011 and 2010 demonstrates this trend, increasing at a rate of 9.3% and 8.2%, respectively, despite a 2.1% decrease in the number of new retirees in 2010. The lower 6.0% rate of increase in the cost of pension benefits in 2012 reflects the reduced number of new retirees pending passage of the pension legislation, and the lower final average salary of those who did retire in 2012.

The final average salaries for new retirees in 2012 were 2.3% lower than the final average salaries of those who retired in 2011. By comparison, the final average salary of new retirees in 2011 represented a 3.1% increase over those retiring in 2010. The provisions of SB 343 grandfathered members who were within five years of retirement eligibility under the old law, except for the annual cost of living adjustments (COLA). Under the new law the annual cost of living adjustment changes from a fixed (simple) rate of 3% per year to a rate tied to the annual consumer price index, which is currently below 3%. The population of new retirees in 2012 is represented by a higher proportion of members electing early retirement (and subject to a reduction factor), which may represent an intent to retire with a guaranteed 3% COLA.

A key element in the pension benefit formula is years of service. As noted above, benefit reduction factors are applied to the benefits of retirees under the age of 65 who have less than 30 years of service. Members between the ages of 60 and 65 are eligible for a retirement benefit with a minimum of five years of service, while members under the age of 60 must have a minimum of 25 years of service to qualify for a reduced benefit. In 2012, the number of new retirees with 30 or more years of service decreased by 22.5% compared to the number of new retirees in 2011 with similar service. Correspondingly, the number of 2012 new retirees with less than 30 years of service represented 66.7% of the total population, compared to 60.5% in 2011 and 58.6% in 2010.

The increase in post-employment health care expenses also reflects the expanding retiree population and the nationwide trend in health care inflation that continues to be in excess of general inflation. National health care cost trends in 2012 reported a 4.0% increase in health care costs compared to a general inflation rate of 2.3%. Despite the increase in total health care recipients, OPERS health care costs increased a modest 2.1%. The Health Care Preservation Plan adopted by the Board of Trustees in 2004 became effective in 2007. As mentioned previously, the goal of HCPP was to extend the period of time the health care assets were expected to last (the plan solvency years), through a combination of plan design and cost-sharing changes, and extensive cost containment efforts.

HCPP included significant changes to the health care plan design by linking the amount of health care subsidy to years of service, and allowed for variables in deductibles and cost containment efforts. Cost containment efforts included participation in federally subsidized programs such as the Medicare Part D reimbursements, the Medicare prescription drug plan program, Early Retirement Reinsurance Program, and the Medicare Advantage program. In addition, wellness programs were initiated that provide retirees with financial incentives for healthy lifestyles and participation in programs such as smoking cessation. In the six years since the plan effective date, health care expenses have risen an average of 5.1% per year, well below the national average of over 8% for the same period. At the same time, the number of retirees, dependents and beneficiaries eligible for post-employment health care has steadily increased by 2.1% in 2008 and 2009, 1.9% in 2010, 3.0% in 2011, and 1.2% in 2012. (Refer to the Statistical Section for a historical schedule of covered lives.)

The majority of health care expenses are comprised of medical, dental, vision, and prescription drug costs, as well as reimbursements to retirees for Medicare Part B premiums. Medical, dental and vision costs represent approximately 59% of the total health care expenses for the years 2010, 2011, and 2012, followed by prescription drug costs at 34% and Medicare Part B premium reimbursements at 7% of the total. Total health care expenses increased by $32.7 million in 2012 compared to an increase of $8.4 million in 2011, and $79.8 million in 2010.

Medical, dental and vision expenses increased from $920.5 million in 2010 to $922.6 million in 2011 and to $943.0 million in 2012. Prescription drug costs rose from $526.1 million in 2010 to $530.4 million in 2011 and $541.6 million in 2012. Because OPERS is self-insured for the health care expenses of recipients under the age of 65, these costs will fluctuate based on the timing of claims incurrence and the magnitude of catastrophic claims.

Statutorily required Medicare Part B reimbursements increased by $3.5 million in 2012, compared to an increase of $1.3 million in 2011. Legislative changes that became effective in 2009 permit the Board to determine the value of Medicare Part B reimbursements above a base threshold. This change effectively permits the Board to establish a cap on these reimbursements, which limited the increases in these expenses to approximately 1.2% in 2011 and 1.8% in 2010. However, these expenses will continue to increase as the retiree population ages into Medicare. As of December 31, 2011 (the most recent actuarial valuation), the average age of OPERS retirees was 69. In 2012, the Board of Trustees also passed changes to the health care plan design known as HCPP 3.0, increasing the age and years of service required for eligibility in the health care plan and phasing out the Medicare Part B reimbursement. The plan design changes include a five-year transition plan, but will ultimately result in the elimination of these expenses.

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

Refunds of member accounts are at the discretion of the member, and vary from year to year. In 2012, member-elected refunds totaled $307.5 million, compared to $323.7 million in 2011 and $233.1 million in 2010. Members may only refund their account if they have been separated from OPERS covered employment for at least three months. Accordingly, refunds represent disbursements of inactive member accounts. The number of refunded accounts declined by 7.2% in 2012 compared to a 22.3% increase in 2011 over the number of refunds in 2010. The spike in 2011 refunds likely reflects the impact of the weak Ohio economy and poor investment returns.

OPERS has consistently managed its Administrative Expense budget with no material variances between planned and actual expenditures in either 2012 or 2011. Administrative expenses, including investment expenses, totaled $102.6 million in 2012 compared to $96.7 million in 2011 and $97.0 million in 2010. The increase in 2012 administrative expenses includes a 2% increase in employee wages, the first in three years, and a change in accounting practice related to commission sharing agreements. In the past, these agreements were reported as a component of the broker commissions included in the cost of the investment asset. Beginning in 2012, these agreements are reported as administrative expenses included in the investment expense line on the Statement of Changes in Fiduciary Net Position.

Reserves (Refer to Tables 7 and 8)

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

Reserves (as of December 31, 2012, 2011 and 2010) **Table 7**

	2012	2011	2010
Employees' Savings Fund	$12,641,655,468	$12,300,117,438	$12,134,839,989
Employers' Accumulation Fund—Pension/Health Care	19,074,270,351	15,959,261,830	22,278,219,189
Annuity and Pension Reserve Fund	47,232,908,883	43,513,048,458	39,927,499,750
Survivors' Benefit Fund	1,627,212,197	1,568,050,108	1,527,374,797
Defined Contribution Fund/VEBA—Retirement/Health Care	763,702,610	587,622,632	522,426,170
Income Fund	107,444,000	99,016,985	99,070,651
Expense Fund		3,758,715	2,190,144
Total Fund Balance	**$81,447,193,509**	**$74,030,876,166**	**$76,491,620,690**

Reserves By Plan (as of December 31, 2012, 2011, and 2010) Table 8

	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2012 Total
Employees' Savings Fund	$12,639,906,042		$1,606,472	$142,954		$12,641,655,468
Employers' Accumulation Fund—Pension/Health Care	6,066,140,290	$12,828,625,322	179,466,995	37,744		19,074,270,351
Annuity and Pension Reserve Fund	47,227,389,270		3,114,881	2,404,732		47,232,908,883
Survivors' Benefit Fund	1,627,212,197					1,627,212,197
Defined Contribution Fund/VEBA—Retirement/Health Care			236,009,198	408,077,537	$119,615,875	763,702,610
Income Fund	107,444,000					107,444,000
Expense Fund						
Total Fund Balance	**$67,668,091,799**	**$12,828,625,322**	**$420,197,546**	**$410,662,967**	**$119,615,875**	**$81,447,193,509**

	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2011 Total
Employees' Savings Fund	$12,298,673,251		$1,362,904	$81,283		$12,300,117,438
Employers' Accumulation Fund—Pension/Health Care	3,850,924,715	$11,959,000,311	149,374,928	(38,124)		15,959,261,830
Annuity and Pension Reserve Fund	43,510,467,596		1,514,253	1,066,609		43,513,048,458
Survivors' Benefit Fund	1,568,050,108					1,568,050,108
Defined Contribution Fund/VEBA—Retirement/Health Care			180,842,930	316,083,570	$90,696,132	587,622,632
Income Fund	99,016,985					99,016,985
Expense Fund	3,758,715					3,758,715
Total Fund Balance	**$61,330,891,370**	**$11,959,000,311**	**$333,095,015**	**$317,193,338**	**$90,696,132**	**$74,030,876,166**

	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2010 Total
Employees' Savings Fund	$12,133,856,642		$975,589	$7,758		$12,134,839,989
Employers' Accumulation Fund—Pension/Health Care	9,464,360,661	$12,682,612,422	131,266,975	(20,869)		22,278,219,189
Annuity and Pension Reserve Fund	39,926,390,271		644,239	465,240		39,927,499,750
Survivors' Benefit Fund	1,527,374,797					1,527,374,797
Defined Contribution Fund/VEBA—Retirement/Health Care			167,550,828	278,644,313	$76,231,029	522,426,170
Income Fund	99,070,651					99,070,651
Expense Fund	2,190,144					2,190,144
Total Fund Balance	**$63,153,243,166**	**$12,682,612,422**	**$300,437,631**	**$279,096,442**	**$76,231,029**	**$76,491,620,690**

These statutory funds are further subdivided to accumulate reserves by benefit plan. Table 8 displays the values in the statutory funds that comprise the net positions held in trust for each benefit plan included in the financial statements for 2012, 2011 and 2010. The discussion below presents those statutory requirements that govern the transactions recorded in each fund.

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

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

As of December 31, 2011, the date of the latest actuarial valuation, OPERS had accumulated sufficient assets to fund 100% of the benefits for retirees and their beneficiaries, and had also provided nearly 50% of the reserves necessary to fund pensions for active and inactive members based on service credit earned through year-end 2011. As of year-end 2007, prior to the market declines of 2008, OPERS had accumulated 93% of the reserves needed to fund future pensions for active and inactive members. The drop in reserves available to fund the future pensions of active and inactive members reflects the investment losses of 2008 and the 0.2% investment returns of 2011. Changes in the funding status of a retirement system provide insights into the progress the system is making in building the reserves necessary to meet future pension and health care obligations.

Funding Status

As previously noted, OPERS' net investment income for the year ended December 31, 2012 totaled $10.4 billion, representing a return of 14.4% on the total OPERS portfolio. Net investment income for the defined benefit plans comprised $8.8 billion of this total, with a return of 14.54%. The Health Care and Defined Contribution portfolios experienced investment gains of $1.5 billion and $74.1 million respectively. As with all mature retirement systems, OPERS' primary means of funding benefit payments in the future will be through investment income. Ultimately, investment income will provide more than 60% of the funds necessary to pay retirement benefits. Therefore, the long-term rate of investment return is critical to the funding status of the System.

To fully understand the funding status of a retirement system, it is often advisable to view actuarial data in conjunction with financial data. The actuarial value of assets used to calculate funded status is not based on year-end fair value (market value) as of the valuation date. Market gains and losses for actuarial funding purposes are smoothed over a rolling four-year period subject to a 12% market corridor. This smoothing of actuarial gains and losses mitigates the need to constantly increase or lower contribution rates because volatile market conditions can be recognized (smoothed in) over several years.

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

In order to ensure that the funding value of assets and the market value of assets remain within a logical proximity of each other, OPERS uses a 12% market corridor in conjunction with its four-year smoothing. This policy, instituted by the OPERS Board of Trustees in 2001, is known as the Market Corridor, and ensures that the funding value of assets is neither lower than 88% nor higher than 112% of the market value of the assets. The unfunded actuarial accrued liability (the amount by which the actuarial value of liabilities exceeds the actuarial value of assets) at year end 2011 makes the System appear to be funded at a slightly higher level than it actually is at that point in time.

At December 31, 2011, the date of the latest actuarial evaluation following the experience study, the actuarial value of net assets set aside to pay defined benefit pension benefits (non-health care assets) was $65.4 billion. The fair value of these defined benefit assets at December 31, 2011, included in the pension plans on OPERS' financial statements was $61.8 billion. Although OPERS achieved positive returns of 0.36% in the 2011 defined benefit portfolio, they were less than the actuarial assumed rate of return resulting in an actuarial loss. As of December 31, 2011, the actuarial value of assets was more than the fair value of assets, indicating that the remaining actuarial investment losses of 2011 are yet to be recognized in the valuation assets. With a rolling four-year smoothing, the unrecognized actuarial investment loss of 2011 will make the system appear to be funded at a higher level than the actual market values would indicate. This impact will be partially mitigated in the 2012 actuarial valuation with the recognition and smoothing of the 2012 investment gains.

It is important to understand how these smoothing techniques affect funded status when reviewing the actuarial related data contained within this annual report. Based upon the latest actuarial valuation for the year ended December 31, 2011, the System's actuarial value of liabilities for defined pension benefits exceeded its actuarial value of assets by $19.1 billion. Actuarial projections indicate that, on a GASB-reporting basis, assuming the underlying assumptions are achieved, the $19.1 billion in unfunded liabilities would be amortized and funded over a 29-year period, which is within generally acceptable funding guidelines. However, based on the actuarial smoothing techniques, OPERS has a $3.6 billion net unrealized loss yet to recognize over the next three years. By comparison, the 2010 actuarial valuation prior to the experience study reflected an unfunded actuarial liability of $19.0 billion and an unrealized gain yet to be recognized of $3.0 billion. These unrealized gains were reset in conjunction with implementation of the experience study recommendations resulting in a reduction in the 2010 unfunded actuarial liability to $16.8 billion.

Other Post-employment Benefits (OPEB)

Beginning in fiscal 2006, the Government Accounting Standards Board (GASB) required retirement systems to estimate their liability for health care benefits similar to the manner in which pension liabilities are estimated. However, unlike pensions, the health care that OPERS provides (with the exception of Medicare Part B reimbursements) is not statutorily guaranteed. As of December 31, 2011, the date of the latest actuarial valuation, OPERS has an estimated liability for future health care of $31.0 billion. OPERS is one of a relatively few retirement systems that has systematically set aside assets to fund health care. As of December 31, 2011, OPERS had $12.1 billion in assets as stated on a funding basis (actuarially smoothed over a four year period in the same manner as pensions), leaving an unfunded liability of $18.9 billion. Simply put, OPERS had accumulated 39.1% of the assets necessary to pay these liabilities. Similar to pensions, the market value of the health care assets was $11.6 billion and was less than the actuarial or funding value of assets of $12.1 billion. By comparison, the health care liability as of December 31, 2010, prior to the experience study, was $26.9 billion compared to the actuarial value of assets of $11.3 billion, leaving an unfunded liability of $15.6 billion and a funded ratio of 41.8%. After consideration of the experience study recommendations, the December 31, 2010 liability increased to $30.5 billion, and the unfunded liability increased to $18.2 billion.

As previously noted, OPERS continues to make changes to the health care plan design. However the investment losses of 2008 and 2011 have reduced the period of time that the accumulated assets will be able to provide health care, known as the solvency period, from 31 years as of December 31, 2007 to 11 years at December 31, 2008. The investment gains of 2009 and 2010 maintained this 11-year solvency period through December 31, 2010; however, the 2011 loss reduced the solvency period to 10 years. Through HCPP 3.0, OPERS continues to proactively pursue plan design changes to extend the solvency period of the fund while maintaining the funding priority of pension benefits and focusing available health care funding on the needs of career members.

Financial Analysis Summary

Net position may serve over time as a useful indication of OPERS' financial status (please refer to Table 9). At the close of calendar years 2012 and 2011, the net positions of OPERS totaled $81.4 billion and $74.0 billion respectively, compared to the record high of $83.6 billion in 2007. These plan net positions are available to meet OPERS' ongoing obligations to plan participants and their beneficiaries, and to the extent possible, OPERS' post-employment health care.

Net Position (as of December 31, 2012, 2011 and 2010) **Table 9**

	2012	2011	2010	Amount Increase/ (Decrease) from 2011 to 2012	Percent Increase/ (Decrease) from 2011 to 2012
Current and Other Assets	$2,215,845,748	$1,555,132,426	$1,437,930,409	$660,713,322	42.5%
Cash and Investments at Fair Value	87,225,720,113	84,398,079,891	85,566,292,039	2,827,640,222	3.4
Capital Assets	121,172,935	112,092,861	112,130,055	9,080,074	8.1
Total Assets	**89,562,738,796**	**86,065,305,178**	**87,116,352,503**	**3,497,433,618**	**4.1**
Total Liabilities	**8,115,545,287**	**12,034,429,012**	**10,624,731,813**	**(3,918,883,725)**	**(32.6)**
Net Position, End of Year	**81,447,193,509**	**74,030,876,166**	**76,491,620,690**	**7,416,317,343**	**10.0**
Net Position, Beginning of Year	74,030,876,166	76,491,620,690	69,525,376,229	(2,460,744,524)	(3.2)
Net Increase (Decrease) in Net Positions	**$7,416,317,343**	**($2,460,744,524)**	**$6,966,244,461**	**$9,877,061,867**	**401.4%**

The market losses of 2008 greatly affected OPERS' funding position, returning the system to its 2005 net position level. Rising pension and health care costs will continue to impact OPERS' ability to fund retirement health care in a volatile market if the allocation of contribution revenues shifts away from health care to meet the priority funding needs of pensions. The passage of pension plan design changes in SB 343 and the Board-approved changes to health care in HCPP 3.0 will help mitigate the impact of this market volatility with enhanced eligibility requirements and changes to the benefit structure. Once the transition periods associated with these plan changes are complete, the employer contributions to fund post-employment health care should stabilize at 4% per year. However, OPERS' first priority remains to be in the position of adequately funding pension benefits.

Capital Assets

As of December 31, 2012, OPERS' investment in capital assets totaled $121.2 million, net of accumulated depreciation and amortization. This investment in capital assets includes equipment, furniture, information technology systems, and the home office complex.

OPERS invested $17.5 million in capital asset additions during 2012, compared to an investment of $8.9 million in 2011. The majority of these capital expenditures relate to the development of information technology systems necessary to support ongoing operations. The most significant additions included expenditures for the Our Way Forward project designed to position the System for the changing member population as the baby boomer generation retires and future members seek more self-service options. This project includes the implementation of a new member savings and pension system, as well as infrastructure improvements to all data systems. The project plan involves a four-year implementation period, with capital expenditures in 2012 totaling $13.6 million.

Other significant projects included modifications to legacy systems to support the pension plan changes of SB 343, $0.7 million, enhancements to the investment system, $0.6 million, and ongoing enhancements to the health care system, $0.3 million.

Refer to Note 2c (page 55) in the Notes to Combining Financial Statements for information regarding OPERS' capital asset policies and asset activity.

Combining Statements of Fiduciary Net Position (as of December 31, 2012 and 2011)

	2012				
	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association
Assets:					
Cash and Short-Term Investments	$2,324,824,614	$446,851,345	$6,574,926	$91,299	$2,355,351
Receivables:					
Members' and Employers'	245,608,667	43,429,976	5,365,708	6,765,650	1,573,325
Retirement Incentive Plan	3,956,707	177,884			
Vendor and Other	344,304	147,616,824			
Investment Sales Proceeds	1,190,527,416	261,962,739	3,401,390	47,880	2,104,651
Accrued Interest and Dividends	204,317,813	47,650,966	583,745	8,218	361,199
Due From Other Plans	46,198,708				
Total Receivables	**1,690,953,615**	**500,838,389**	**9,350,843**	**6,821,748**	**4,039,175**
Investments, at fair value:					
Fixed Income	18,079,720,522	4,731,050,357	101,002,934	108,403,612	31,937,847
Domestic Equities	13,338,290,054	3,293,138,146	148,916,365	196,322,490	23,579,831
Real Estate	6,947,408,136		19,849,054	279,409	12,281,837
Private Equities	6,949,707,018	73,443,686	19,855,622	279,501	12,285,901
International Equities	15,955,056,320	3,506,799,272	117,346,200	127,437,059	28,205,829
Other Investments	3,217,150,133	563,094,682	9,191,541	129,387	5,687,375
Total Investments	**64,487,332,183**	**12,167,526,143**	**416,161,716**	**432,851,458**	**113,978,620**
Collateral on Loaned Securities	**6,797,920,566**		**18,059,949**	**205,837**	**10,986,106**
Capital Assets:					
Land	2,815,765	729,981	90,951	78,386	19,731
Building and Building Improvements	83,848,601	21,737,564	2,708,365	2,334,184	587,546
Furniture and Equipment	70,253,185	24,688,709	2,786,287	2,812,794	2,020,876
Total Capital Assets	156,917,551	47,156,254	5,585,603	5,225,364	2,628,153
Accumulated Depreciation	(71,256,411)	(20,530,484)	(1,227,838)	(1,557,390)	(1,767,867)
Net Capital Assets	**85,661,140**	**26,625,770**	**4,357,765**	**3,667,974**	**860,286**
Prepaid Expenses and Other Assets	**3,841,978**				
TOTAL ASSETS	**75,390,534,096**	**13,141,841,647**	**454,505,199**	**443,638,316**	**132,219,538**
Liabilities:					
Undistributed Deposits	2,753,444	69,659			
Benefits Payable	682,136	100,495,333			11,171
Investment Commitments Payable	918,234,060	194,165,994	2,690,744	155,855	1,623,282
Accounts Payable and Other Liabilities	13,306,796				
Accounts Payable RMA Claims		18,485,339			
Due To Other Plans			13,584,735	32,613,973	
Obligations Under Securities Lending	6,787,465,861		18,032,174	205,521	10,969,210
TOTAL LIABILITIES	**7,722,442,297**	**313,216,325**	**34,307,653**	**32,975,349**	**12,603,663**
Net Positions Held in Trust for Pension Benefits and Post-employment Health Care, as Restated	**$67,668,091,799**	**$12,828,625,322**	**$420,197,546**	**$410,662,967**	**$119,615,875**

See Notes to Combining Financial Statements, beginning on page 46.

Combining Statements of Fiduciary Net Position (continued)

	2011					
2012 Total All Plans	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2011 Total All Plans
$2,780,697,535	$2,321,930,951	$516,841,401	$6,248,674	$980,013	$1,838,812	$2,847,839,851
302,743,326	252,381,565	51,989,914	5,579,425	7,337,573	1,717,956	319,006,433
4,134,591	14,224,004	773,991				14,997,995
147,961,128	719,754	67,535,218				68,254,972
1,458,044,076	671,853,157	185,275,974	1,651,367	12,186	997,981	859,790,665
252,921,941	194,072,194	49,585,342	477,016	3,520	288,278	244,426,350
46,198,708	47,876,381					47,876,381
2,212,003,770	**1,181,127,055**	**355,160,439**	**7,707,808**	**7,353,279**	**3,004,215**	**1,554,352,796**
23,052,115,272	16,250,337,148	4,349,713,914	92,037,558	88,773,372	24,133,945	20,804,995,937
17,000,246,886	15,382,269,185	3,642,820,108	126,739,183	155,067,937	22,849,059	19,329,745,472
6,979,818,436	5,985,680,674		14,712,381	108,569	8,891,222	6,009,392,846
7,055,571,728	5,195,364,242	54,927,514	12,769,839	94,234	7,717,274	5,270,873,103
19,734,844,680	15,263,503,643	3,310,599,792	91,728,985	94,636,610	22,672,643	18,783,141,673
3,795,253,118	813,305,897	134,339,269	1,999,049	14,752	1,208,097	950,867,064
77,617,850,120	**58,890,460,789**	**11,492,400,597**	**339,986,995**	**338,695,474**	**87,472,240**	**71,149,016,095**
6,827,172,458	**10,363,838,801**		**23,506,898**	**111,647**	**13,766,599**	**10,401,223,945**
3,734,814	3,069,419	665,394				3,734,813
111,216,260	91,838,350	19,627,154				111,465,504
102,561,851	55,963,265	24,809,991	1,146,197	1,524,774	1,800,555	85,244,782
217,512,925	150,871,034	45,102,539	1,146,197	1,524,774	1,800,555	200,445,099
(96,339,990)	(65,947,702)	(18,156,668)	(1,081,113)	(1,429,841)	(1,736,914)	(88,352,238)
121,172,935	**84,923,332**	**26,945,871**	**65,084**	**94,933**	**63,641**	**112,092,861**
3,841,978	**779,630**					**779,630**
89,562,738,796	**72,843,060,558**	**12,391,348,308**	**377,515,459**	**347,235,346**	**106,145,507**	**86,065,305,178**
2,823,103	1,728,029	62,273				1,790,302
101,188,640	1,061,656	118,529,285			422	119,591,363
1,116,869,935	1,124,645,829	294,572,622	2,823,632	123,669	1,670,566	1,423,836,318
13,306,796	12,020,409					12,020,409
18,485,339		19,183,817				19,183,817
46,198,708			18,069,785	29,806,596		47,876,381
6,816,672,766	10,372,713,265		23,527,027	111,743	13,778,387	10,410,130,422
8,115,545,287	**11,512,169,188**	**432,347,997**	**44,420,444**	**30,042,008**	**15,449,375**	**12,034,429,012**
$81,447,193,509	**$61,330,891,370**	**$11,959,000,311**	**$333,095,015**	**$317,193,338**	**$90,696,132**	**$74,030,876,166**

Combining Statements of Changes in Fiduciary Net Position (for the years ended December 31, 2012 and 2011)

	2012				
	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association
Additions:					
Members' Contributions	$1,199,073,380	$159,614,898	$30,193,165	$37,533,691	
Employers' Contributions	1,208,150,727	494,048,415	23,998,486	35,646,573	$16,883,868
Contract and Other Receipts	122,281,629	94,730,390	745,347	492,890	9,233
Federal Subsidies		182,579,917			
Other Income, Net	329,493	11,774,199			
Interplan Activity	16,918,042				63,641
Total Non-investment Income	**2,546,753,271**	**942,747,819**	**54,936,998**	**73,673,154**	**16,956,742**
Income from Investing Activities:					
Net Appreciation/(Depreciation) in Fair Value	5,400,033,973	1,183,656,950	41,799,510	46,595,897	8,718,790
Bond Interest	786,852,157	201,317,018	2,483,698	688,661	1,271,636
Dividends	836,008,491	183,422,898	2,221,009	25,307	1,351,077
Real Estate Operating Income, net	797,139,498		2,117,746	24,130	1,288,261
International Income/(Loss)	49,813	10,894	132	2	81
Other Investment Income	1,104,625,677	10,861,876	2,934,639	33,438	1,785,191
External Asset Management Fees	(239,365,152)	(24,118,062)	(765,820)	(239,203)	(386,839)
Net Investment Income/(Loss)	**8,685,344,457**	**1,555,151,574**	**50,790,914**	**47,128,232**	**14,028,197**
From Securities Lending Activity:					
Security Lending Income	61,202,325		162,595	1,853	98,909
Security Lending Expenses	(15,924,131)		(42,305)	(482)	(25,735)
Net Security Lending Income	45,278,194		120,290	1,371	73,174
Unrealized Gain/(Loss)	10,454,705		27,775	316	16,896
Net Income from Securities Lending	**55,732,899**		**148,065**	**1,687**	**90,070**
Investment Administrative Expenses	(27,259,945)	(5,180,680)	(206,371)	(269,575)	(68,480)
Net Income/(Loss) from Investing Activity	**8,713,817,411**	**1,549,970,894**	**50,732,608**	**46,860,344**	**14,049,787**
TOTAL ADDITIONS	**11,260,570,682**	**2,492,718,713**	**105,669,606**	**120,533,498**	**31,006,529**
Deductions:					
Benefits	4,589,973,216	1,607,921,528	610,545	355,110	1,236,169
Refunds of Contributions	284,217,216		6,173,714	17,095,349	
Administrative Expenses	49,179,821	15,172,174	2,295,688	2,118,855	850,617
Interplan Activity			9,487,128	7,494,555	
TOTAL DEDUCTIONS	**4,923,370,253**	**1,623,093,702**	**18,567,075**	**27,063,869**	**2,086,786**
Net Increase/(Decrease)	6,337,200,429	869,625,011	87,102,531	93,469,629	28,919,743
Net Positions Held in Trust for Pension Benefits and Post-employment Health Care Balance, Beginning of Year, as Restated	61,330,891,370	11,959,000,311	333,095,015	317,193,338	90,696,132
Balance, End of Year	**$67,668,091,799**	**$12,828,625,322**	**$420,197,546**	**$410,662,967**	**$119,615,875**

See Notes to Combining Financial Statements, beginning on page 46.

Combining Statements of Changes in Fiduciary Net Position (continued)

	2011					
2012 Total All Plans	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2011 Total All Plans
$1,426,415,134	$1,221,597,118	$148,370,246	$29,256,952	$35,531,228		$1,434,755,544
1,778,728,069	1,233,002,841	503,458,216	23,280,520	33,746,291	$15,982,848	1,809,470,716
218,259,489	121,560,871	89,087,996	386,879	802,270	9,082	211,847,098
182,579,917		192,118,407				192,118,407
12,103,692	340,460	10,915,043				11,255,503
16,981,683	10,077,664					10,077,664
3,635,067,984	**2,586,578,954**	**943,949,908**	**52,924,351**	**70,079,789**	**15,991,930**	**3,669,524,932**
6,680,805,120	(2,165,958,777)	(401,560,941)	(11,349,743)	(9,966,753)	(2,877,126)	(2,591,713,340)
992,613,170	713,378,568	202,859,266	2,029,034	642,529	947,608	919,857,005
1,023,028,782	595,394,346	134,235,895	1,350,446	6,404	790,885	731,777,976
800,569,635	688,646,045		1,561,955	7,407	914,755	691,130,162
60,922	(423,406)	(92,053)	(960)	(5)	(562)	(516,986)
1,120,240,821	610,400,704	3,671,640	1,384,477	6,557	810,818	616,274,196
(264,875,076)	(178,044,428)	(13,648,040)	(659,317)	(447,642)	(236,503)	(193,035,930)
10,352,443,374	**263,393,052**	**(74,534,233)**	**(5,684,108)**	**(9,751,503)**	**349,875**	**173,773,083**
61,465,682	54,521,007		123,663	587	72,422	54,717,679
(15,992,653)	(13,027,556)		(29,549)	(140)	(17,305)	(13,074,550)
45,473,029	41,493,451		94,114	447	55,117	41,643,129
10,499,692	(8,874,464)		(20,129)	(96)	(11,788)	(8,906,477)
55,972,721	**32,618,987**		**73,985**	**351**	**43,329**	**32,736,652**
(32,985,051)	(21,481,773)	(4,389,394)	(200,106)	(400,053)	(81,707)	(26,553,033)
10,375,431,044	**274,530,266**	**(78,923,627)**	**(5,810,229)**	**(10,151,205)**	**311,497**	**179,956,702**
14,010,499,028	**2,861,109,220**	**865,026,281**	**47,114,122**	**59,928,584**	**16,303,427**	**3,849,481,634**
6,200,096,568	4,329,452,581	1,575,561,578	305,215	160,471	895,574	5,906,375,419
307,486,279	302,812,289		6,462,849	14,396,904		323,672,042
69,617,155	51,196,146	13,076,814	2,559,312	2,354,183	914,578	70,101,033
16,981,683			5,129,362	4,920,130	28,172	10,077,664
6,594,181,685	**4,683,461,016**	**1,588,638,392**	**14,456,738**	**21,831,688**	**1,838,324**	**6,310,226,158**
7,416,317,343	(1,822,351,796)	(723,612,111)	32,657,384	38,096,896	14,465,103	(2,460,744,524)
74,030,876,166	63,153,243,166	12,682,612,422	300,437,631	279,096,442	76,231,029	76,491,620,690
$81,447,193,509	**$61,330,891,370**	**$11,959,000,311**	**$333,095,015**	**$317,193,338**	**$90,696,132**	**$74,030,876,166**

1. Description of OPERS

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

OPERS maintains two health care-related plans: a cost-sharing, multiple-employer defined benefit type health care plan and a Voluntary Employees' Beneficiary Association (VEBA). The cost-sharing plan provides health care coverage to retirees in the Traditional Pension and Combined plans and their beneficiaries. This plan is reported as an other post-employment benefit plan (OPEB) based on the criteria established by the Government Accounting Standards Board (GASB). Periodically, OPERS alters the health care plan design to protect the ongoing solvency of the plan but, generally, 10 or more years of service are required to qualify for coverage under this plan. The OPEB plan coverage is neither guaranteed nor statutorily required. The VEBA plan, a defined-contribution type plan, provides Member-Directed Plan participants with a medical spending account.

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

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

The Board of Trustees appoints the executive director, an actuary, and other consultants necessary for the transaction of business. The Board of Trustees meets monthly and receives no compensation, but is reimbursed for necessary expenses. Employer, employee and retiree data as of December 31, 2012 and 2011 follows:

Employer, Employee and Retiree Data (as of December 31, 2012 and 2011)

Year	2012	2011
Employer Units		
State government group	271	271
Local government group	3,189	3,183
Law enforcement and public safety group	242	241
Employees, members and retirees — pension		
Traditional Pension Plan retirees and primary beneficiaries currently receiving benefits	190,488	184,876
Combined Plan and Member-Directed Plan retirees and primary beneficiaries currently receiving benefits	133	89
Traditional Pension Plan and Combined Plan terminated employees not yet receiving benefits	32,526	31,859
Employees, members and retirees — post-employment health care		
Retirees and primary beneficiaries currently receiving benefits — OPEB (Traditional Pension and Combined plans)	163,940	161,315
Dependent and Other Beneficiaries currently receiving benefits — OPEB (Traditional Pension and Combined plans)	62,456	62,507
Retirees and primary beneficiaries currently receiving benefits — VEBA (Member-Directed Plan)	2,589	2,073
Traditional Pension Plan and Combined Plan terminated employees not yet receiving benefits	14,562	14,408
Active employees (all plans)		
State government group	123,910	124,649
Local government group	216,730	216,873
Law enforcement group	7,508	7,561
Public safety	87	105

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

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

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

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

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

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

- ***Defined Contribution Benefits*** — Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of their vested account balance to another financial institution, receipt of their entire account balance net of taxes withheld or a combination of these options.
- ***Early Retirement Incentive Plan*** — Employers under OPERS may establish an early retirement incentive plan by purchasing service credit for eligible employees. To be eligible, employees must be able to retire under existing plan provisions after the purchase of the additional credit. Electing employers must contribute all such additional costs as are actuarially determined to fund the benefit. Such a plan, if adopted by an employer, must be offered to a minimum of 5% of covered employees, and may provide for the purchase of up to five years service credit, limited to a maximum of 20% of the member's total service credit. Members electing to participate in the employer's plan must retire within 90 days of receiving notice of the purchased service or the service is withdrawn and refunded to the employer.
- ***Disability Benefits*** — OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect, by April 7, 1993, coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. After the disability benefit ends, the member may apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. Law enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury. Members participating in the Member-Directed Plan are not eligible for disability benefits.
- ***Survivor Benefits*** — Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. ORC Chapter 145 specifies the dependents and the conditions under which they qualify for survivor benefits. Law enforcement and public safety personnel are eligible for survivor benefits immediately upon employment.

- ***Health Care Coverage*** — The ORC permits, but does not require, OPERS to offer post-employment health care coverage (OPEB). The ORC allows a portion of the employers' contributions to be used to fund health care coverage. OPERS maintains a Health Care Fund established under Internal Revenue Code 401(h), to provide coverage to the retirees and beneficiaries of the Traditional Pension and Combined plans. The System currently provides comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offers coverage to their dependents on a premium deduction or direct bill basis. Coverage includes hospitalization, medical expenses, prescription drugs, and reimbursement of monthly Medicare premiums. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, HMOs, case management, disease management, and other programs.

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

  Participants in the Member-Directed Plan are not eligible for health care coverage under the Post-employment Health Care Plan. A portion of employer contributions for these members is placed in a Voluntary Employees' Beneficiary Association (VEBA or RMA) established under Internal Revenue Code 501(c)(9). Terminated members and retirees may be reimbursed for qualified medical expenses from their VEBA funds.

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

- ***Money Purchase Annuity*** — OPERS' age-and-service retirees who become re-employed in an OPERS-covered position must contribute the regular contribution rates, which are applied toward a money purchase annuity. The money purchase annuity calculation is based on the accumulated contributions of the retiree for the period of re-employment, and an amount of the employer contributions determined by the Board of Trustees. Upon termination of service, members over the age of 65 can elect to receive a lump-sum payout or a monthly annuity. Members under age 65 may leave the funds on deposit with OPERS to receive an annuity benefit at age 65, or may elect to receive a refund of their employee contributions made during the period of re-employment, plus interest.

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

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

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

Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2012. Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the individual entry age actuarial funding method. This formula determines the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time. The annual employer contributions reported for the Traditional Pension Plan for 2012 and 2011 were $1,208,150,727 and $1,233,002,841 respectively. Employer contributions for the Combined Plan for 2012 and 2011 were $23,998,486 and $23,280,520, respectively. Employers satisfied 100% of the contribution requirements.

The following table displays the employee and employer contribution rates as a percent of covered payroll for each division for 2012, 2011, and 2010. Based upon the recommendation of the System's actuary, a portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan employer contributions allocated to health care was 4.0% for 2012 and 2011. The portion of Combined Plan employer contributions allocated to health care was 6.05% for 2012 and 2011. The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for both 2012 and 2011 was 4.5%.

Board of Trustees–Approved Contribution Rates–All Plans

	Employee Rate			Employer Rate		
	2012	2011	2010	2012	2011	2010
State division	10.00%	10.00%	10.00%	14.00%	14.00%	14.00%
Local government division	10.00	10.00	10.00	14.00	14.00	14.00
Law enforcement division	12.10	11.60	11.10	18.10	18.10	17.87
Public safety division	11.50	11.00	10.50	18.10	18.10	17.87

The 2012 employee and employer contribution rates for the state and local divisions are currently set at the maximums authorized by the Ohio Revised Code of 10% and 14%, respectively. The public safety and law enforcement employer rates are also set at the maximum authorized rate of 18.1%. The employee public safety rate is determined by the Board and has no maximum rate established by the Ohio Revised Code. The employee rate for law enforcement members is also determined by the Board, but is limited by the Ohio Revised Code to not more than 2% greater than the public safety rate.

ORC Chapter 145 assigns authority to the Board of Trustees to amend the funding policy. As of December 31, 2012 and 2011, the Board of Trustees adopted the contribution rates that were recommended by the actuary.

As of December 31, 2011, the date of the last actuarial study, the funding period for all defined benefits of the System was 30 years. The funding period for the actuarial study performed for the year ended December 31, 2010, was 24 years following an experience study.

d. Federal Subsidies — OPERS participates in several federal programs that subsidize or provide reimbursements to the Post-employment Health Care Plan. Medicare Part D is a federal program that reimburses 28% of the cost of prescription drugs for Medicare beneficiaries in the United States. During 2011, OPERS implemented a prescription drug plan (PDP) in which the System receives a direct subsidy from the Centers for Medicare and Medicaid Services (CMS) based on the risk score of each eligible retiree. Depending on circumstances, retirees are placed either with the Medicare Part D program or with the PDP plan.

OPERS also participated in the Early Retiree Reinsurance Program (ERRP). This program was established in 2010 as part of the Patient Protection and Affordable Care Act to provide reimbursement to participating employment-based plans for a portion of the cost of health care benefits incurred by members who retire early (before Medicare eligibility). This temporary program was funded by the federal government with $5 billion available to participating plans on a first-come, first-served basis until the program funds were depleted in 2011.

The following table summarizes the various federal subsidies received by OPERS for the years ending December 31, 2012 and 2011:

Federal Subsidies Received (For the Years ending December 31, 2012 and 2011)

	2012	2011
Medicare Part D Retiree Drug Subsidy	$926,931	$788,419
Medicare Prescription Drug Plan	181,652,986	81,802,880
Early Retiree Reinsurance Program		109,527,108
Total Federal Subsidy	**$182,579,917**	**$192,118,407**

e. Commitments and Contingencies — OPERS has committed to fund various private equity and closed-end real estate investments totaling approximately $6.7 billion and $6.3 billion at December 31, 2012 and December 31, 2011, respectively. The expected funding dates for these commitments extend through 2017. OPERS is a party in various lawsuits relating to plan benefits and investments. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on OPERS' financial position.

f. Prior Period Adjustment — The plan distribution for the Net Position Held in Trust for Pension and Post-employment Health Care Benefits as of December 31, 2010 has been restated to correct the allocation of investment income between the Traditional Pension, Post-employment Health Care, Combined, Member-Directed, and Voluntary Employees' Beneficiary Association plans. The restatement does not impact the total net position of the System at December 31, 2010.

The table below shows the previously reported net position, the correction, and the restated amounts as of December 31, 2010. The restatement rolls forward through 2011 and 2012 in the financial statements that begin on page 42.

	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2010 Total All Plans
Net Position, as Previously Reported	$63,515,005,521	$12,319,743,979	$301,150,779	$279,098,338	$76,622,073	$76,491,620,690
Adjustment to Cash and Short-Term Investments	(361,762,355)	362,868,443	(713,148)	(1,896)	(391,044)	0
Net Position, As Restated	**$63,153,243,166**	**$12,682,612,422**	**$300,437,631**	**$279,096,442**	**$76,231,029**	**$76,491,620,690**

2. Summary of Significant Accounting Policies

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

a. Basis of Accounting — The financial statements are prepared using the accrual basis of accounting under which deductions are recorded when the liability is incurred and revenues are recognized when earned. Pension benefit payments are due the first day of the month following the retirement of a member, and the first of each month thereafter. Refunds, for any member who makes a written application to withdraw their contributions, are payable three months after termination of the member's OPERS-covered employment. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Additions to the plans consist of contributions (member and employer), health care reimbursements, federal health care subsidies, other contracts and receipts, interplan activities, net investment income, and other miscellaneous income. Contributions are recorded in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements. Accordingly, both member and employer contributions for the years ended December 31, 2012 and 2011 include year-end accruals based upon estimates derived from subsequent payment activity and historical payment patterns. Member and employer contributions are due 30 days after the month in which salaries are earned based on pay period end date. Health care reimbursements are recognized when they become measurable and due OPERS based on contractual requirements. Therefore, health care reimbursements contain estimates based on information received from health care vendors and other sources. Plan changes, settlement activity and other interplan activity are recorded as an addition or deduction based on the nature of the transaction, when the transactions occur. Investment purchases and sales are recorded as of their trade date.

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

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

GASB Statement 50, *Pension Disclosures*, amended GASB Statement 25, enhancing the standards for footnote disclosures and required supplementary information for pension plans, to include the plan's funding status, actuarial methods and assumptions.

GASB Statement 59, *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. GASB 59 was implemented for the year ended December 31, 2011.

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, introduces and defines these elements as a consumption or acquisition of net assets that is applicable to a future reporting period. These transactions are distinct from assets and liabilities, and result in the redefinition of net assets to the concept of net position. Because OPERS' Total Net Position includes both statutory pension benefits and discretionary health care coverage, OPERS discloses the System's total net position as "Net Positions Held in Trust for Pension and Post-employment Health Care". GASB 63 was implemented for the year ended December 31, 2012.

GASB Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement 53*, establishes criteria for when an effective hedging relationship continues and hedge accounting should continue to be applied. GASB 64 was implemented for the year ended December 31, 2012.

b. **Investments** — OPERS is authorized by ORC Section 145.11 to invest under a prudent person standard and does so through an investment policy established by the Board of Trustees. ORC 145.11 states:

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

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

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

Net appreciation (depreciation) in the fair value of investment assets is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less purchases of investments at cost, plus sales of investments at fair value. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Commissions paid to brokers are considered a part of the investment asset cost and are, therefore, not reported as expenses of the System. Brokerage commissions for 2012 and 2011 were $29,070,884 and $33,674,333, respectively. Investment administrative expenses consist of custodial banking fees and those expenses directly related to OPERS' internal investment operations, and include a proportional amount of overhead that is allocated based on the ratio of investment personnel to total OPERS personnel.

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

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

Useful Lives of Capital Assets

	Years
Buildings and Building Improvements	50
Furniture and Equipment	3-10
Computer Software	3-8

The following table is a schedule of the capital asset account balances as of December 31, 2011, and changes to those account balances during the year ended December 31, 2012:

Capital Asset Account Balances

	Land	Building and Building Improvements	Furniture, Fixtures, and Equipment	Total Capital Assets
Cost:				
Balances December 31, 2011	$3,734,813	$111,465,504	$85,244,782	$200,445,099
Additions			17,466,197	17,466,197
Write-offs		(249,244)	(149,127)	(398,371)
Balances December 31, 2012	3,734,813	111,216,260	102,561,852	217,512,925
Accumulated Depreciation:				
Balances December 31, 2011		22,614,310	65,737,928	88,352,238
Depreciation Expense		2,341,347	5,819,197	8,160,544
Write-offs		(47,689)	(125,103)	(172,792)
Balances December 31, 2012		24,907,968	71,432,022	96,339,990
Net Capital Assets December 31, 2012	**$3,734,813**	**$86,308,292**	**$31,129,830**	**$121,172,935**

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

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

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

Traditional Pension Plan

- ***The Employees' Savings Fund*** — represents members' contributions held in trust pending their refund or transfer to a benefit disbursement fund. Upon an employee's refund or retirement, such employee's account is credited with an amount of interest (statutory interest) on the employee's contributions based on a Board of Trustees approved rate, which currently ranges from 1% to 4%. Employees eligible for a refund also receive additional funds from the Employers' Accumulation Fund, if qualified. The ORC Chapter 145 requires statutory interest to be compounded annually.
- ***The Employers' Accumulation Fund*** — is used to accumulate employers' contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve Fund as members retire or become eligible for disability benefits, and to the Survivors' Benefit Fund for benefits due dependents of deceased members.
- ***The Employers' Accumulation Health Care Fund*** — is used to accumulate employers' contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve and Survivors' Benefit Funds for health care coverage paid for retirees and eligible dependents of deceased members.
- ***The Annuity and Pension Reserve Fund*** — is the fund from which retirement allowances that do not exceed the IRC 415(b) limitations, and health care coverage are paid. This reserve was fully funded according to the latest actuarial study dated December 31, 2011. Accordingly, sufficient assets are available in this fund to pay the vested pension benefits of all retirees and beneficiaries as of the valuation date.

- ***The Survivors' Benefit Fund*** — is the fund from which benefits due dependents of deceased members of the System that do not exceed the IRC 415(b) limitations are paid. This fund also was fully funded in relation to vested pension benefits as of December 31, 2011.
- ***Qualified Excess Benefit Arrangement (QEBA)*** — is the fund from which annuity, disability and survivors' benefits are paid when the recipient exceeds the IRC 415(b) limits. This reserve is funded by employer contributions on an as-needed basis; therefore, it is fully funded.
- ***The Income Fund*** — is the fund credited with all investment earnings and miscellaneous income. Annually, the balance in this fund is transferred to other funds to aid in the funding of future benefit payments and administrative expenses.
- ***The Expense Fund*** — provides for the payment of administrative expenses with the necessary monies allocated to it from the Income Fund.

Member-Directed Plan

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

Combined Plan

- ***The Defined Contribution Fund*** — represents members' contributions held in trust pending their refund or commencement of benefit payments. Members self-direct the investment of these funds.
- ***The Employees' Savings Fund*** — represents members' deposits for the purchase of service credit held in trust pending their refund or transfer to the plan's Annuity and Pension Reserve Fund. Upon an employee's refund or retirement, such employee's accounts are credited with an amount of interest (statutory interest) on the employee's deposits based on a Board of Trustees approved rate. The interest rate has been 1% since January 1, 2003.

- ***The Employers' Accumulation Fund*** — is used to accumulate employers' contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve Fund as members retire. Disability and survivor benefits are funded by transfers to Traditional Pension Plan funds, which pay such benefits.
- ***The Employers' Accumulation Health Care Fund*** — is used to accumulate employers' contributions to be used in providing health care coverage to retirees and eligible dependents of deceased members.
- ***The Annuity and Pension Reserve Fund*** — is the fund from which retirement allowances and health-care coverage are paid. This reserve was fully funded according to the latest actuarial study dated December 31, 2011.
- ***Qualified Excess Benefit Arrangement (QEBA)*** — is the fund from which annuity benefits exceeding the IRC 415(b) limits are paid for the defined benefit portion of the Combined Plan. As of December 31, 2012, there were no benefits being paid out of the fund to Combined Plan participants.
- ***The Income Fund*** — is the fund credited with all investment earnings, account fees and miscellaneous income. The balance in this fund is transferred to other funds to the credit of the member account and to aid in the funding of future benefit payments and administrative expenses.
- ***The Expense Fund*** — provides for the payment of administrative expenses with the necessary monies allocated to it from the Income Fund.

The statutory funds defined by ORC 145 and the IRC-required funds are not mutually exclusive. The Combining Statements of Fiduciary Net Position and the Combining Statements of Changes in Fiduciary Net Position are presented based on IRC requirements. The following schedule (page 59) provides the values of the statutory funds and how they are distributed among the various retirement and health care plans administered by the System. The rows represent the statutory funds required by the ORC. In total, these funds will equal the fiduciary net position of the System. To support the fiduciary net position for each plan included in the statements, the schedule has been expanded to include the value of the statutory funds as they relate to each plan.

Statutory and IRC Fund Balances at December 31, 2012 and 2011 are as follows:

Statutory and IRC Fund Balances (as of December 31, 2012 and 2011)

For Year Ended December 31, 2012	Traditional Pension Plan	Post-Employment Health Care	Combined Plan	Member-Directed Plan	VEBA	Total
Employees' Savings Fund	$12,639,906,042		$1,606,472	$142,954		$12,641,655,468
Employers' Accumulation Fund	6,066,140,290	$12,828,625,322	179,466,995	37,744		19,074,270,351
Annuity & Pension Reserve Fund	47,227,389,270		3,114,881	2,404,732		47,232,908,883
Survivors' Benefit Fund	1,627,212,197					1,627,212,197
Defined Contribution Fund			236,009,198	408,077,537	$119,615,875	763,702,610
Income Fund	107,444,000					107,444,000
Expense Fund						
Total	**$67,668,091,799**	**$12,828,625,322**	**$420,197,546**	**$410,662,967**	**$119,615,875**	**$81,447,193,509**

For Year Ended December 31, 2011	Traditional Pension Plan	Post-Employment Health Care	Combined Plan	Member-Directed Plan	VEBA	Total
Employees' Savings Fund	$12,298,673,251		$1,362,904	$81,283		$12,300,117,438
Employers' Accumulation Fund	3,850,924,715	$11,959,000,311	149,374,928	(38,124)		15,959,261,830
Annuity & Pension Reserve Fund	43,510,467,596		1,514,253	1,066,609		43,513,048,458
Survivors' Benefit Fund	1,568,050,108					1,568,050,108
Defined Contribution Fund			180,842,930	316,083,570	$90,696,132	587,622,632
Income Fund	99,016,985					99,016,985
Expense Fund	3,758,715					3,758,715
Total	**$61,330,891,370**	**$11,959,000,311**	**$333,095,015**	**$317,193,338**	**$90,696,132**	**$74,030,876,166**

g. **Risk Management** — OPERS is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; and court challenges to fiduciary decisions. To cover these risks, OPERS maintains commercial insurance and holds fidelity bonds on employees. There were no reductions in coverage nor have there been any settlements exceeding insurance coverage for the past three years. As required by state law, OPERS is registered and insured through the state of Ohio Bureau of Workers' Compensation for injuries to employees. OPERS is self-insured for employee health care coverage. The only outstanding liabilities at the end of 2012 and 2011 were related to the employee health care coverage (see Note 7).

3. Cash and Investments

A summary of cash and short-term securities and investments held at December 31, 2012 and 2011 is as follows:

Summary of Cash and Short-Term Securities and Investments (as of December 31, 2012 and 2011)

	2012 Fair Value	2011 Fair Value
Cash and Short-Term Investments:		
Cash	$113,700,065	$55,062,108
Short-Term Securities:		
Commercial Paper	190,440,517	557,096,396
U.S. Treasury Obligations	161,906,381	261,812,909
Agency Discount Notes		68,663,435
Repurchase Agreements	615,000,000	250,000,000
Yankee Certificate	19,998,271	
Short-Term Investment Funds (STIF)	1,679,652,301	1,655,205,003
Subtotal Short-Term Securities	2,666,997,470	2,792,777,743
Total Cash and Short-Term Investments	**$2,780,697,535**	**$2,847,839,851**

Investments:		
Fixed Income:		
U.S. Corporate Bonds	$8,646,543,171	$7,226,639,725
Non-U.S. Notes/Bonds	5,077,192,005	2,468,380,338
U.S. Government and Agencies	5,089,634,019	6,179,904,949
U.S. Mortgage Backed	4,238,746,077	4,930,070,925
Subtotal Fixed Income	23,052,115,272	20,804,995,937
Domestic Equities	17,000,246,886	19,329,745,472
Real Estate	6,979,818,436	6,009,392,846
Private Equities	7,055,571,728	5,270,873,103
International Equities	19,734,844,680	18,783,141,673
Hedge Funds	3,793,040,144	940,565,305
Derivatives	2,212,974	10,301,759
Total Investments Before Collateral on Loaned Securities	**77,617,850,120**	**71,149,016,095**
Collateral on Loaned Securities:		
Cash	6,827,172,458	10,401,223,945
Total Collateral on Loaned Securities	**6,827,172,458**	**10,401,223,945**
Total Investments Including Collateral on Loaned Securities	**$84,445,022,578**	**$81,550,240,040**

Total Cash and Investments	**$87,225,720,113**	**$84,398,079,891**

a. **Custodial Credit Risk, Deposits** — Custodial credit risk for deposits is risk that, in the event of the failure of a depository financial institution, OPERS will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. The total amounts of cash and cash equivalent balances held by the bank were $133,346,909 and $69,658,556 at December 31, 2012 and 2011, respectively. OPERS has not experienced any losses in its accounts and believes it is not exposed to a significant credit risk on its cash. OPERS has no formal policy specific to custodial credit risk. These assets are under the custody of the Treasurer of the state of Ohio.

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

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

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

d. **Interest Rate Risk** — Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. OPERS monitors the interest rate risk inherent in its portfolio by measuring the weighted average duration of its portfolio. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The effective duration measures the sensitivity of the market price to parallel shifts in the yield curve. The OPERS Fixed Income Policy states the average effective duration of all Defined Benefit and Health Care assets must be within 20% of the average effective duration of the benchmark (60% Lehman Universal Index; 40% Lehman Long Government/Credit Index).

The following table presents the credit quality ratings and effective durations of OPERS' fixed income assets, including short-term investments as of December 31, 2012.

2012 Average Credit Quality and Exposure Levels of Guaranteed Securities

Fixed Income Security Type	Fair Value	Percent of All Fixed Income Assets	Weighted Average Duration to Maturity (years)	AAA	AA
Commercial Paper	$190,440,517	0.8%	0.13	$152,353,959	$38,086,558
Money Market/STIF	1,679,652,301	6.5	0.08		1,679,652,301
Repurchase Agreements	615,000,000	2.4	0.01	525,000,000	90,000,000
Yankee Certificate of Deposit	19,998,271	0.1	0.05		
Corporate Bonds	6,899,020,330	26.8	5.83	1,338,174	266,011,149
Municipal Bonds	178,493,321	0.7	17.13	9,779,281	106,872,920
Asset-Backed Securities	761,534,098	3.0	3.18	113,683,492	148,130,570
Mortgages	527,928,747	2.1	3.26	198,120,818	55,328,288
Non-U.S. Corporate Bonds	2,368,700,346	9.2	4.47	276,402,300	250,494,417
Non-U.S. MBS and ABS	314,189,338	1.2	2.35	126,355,255	9,281,812
Non-U.S. Government	2,394,302,321	9.3	6.28	77,525,005	167,188,690
Commingled Long-Term Global Funds	923,291,374	3.6	3.45		
Agency Mortgages	3,605,533,900	14.0	3.18		3,605,533,900
Agency Bonds	823,288,607	3.2	1.80		823,288,607
Total Non-Government Guaranteed	**21,301,373,471**	**82.9**		**1,480,558,284**	**7,239,869,212**
U.S. Treasury Notes	3,247,090,287	12.6	2.44		3,247,090,287
U.S. Treasury Bonds	363,601,733	1.4	15.13		363,601,733
U.S. Treasury Inflation Protected	645,140,870	2.5	6.78		645,140,870
U.S. Treasury Discount Notes	161,906,381	0.6	0.37		161,906,381
Total Fixed Income and Short-Term Securities	**$25,719,112,742**	**100.0%**	**4.18**	**$1,480,558,284**	**$11,657,608,483**

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

A	BBB	BB	B	CCC	CC	C	D	Not Rated
$19,998,271								
1,372,400,471	$1,496,659,321	$1,184,417,239	$1,946,538,874	$596,692,487	$20,372,655	$6,875		$14,583,085
61,841,120								
126,619,979	25,685,570	41,383,412	34,415,304	176,961,858	37,624,436	9,105,700	$47,922,862	915
23,282,179	125,379,138	22,829,974	5,476,258	50,292,648	11,812,290	31,666,519	818,075	2,922,560
355,284,423	507,674,707	359,928,227	480,465,643	117,497,620	28,359			20,924,650
36,036,269	45,456,854	40,482,333	13,341,725	39,690,116	3,542,017	1,369		1,588
535,330,234	923,864,526	426,112,559	212,953,767	5,805,000				45,522,540
								923,291,374
2,530,792,946	**3,124,720,116**	**2,075,153,744**	**2,693,191,571**	**986,939,729**	**73,379,757**	**40,780,463**	**48,740,937**	**1,007,246,712**
$2,530,792,946	**$3,124,720,116**	**$2,075,153,744**	**$2,693,191,571**	**$986,939,729**	**$73,379,757**	**$40,780,463**	**$48,740,937**	**$1,007,246,712**

e. **Concentration of Credit Risk** — Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of December 31, 2012, OPERS' portfolio has no single-issuer exposure that comprises 5% or more of the overall portfolio. Therefore, there is no concentration of credit risk.

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

Exposure to Foreign Currency Risk in U.S. Dollars (as of December 31, 2012)

Currency	Cash	Forwards	Fixed Income	International Equities	Real Estate	Private Equities
Argentine Peso	$76,797					
Australian Dollar	648,101			$597,298,319		
Brazilian Real	3,069,616	$50,568,420	$118,894,947	433,146,502		
British Pound Sterling	4,440,485	(9,391,802)	35,793,077	2,189,995,914	($12,021,504)	$218,301,664
Canadian Dollar	1,605,550	(1,701,733)	1,768,204	685,160,327		
Chilean Peso		6,296,768	11,749,911			
Chinese Yuan Renminbi		64,682,796				
Colombian Peso	(24,630)	4,511,631	51,902,151	8,565,993		
Costa Rican Colon	215,474		12,853,424			
Czech Koruna	196,354	1,002,956		5,776,458		
Danish Krone	65,419			173,748,877		
Dominican Peso			16,227,812			
Egyptian Pound	6,499			3,480,833		
Euro Currency	2,300,701	20,857,856	187,606,568	2,717,681,836	188,396,006	704,904,539
Ghanian Cedi	674,508		15,771,294			
Hong Kong Dollar	2,029,955			1,146,004,888		
Hungarian Forint	141,117	765,346	49,088,294	2,458,225		
Indian Rupee	857,975	23,378,143		329,312,577		
Indonesian Rupiah	942,227	9,187,012	62,319,337	170,159,815		
Israeli Shekel	686,591		1,126,306	32,084,056		
Japanese Yen	3,483,430	(37,270,656)		2,048,681,122		
Malaysian Ringgit	1,973,449	12,293,232	92,352,059	135,506,359		
Mexican Peso	6,974,878	18,462,120	188,803,253	165,993,505		
Moroccan Dirham				506,952		
New Zealand Dollar	299,246			17,195,090		
Nigerian Naira	191,369	332,485	24,801,558			
Norwegian Krone	470,198			129,885,697		
Peruvian Nuevo Sol	(144)	2,112,299	12,556,924	1,383,203		
Philippine Peso	85,332	3,218,096	26,245,635	44,946,914		
Polish Zolty	993,749	5,443,843	116,634,455	60,424,709		
Qatari Rial	1,004			13,146,738		
Romanian New Leu		2,521,208	6,783,381			
Russian Ruble	207,894	33,090,673	121,745,814			
Singapore Dollar	2,852,744	38,271,310		173,992,875		
South African Rand	1,574,190	21,508,826	122,433,183	336,344,927		
South Korean Won	317,820	54,273,015	10,449,144	718,136,456		
Swedish Krona	1,051,326	510,175		260,063,649		
Swiss Franc	1,561,986	784,579		682,167,491		
Taiwan Dollar	6,330,526	37,923,133		172,955,988		
Thailand Baht	9,737,219	8,842,065	41,462,258	237,003,121		
Turkish Lira	977,203	7,000,927	134,351,902	166,713,653		
Uganda Shilling	51,432		6,014,095			
Uruguay Peso	154,327		39,409,616			
Total	**$57,221,917**	**$379,474,723**	**$1,509,144,602**	**$13,859,923,069**	**$176,374,502**	**$923,206,203**

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

As of December 31, 2012, the fair value of securities on loan was $6,619,644,693. Associated collateral totaling $6,816,672,766 was comprised of cash and cash equivalents. The fair market value of reinvested collateral was $6,827,172,458 at December 31,2012, which includes an unrealized gain on securities lending income totaling $10,499,692.

As of December 31, 2011, the fair value of securities on loan was $10,148,201,907. Associated collateral totaling $10,410,130,422 was comprised of cash and cash equivalents. The fair market value of reinvested collateral was $10,401,223,945 at December 31, 2011, which includes an unrealized loss on securities lending income totaling $8,906,477.

Net security lending income/(loss) is composed of four components: gross income, broker rebates, agent fees and unrealized gain/(loss) on collateral. Gross income is equal to earnings on cash collateral received in a security lending transaction. A broker rebate is the cost of using that cash collateral. Agent fees represent the fees paid to the agent for administering the lending program. Unrealized gain/(loss) results from the change in fair value of the reinvested cash collateral. Net security lending income is equal to gross income less broker rebates, agent fees, and unrealized loss on collateral. Security lending income for 2012 and 2011 was recorded on a cash basis, which approximated accrual basis.

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

- ***Forward-Currency Contracts*** — OPERS enters into various forward-currency contracts to manage exposure to changes in foreign currency exchange rates on its foreign portfolio holdings. The System may also enter into forward-currency exchange contracts to provide a quantity of foreign currency needed at a future time at the current exchange rates, if rates are expected to change dramatically. A forward-exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risk associated with such contracts includes movement in the value of foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward-exchange rates, and the changes in value of open contracts are recognized as net appreciation/depreciation in the statement of changes in fiduciary net position. The realized gain or loss on forward-currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included as net appreciation/depreciation in the Combining Statements of Changes in Fiduciary Net Position. The net realized and unrealized gain/(loss) on forward-currency contracts for the years 2012 and 2011 was $17,467,807 and ($42,112,066), respectively.

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

Fair Values of Forward-Currency and Hedged Contracts (as of December 31, 2012 and 2011)

	2012	2011
Forward-currency purchases	$453,211,125	$595,368,811
Forward-currency sales	73,736,402	371,287,339
Unrealized gain/(loss)	2,143,915	(2,965,690)

- ***Futures Contracts*** — OPERS enters into various futures contracts to manage exposure to changes in foreign equity and currency markets and to take advantage of movements on an opportunistic basis. A stock index future is a futures contract that uses a stock index as its base, and which is settled by cash or delivery of the underlying stocks in the index. Financial futures represent an off balance sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts; however, the realized and unrealized gains and losses on futures are recorded in the Combining Statement of Changes in Fiduciary Net Position. Futures contracts differ from forward-currency contracts by their standardization, exchange trading, margin requirements, and daily settlement (marking-to-market). Risk associated with stock index futures contracts includes adverse movements in the underlying stock index. The following table shows the futures positions held by OPERS as of December 31, 2012 and 2011. The net realized and unrealized gain on futures contracts for the years 2012 and 2011 was $224,670,577 and $330,256,379, respectively.

Futures Positions Held (as of December 31, 2012 and 2011)

Futures Contracts	2012		2011	
	Number of Contracts	Contract Principal	Number of Contracts	Contract Principal
U.S. Equity Index Futures purchased long	15,734	$1,223,821,695	20,133	$1,373,108,090
U.S. Treasury Futures purchased long			12	1,737,750
U.S. Treasury Futures purchased short	(978)	(157,463,485)	(79)	(9,737,367)
Currency Futures purchased long	139	17,606,500		
Non-U.S. Equity Index Futures purchased short	(5,610)	(385,323,950)		

- ***Total Return Swaps*** — OPERS may manage market exposure through the use of total return swaps. A total return swap is an agreement in which one party commits to pay a fee in exchange for a return linked to the market performance of an underlying security, group of securities, index or other asset (reference obligation). Risks may arise if the value of the swap acquired decreases because of an unfavorable change in price of the reference obligation or the counterparty's ability to meet the terms of the contract. OPERS held total return swaps with a notional value of $872,841,339 and $765,276,118 as of December 31, 2012 and December 31, 2011, respectively. The unrealized gain at December 31, 2012 and December 31, 2011 was $69,059 and $13,267,449. The net realized and unrealized gain/(loss) in total return swaps for the years 2012 and 2011 was $96,527,422 and ($5,053,073), respectively.

- ***Options*** — Options give buyers the right, but not the obligation, to buy or sell an asset at a predetermined strike price over a specified period. The option premium is usually a small percentage of the underlying asset's value. When writing an option, OPERS receives a premium up front and bears the risk of an unfavorable change in the price of the underlying asset during the option's life. When OPERS purchases an option, it pays a premium to a counterparty that bears the risk of an unfavorable change in the price of the underlying asset during the option's life. OPERS began investing in options in March 2011. While OPERS invested in options during the years 2012 and 2011, there were no outstanding options at December 31, 2012 or December 31, 2011. The net realized loss in options for the years 2012 and 2011 was $247,540 and $818,446, respectively.

4. Vacation and Sick Leave

As of December 31, 2012 and 2011, $5,847,413 and $5,911,525, respectively, were accrued for unused vacation and sick leave for OPERS' employees. Employees who resign or retire are entitled to full compensation for all earned but unused vacation leave for balances up to three times their annual accrual rate at the time of separation. Unused sick leave is forfeited upon termination. However, employees who retire with more than 10 years of service with OPERS are entitled to receive payment for 50% of their unused sick leave up to a maximum of 2,000 hours.

5. Deferred Compensation Plan

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

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

6. Schedule of Required Contributions

All employees of OPERS are eligible for membership in the benefit plans of the System. The annual required pension and health care contributions for OPERS' employees for the years ended December 31, 2012, 2011 and 2010 are as follows:

Annual Required Pension and Health Care Contributions

	Pension		Health Care	
Year Ended	Annual Required Contribution	Percent Contributed	Annual Required Contribution	Percent Contributed
2012	$4,179,866	100%	$1,671,947	100%
2011	3,905,106	100	1,551,657	100
2010	3,576,061	100	2,029,142	100

Under GASB 51, internal payroll related to the implementation of capital projects is capitalized as part of the fixed asset cost. OPERS implemented GASB 51 at the end of 2008, and began capitalizing internal labor costs effective January 1, 2009. The capitalized cost includes salary and wages as well as the corresponding employer paid Medicare and OPERS contribution expenses. The portion of the 2012 annual required contribution included in fixed assets was $265,788 for pension and $106,315 for health care. The portion of the 2011 annual required contribution included in fixed assets was $117,158 for pension and $46,864 for health care.

7. Self-insured Employee Health Care

OPERS is self-insured under a professionally administered plan for general health, hospitalization, and prescription drug employee benefits. OPERS maintained specific stop-loss coverage per employee for medical benefits in the amount of $250,000 for both 2012 and 2011. Employees share in the cost of coverage by payroll deductions, which are netted against the claims cost. Employee deductions and vendor rebates totaled $773,679 in 2012 and $615,768 in 2011. The summary of changes in incurred but not reported claims for the years ended December 31, 2012 and 2011 follows:

Employee Health Insurance

	2012	2011
Balance January 1	$62,577	$16,420
Claims Incurred	5,091,268	6,162,280
Claims Paid	(5,064,323)	(6,116,123)
Balance December 31	**$89,522**	**$62,577**

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

8. Pension and Health Care Plans

The funded status of the pension and health care plans as of December 31, 2011, the most recent actuarial valuation date, is as follows:

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

Plan	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
Pension Total:	$84,529,746	$65,436,128	$19,093,618	77%	$12,399,000	154%
Traditional Pension Plan	84,325,490	65,273,934	19,051,556	77	12,103,000	157
Combined Plan	203,083	161,038	42,045	79	296,000	14
Member-Directed Plan	1,173	1,156	17	99	N/A	N/A
Health Care	31,020,213	12,115,280	18,904,933	39	12,399,000	152

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. The Schedules of Funding Progress present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Schedules of Funding Progress for defined pension benefits and post-employment health care are presented on pages 70 – 72 of the Required Supplementary Information section of this document.

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

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

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

Actuarial Information	Pension	Health Care
Valuation date	December 31, 2011	December 31, 2011
Actuarial cost method	Individual entry age	Individual entry age normal
Amortization method:		Level percentage of pay, open
Traditional Pension Plan and Combined Plan	Level percentage of pay, open	
Member-Directed Plan	Level dollar, open	
Amortization period:		30 years
Traditional Pension Plan	29 years	
Combined Plan	1 year	
Member-Directed Plan	30 years	
Asset valuation method	4-year, smoothed market—12% corridor	4-year, smoothed market—12% corridor
Actuarial assumptions:		
Investment rate of return	8.00%	5.0%
Projected salary increases	4.25%-10.05% (includes wage inflation at 3.75%)	4.25%-10.05% (includes wage inflation at 3.75%)
Health care cost trend rate	N/A	8.0% initial, 3.75% ultimate

The Schedule of Funding Progress below includes the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the actuarial impact of the annuitized defined contribution accounts for the Combined and Member-Directed plans. Members in the Combined and Member-Directed plans have the option of converting their defined contribution accounts to a defined benefit annuity at retirement. Separate schedules are also displayed for each plan showing the funding status of the plans as reported in the annual actuarial valuation reports prepared by the System's actuary.

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as % of Active Member Payroll
2011	$84,530	$65,436	$19,094	77%	$12,399	154%
2010***	80,485	63,649	16,836	79	12,449	135
2010**	79,630	60,600	19,030	76	12,449	153
2009	76,555	57,629	18,926	75	12,548	151
2008	73,466	55,315	18,151	75	12,801	142
2007	69,734	67,151	2,583	96	12,583	21
2006	66,161	61,296	4,865	93	12,175	40

* The amounts reported on this schedule do not include assets or liabilities for the Post-employment Health Care Plan.
** Results from original valuation prior to re-statement after completion of experience study.
*** Revised actuarial assumptions based on experience study.

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as % of Active Member Payroll
2011	$84,325	$65,274	$19,051	77%	$12,103	157%
2010***	80,307	63,515	16,792	79	12,165	138
2010**	79,459	60,461	18,998	76	12,165	156
2009	76,407	57,519	18,888	75	12,290	154
2008	73,346	55,230	18,116	75	12,546	144
2007	69,639	67,067	2,572	96	12,347	21
2006	66,089	61,235	4,854	93	11,971	41

* The amounts reported on this schedule do not include assets or liabilities for the Post-employment Health Care Plan.
** Results from original valuation prior to re-statement after completion of experience study.
*** Revised actuarial assumptions based on experience study.

See Notes to Required Supplementary Information, beginning on page 74.

See accompanying Independent Auditors' Report, beginning on page 20.

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

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as % of Active Member Payroll
2011	$203	$161	$42	79%	$296	14%
2010***	177	134	43	76	284	15
2010**	171	138	33	81	284	12
2009	148	110	38	74	258	15
2008	120	85	35	71	255	14
2007	95	84	11	88	236	5
2006	72	61	11	85	205	5

* The amounts reported on this schedule do not include assets or liabilities for the Post-employment Health Care Plan.
** Results from original valuation prior to re-statement after completion of experience study.
*** Revised actuarial assumptions based on experience study.

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

Schedule of Funding Progress* ($ in thousands) **Member-Directed Annuities#**

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as % of Active Member Payroll
2011	$1,173	$1,156	$17	99%	N/A	N/A
2010***	496	454	42	92	N/A	N/A
2010**	490	439	51	90	N/A	N/A
2009	253	206	47	81	N/A	N/A
2008	166	148	18	89	N/A	N/A

* Participants in the Member-Directed Plan do not have access to the Post-employment Health Care Plan. Instead, a portion of the employer contributions are deposited into an individual account in a Voluntary Employees' Beneficiary Association (VEBA).
** Results from original valuation prior to re-statement after completion of experience study.
*** Revised actuarial assumptions based on experience study.
# Plan inception January 1, 2003. Actuarial data for annuitized accounts is not available prior to 2008.

See Notes to Required Supplementary Information, beginning on page 74.
See accompanying Independent Auditors' Report, beginning on page 20.

The Post-employment Health Care Plan is a cost-sharing, multiple-employer health care plan that provides health care coverage for eligible members in the Traditional Pension and Combined plans. The schedule below displays the funding status for the Post-employment Health Care Plan.

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as % of Active Member Payroll
2011	$31,020	$12,115	$18,905	39%	$12,399	152%
2010**	30,531	12,320	18,211	40	12,449	146
2010*	26,929	11,267	15,662	42	12,449	126
2009	31,558	10,936	20,622	35	12,548	164
2008	29,623	10,748	18,875	36	12,801	147
2007	29,825	12,801	17,024	43	12,584	135
2006	30,748	12,025	18,723	39	12,175	154

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

The table below displays the annual required contributions based on the actuarially determined rate, and the percentage of these contributions billed (and paid) by the employers each year. Federal subsidies are comprised of direct subsidies for the Medicare Prescription Drug Plan and Medicare Part D reimbursements.

Schedule of Contributions from Employers and Other Contributing Entities — Post-employment Health Care

Year Ended December 31	Annual Required Contributions	% Contributed by Employers[#]	Prescription Drug Plan	Medicare Part D	Total Medicare Subsidizes	Total % Contributed
2012	$1,422,859,434	34.72%	$181,652,987	$926,931	$182,579,918	47.55%
2011	1,831,329,260	27.49	81,802,880	788,419	82,591,299	32.00
2010	1,650,917,533	38.08		72,100,529	72,100,529	42.45
2009	1,698,928,499	43.61		69,132,772	69,132,772	47.67
2008	1,855,720,690	48.04		63,310,194	63,310,194	51.46
2007	2,068,922,571	33.64		59,075,120	59,075,120	36.49

[#] The % Contributed by Employers column displays the percentage of the annual required contribution that was billed to employers and paid each year.

See Notes to Required Supplementary Information, beginning on page 74.

See accompanying Independent Auditors' Report, beginning on page 20.

The tables below display the annual required contributions for the defined benefit pension plans based on the actuarially determined rate, and the percentage of these contributions paid by the employers each year.

Schedule of Employer Contributions* — Traditional Pension and Combined Plans

Year Ended December 31	Annual Required Contributions	% Contributed
2012	$1,232,149,213	100%
2011	1,256,283,361	100
2010	1,124,144,201	100
2009	1,042,979,659	100
2008	913,046,745	100
2007	1,071,049,868	100

Schedule of Employer Contributions* — Traditional Pension Plan

Year Ended December 31	Annual Required Contributions	% Contributed
2012	$1,208,150,727	100%
2011	1,233,002,841	100
2010	1,097,711,440	100
2009	1,019,582,360	100
2008	892,693,746	100
2007	1,051,808,289	100

Schedule of Employer Contributions* — Combined Plan

Year Ended December 31	Annual Required Contributions	% Contributed
2012	$23,998,486	100%
2011	23,280,520	100
2010	26,432,761	100
2009	23,397,299	100
2008	20,352,999	100
2007	19,241,579	100

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

See Notes to Required Supplementary Information, beginning on page 74.

See accompanying Independent Auditors' Report, beginning on page 20.

Description of Schedule of Funding Progress

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

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

Actuarial Assumptions and Methods

The actuarial assumptions and methods described below are based on the actuarial valuation study for the years ended December 31, 2011 and December 31, 2010 (prior to the experience study completed in 2011).

Defined Benefit Pension Plans:

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

  As of December 31, 2011, the date of the last actuarial study, the funding period was 29 years for the Traditional Pension Plan and one year for the Combined Plan on a GASB-reporting basis.

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

- ***Significant Actuarial Assumptions*** — Employed by the actuary for funding purposes as of December 31, 2011, the date of the latest actuarial study, and 2010 include:

  - ***Investment Return*** — An investment return rate of 8% compounded annually, for all members, retirees, and beneficiaries was assumed for the years 2011 and 2010.

  - ***Salary Scale*** — The active member payroll was assumed to increase 3.75% and 4% annually for 2011 and 2010, respectively, which is the portion of the individual pay increase assumption attributable to inflation and overall productivity. Also assumed were additional projected salary increases ranging from 0.50% to 6.30% per year depending on age, attributable to seniority, and merit for 2011 and 2010.

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

Multiple Decrement Tables:

- ***Mortality*** — The rates used for retiree allowances in the 2011 valuation were the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the Combined Healthy male mortality rates are used. For females, 100% of the Combined Healthy female mortality rates are used. The rates used for retiree allowances in the 2010 valuation were 110% of RP-2000 mortality table for males, and 100% of RP-2000 mortality table for females with 15 years of projected mortality improvements.

  The rates used for disability allowances in the 2011 valuation were the RP-2000 mortality table with no projections. For males, 120% of the Disabled female mortality rates are used set forward two years. For females, 100% of the Disabled female mortality rates are used. The rates used for disability allowances in the 2010 valuation were the RP-2000 mortality table for disabled lives, set back four years for males and set forward four years for females. OPERS changed the mortality tables for the December 31, 2011 actuarial valuation based on the results of an experience study.

- ***Disability*** — Projections for active employees are based on OPERS' experience.

- ***Withdrawal*** — For withdrawal from service it was assumed that members terminating before age 35, members terminating with less than 5 years of service, and a percentage of all other members would withdraw their contributions and forfeit their entitlement to an employer financed benefit. The percentage is 100% at age 35 and is reduced for each year of age after 35, becoming 0% at age 55.

Post-employment Health Care Coverage:

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

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

Significant Actuarial Assumptions — Assumptions employed by the actuary for funding purposes as of December 31, 2011, the date of the latest actuarial study, and for 2010 include:

- ***Investment Return*** — An investment return rate of 5.0% and 6.5% compounded annually was assumed for all members, retirees, and beneficiaries for the years 2011 and 2010, respectively.

- ***Salary Scale*** — The active-member payroll was assumed to increase 3.75% and 4% annually for 2011 and 2010, respectively, which is the portion of the individual pay increase assumption attributable to inflation and overall productivity. Also assumed were additional projected salary increases ranging from 0.50% to 6.30% per year depending on age, attributable to seniority and merit for 2011 and 2010.

- ***Benefit Payments*** — For the 2011 valuation, health-care expenses are assumed to increase initially at 8% before leveling off to 3.75% in 2022. For the 2010 valuation, health-care expenses are assumed to increase initially at 0% before rising to 7.5%. Health-care expenses ultimately level off to 3.75% in the 10th year of the 2011 valuation, and to 4% in the ninth year of the 2010 valuation.

Multiple Decrement Tables:

- ***Mortality*** — The rates used for retiree allowances in the 2011 valuation were the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the Combined Healthy male mortality rates were used. For females, 100% of the Combined Healthy female mortality rates were used. The rates used for retiree allowances in the 2010 valuation were 110% of RP-2000 combined mortality table for males and 100% of RP-2000 combined mortality table for females with 15 years of projected mortality improvements.

  The rates used for disability allowances in the 2011 valuation, were the RP-2000 mortality table with no projection. For males, 120% of the Disabled female mortality rates are used set forward two years. For females, 100% of the Disabled female mortality rates are used. The rates used for disability allowances in the 2010 valuation were the RP-2000 mortality table for disabled lives, set back four years for males and set forward four years for females.

Administrative Expenses (for the years ended December 31, 2012 and 2011)

	2012	2011
Personnel Expenses:		
Wages and Salaries	$41,744,831	$40,637,432
Retirement Contributions—OPERS	5,479,710	5,292,741
Retirement Contributions—Medicare	575,358	654,372
Employee Insurance	6,017,187	7,063,372
Other Personnel Expense	308,246	325,677
Purchased Services and Supplies:		
Professional expenses:		
Audit Services	361,485	260,732
Actuarial Services	991,891	1,027,190
Consulting Services	686,736	616,498
Investment & Financial Services	10,618,532	7,795,216
Legal & Investigation Services	3,268,124	2,836,564
Medical Examinations	3,662,044	3,464,251
Retirement Study Council	288,526	266,498
Custodial & Banking Fees	2,790,178	1,929,553
Information Technology	8,628,791	7,088,484
Communications	2,559,354	2,064,249
Office Supplies, Equipment & Other Miscellaneous	824,270	778,031
Education—Member & Staff	1,206,681	1,332,406
Facility Expenses	4,429,718	4,341,795
Subtotal Operating Expenses	**94,441,662**	**87,775,061**
Depreciation Expense:		
Building	2,341,347	2,333,699
Furniture & Equipment	5,819,197	6,458,831
Loss for Fixed Asset Disposal		86,475
Subtotal Depreciation	**8,160,544**	**8,879,005**
Total Administrative Expenses	**102,602,206**	**96,654,066**
Investment Expenses	(32,985,051)	(26,553,033)
Net Administrative Expenses	**$69,617,155**	**$70,101,033**

Schedule of Investment Expenses* (for the years ended December 31, 2012 and 2011)

	2012	2011
Investment Staff Expense	$14,155,509	$12,956,347
Investment Services	14,059,280	10,008,736
Investment Legal Services	2,849,106	2,407,570
Allocation of Administrative Expenses (See Note 2b to Financial Statements)	1,921,156	1,180,380
Total Investment Expenses	**$32,985,051**	**$26,553,033**

* Excludes fees and commissions, please see Schedule of Brokerage Commissions Paid beginning on page 93.

OPERS incurred expenses with the following investment consultants during 2012:

Schedule of Payments To Consultants

Cliffwater LLC	$50,000
Hewitt EnnisKnupp Inc.	260,694
ING Institutional Plan Services LLC	68,629
Morningstar Inc.	48,500
NEPC LLC	705,000
Strategic Capital Management AG	165,000
Total	**$1,297,823**

Schedule of External Asset Managers' Fees (for the years ended December 31, 2012 and 2011)

	2012	2011
Fixed Income	$20,695,160	$14,067,330
Domestic Equities	18,738,336	12,850,653
International Equities	61,333,017	50,176,176
Real Estate	51,730,242	49,604,803
Private Equities	72,880,054	63,022,161
Hedge Funds	39,498,267	3,314,807
Total	**$264,875,076**	**$193,035,930**

Investment Section

Third key: Sound investment policies

Fiduciary responsibility is important to us. All OPERS members, and reporting employers, should have a basic understanding of OPERS' investment policies and strategies—after all, approximately two-thirds of the pension benefit is generated through investment returns. OPERS' strategy of diversifying investments means that declines in any one particular asset class should be offset, and the overall volatility of the total portfolio should be reduced.

OPERS adheres to time-tested strategies and OPERS-specific investment policies. Working in tandem, these strategies and policies help OPERS minimize risks inherent within investment markets, yet are flexible enough to allow OPERS to maximize emerging opportunities.

Dear Members of the OPERS Board of Trustees:

Presented here is the Ohio Public Employees Retirement System's 2012 Investment Report.

The Year in Review

The big story in 2011, the European Sovereign Debt Crisis, seemed to fade into the background in 2012, only moving to the forefront in June when the European Central Bank was forced to support the distressed Spanish banking system.

In the United States, the U.S. Federal Reserve continued to utilize unconventional monetary policy to support the recovering, yet still fragile economy by maintaining low interest rates. The Fed sustained its $85 billion monthly commitment to buy longer dated Treasuries and U.S. mortgage-backed securities. In turn, long-term rates remained artificially low and continued to be the primary support for the recovering housing market. The Fed also extended the 2011 Operation Twist Program into 2012 by buying long-term Treasuries and selling Treasuries with the maturities from the short end of the Treasury yield curve. Toward the end of the year, the Fed clarified its policy position by committing to a 6.5% unemployment threshold objective.

The year will also be remembered for the notable political gridlock in Washington. The U.S. presidential election was front page news for the entire year, eventually resulting in the re-election of President Obama and a split House and Senate, as the Fiscal Cliff loomed heavily on the U.S. economy.

Globally, one of the major financial news stories was the health of the worldwide banking sector. The influence of the Dodd-Frank Act in the United States and Basel III in Europe began to have a material impact on the operations of the banks. International banks including Barclays, UBS, Standard Chartered and HSBC, as well as U.S. banks including Citibank, JP Morgan Chase, Wells Fargo and Bank of America all had major regulatory issues resulting in record fines related to the Financial Crisis and other issues such as the LIBOR rate fixing scandal.

Market Performance

The resiliency of the U.S. equity markets continued into the first quarter of 2012. The S&P 500 increased 12.6% while other world equity markets also had strong advances: the non-U.S. developed markets increased 10.9%, and emerging equity markets earned 14.1% for the quarter. The U.S. equity market performance slowed by mid-year but still finished with a respectable annual performance of 16.0% for the S&P 500. Global equity markets followed suit with MSCI EAFE increasing by 17.3%, and MSCI Emerging Markets up by 18.2%.

Due to the persistent support of the Federal Reserve to hold interest rates artificially low through different forms of quantitative easing, the U.S. bond markets, as represented by the Barclays Capital Aggregate Index, returned 4.2% for the year with the help from tightening of credit spreads.

Investment Results*

The Ohio Public Employees Retirement System's Defined Benefit and Health Care portfolios both performed well relative to each portfolio's targeted asset allocation benchmark.

- The Defined Benefit portfolio returned 14.54%, and was the top-performing public pension fund when compared to the Ifx Public Funds DB above $1 billion universe. Nonetheless, the Defined Benefit portfolio underperformed its target policy benchmark by 81 basis points in 2012. The differential resulted from the illiquid Private Equity program that returned 18.6% for the year but could not keep pace with its public market benchmark, which was up 33.3%. This performance gap will narrow over time.
- The Health Care portfolio returned 13.72% during 2012 and outperformed its customized benchmark by 18 basis points.
- Of the 16 investment choices available in the Defined Contribution portfolio, 11 investment options equaled or outperformed their benchmarks.

The Investment Portfolio

There have been many structural asset allocation changes made to both the Defined Benefit and Health Care portfolio over the last three years. In 2012, the Board approved several additional changes to the asset allocation for both the Defined Benefit and Health Care portfolio. Specifically, an additional 2% allocation to the fixed income asset class was implemented. This change was comprised of a new internal credit portfolio, an expansion of the global high-yield sub-asset class, and an increase in the emerging markets debt sub-asset class.

In addition, several strategic initiatives were completed in 2012:

- Four internally managed non-U.S. equity index portfolios within the public equity asset class were created and these portfolios enhanced the OPERS trading capabilities in handling non-U.S. stocks.
- Both private equity and real estate sub-asset classes reached their respective long-term target allocations.
- Five external manager searches were completed: risk parity, emerging markets debt, global high yield, non-U.S. equity developed markets small cap and non-U.S. equity emerging markets small cap.
- A new Investment Management Agreement was standardized.
- The hedge fund risk-management system was implemented.

In 2013, staff will continue to implement the new target allocation changes. By the end of the first quarter, both funds will be at their long-term asset allocation targets.

Looking Ahead

In 2013, five years after the 2008 financial crisis, the U.S. and the world are still struggling with its impact. As I look ahead, the looming size of the U.S. budget deficit and ballooning national and state debts will need to be reckoned with. Also, the Federal Reserve will need to address the massive scale of its balance sheet without disrupting the U.S. economy. Under the direction of the Board, the Ohio Public Employees Retirement System will work to position the asset allocation of the funds to best protect our members' retirements in these uncertain times. We are preparing to face these challenges in 2013.

Respectfully,

John C. Lane
Chief Investment Officer

* The OPERS investment assets reported in the Investment Section are presented on the same basis of accounting as described in Note 2b of the Notes to Combining Financial Statements.

Board Investment and Fiduciary Duties

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

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

OPERS

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April 23, 2013

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

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

Investment Results

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

Investment Policies

OPERS investment policies can be accessed online at https://www.opers.org/investments/inv-policies.shtml and are organized as follows: Part I: Investment Objectives and Asset Allocation Policies; Part II: Asset Class and Sub-Asset Class Policies; Part III: Investment-Wide Policies; and Part IV: Corporate Governance and Proxy Voting Policies.

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

Internal Compliance

The constant testing of Fund portfolios and the continuous review of the compliance function itself is considered to be best practice within the investment industry. While serving as OPERS generalist investment consultant, NEPC has witnessed Staff's consistent and ongoing efforts to improve the effectiveness of their internal compliance procedures. NEPC also believes that the Investment Division's support of the CFA® Institute's Code of Ethics and Standards of Professional Conduct, as well as the guidelines and procedures that are set forth in the OPERS Code of Ethics and OPERS Personal Trading Policies, are consistent with industry best practice for investment professionals.

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25 Years 1986-2011

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Prudent Oversight

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

Craig Svendsen

Craig Svendsen, CFA
Partner

NEPC, LLC

Introduction

OPERS' total investment portfolio, as reflected in the Combining Statements of Fiduciary Net Position, pages 42 – 43, is comprised of the Defined Benefit, Health Care, and Defined Contribution portfolios' assets. The Defined Benefit portfolio assets originate from member and employer contributions to the Traditional Pension Plan, employer contributions to the Combined Plan and the VEBA Plan, and funds received from defined contribution account transfers for defined benefit annuities. The management of these assets is the responsibility of OPERS' investment staff under the direction of the Board of Trustees. During 2005, the Health Care portfolio assets were segregated from the pension portfolio and invested with a more conservative asset-allocation strategy. The Health Care portfolio is comprised of the assets set aside to provide post-employment health care for the Traditional Pension and Combined plans. Defined Contribution portfolio assets originate from member contributions to the Combined Plan and both member and employer contributions to the Member-Directed Plan. The investment of Defined Contribution portfolio assets is self-directed by members of the Combined and Member-Directed plans, but is limited to investment options approved by the Board of Trustees.

The Investment Summary

OPERS' Total Investment Summary (page 87), relates to the System-wide investments and includes the assets of all three portfolios. The balance of information in this Investment Section is organized as follows: OPERS' Defined Benefit portfolio investments (pages 97 – 100) relating exclusively to the Defined Benefit investments; OPERS' Health Care portfolio investments (pages 101 – 104) relating exclusively to the Health Care investments; and OPERS' Defined Contribution portfolio investments (pages 105 – 107) relating exclusively to the Defined Contribution investments. The Investment Objectives and Policies and Asset Class Policies (pages 109 – 118) provide information on System-wide investment policies and performance objectives.

A complete listing of assets held at December 31, 2012, is available from OPERS upon request. All returns presented throughout the Investment Section are net of external manager fees, overdraft charges, debit interest, registration expenses and stamp duties and taxes spent on foreign securities. In addition, the securities lending money market returns are net of custodial fees, transfer agent expenses and professional fees.

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

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Performance results and market values for the real estate and private equities asset classes are typically reported on a quarter lag basis, adjusted for cash flow activity during the fourth quarter. If any significant market gains or losses occur in the fourth quarter, these asset classes are adjusted for financial reporting purposes to reflect the estimated market value at year end. The investment results reported for these asset classes in the Investment Section reflect this practice. The table below displays the comparative market values of investment assets consistent with the presentation in the financial statements on pages 42 – 43.

Total Investment Summary (as of December 31, 2012 and 2011)

	2012		2011	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
Cash and Short-Term Investments:				
Cash	$113,700,065	0.14%	$55,062,108	0.07%
Short-Term Securities:				
Commercial Paper	190,440,517	0.24	557,096,396	0.75
U.S.Treasury Obligations	161,906,381	0.20	261,812,909	0.35
Agency Discount Notes			68,663,435	0.09
Repurchase Agreements	615,000,000	0.76	250,000,000	0.34
Yankee Certificate of Deposit	19,998,271	0.02		
Short-Term Investment Funds (STIF)	1,679,652,301	2.09	1,655,205,003	2.24
Total Cash and Short-Term Investments	**2,780,697,535**	**3.45**	**2,847,839,851**	**3.84**
Investments:				
Fixed Income:				
U.S. Corporate Bonds	8,646,543,171	10.76	7,226,639,725	9.77
Non-U.S. Notes Bonds	5,077,192,005	6.32	2,468,380,338	3.34
U.S. Government and Agencies	5,089,634,019	6.33	6,179,904,949	8.35
U.S. Mortgage Backed	4,238,746,077	5.27	4,930,070,925	6.66
Subtotal Fixed Income	23,052,115,272	28.68	20,804,995,937	28.12
Domestic Equities	17,000,246,886	21.14	19,329,745,472	26.13
Real Estate	6,979,818,436	8.68	6,009,392,846	8.12
Private Equities	7,055,571,728	8.77	5,270,873,103	7.12
International Equities	19,734,844,680	24.55	18,783,141,673	25.39
Derivatives	2,212,974	0.00	10,301,759	0.01
Hedge Funds	3,793,040,144	4.72	940,565,305	1.27
Total Long-Term Investments	**77,617,850,120**	**96.55**	**71,149,016,095**	**96.16**
Total Cash and Investments	**$80,398,547,655**	**100.00%**	**$73,996,855,946**	**100.00%**

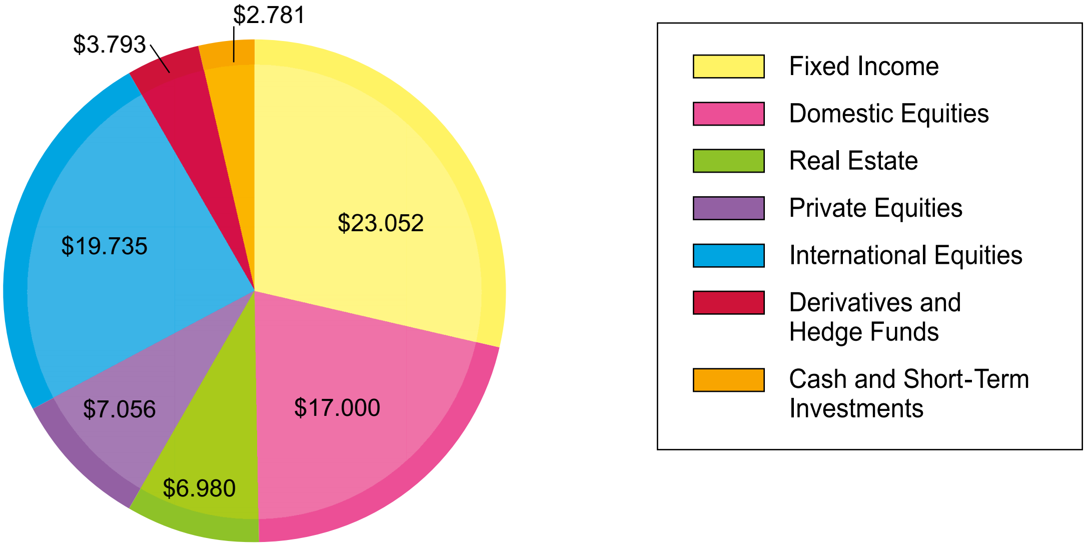
The following table reflects the breakdown of the total investment portfolio into the three component portfolios—the Defined Benefit, Health Care, and the Defined Contribution portfolios.

Total Investment Summary by Portfolio* (as of December 31, 2012)

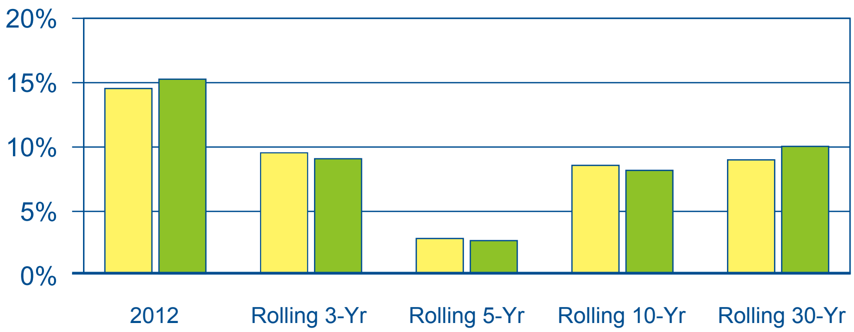
	Defined Benefit	Health Care	Defined Contribution	Total
Fixed Income	$18,153,496,396	$4,731,050,357	$167,568,519	$23,052,115,272
Domestic Equities	13,400,514,408	3,293,138,146	306,594,331	17,000,246,886
Real Estate	6,979,818,436			6,979,818,436
Private Equities	6,982,128,042	73,443,686		7,055,571,728
International Equities	16,029,488,131	3,506,799,272	198,557,277	19,734,844,680
Derivatives	1,790,744	422,230		2,212,974
Hedge Funds	3,230,367,692	562,672,452		3,793,040,144
Cash and Short-Term Investments	2,333,846,190	446,851,345		2,780,697,535
Total	**$67,111,450,040**	**$12,614,377,488**	**$672,720,127**	**$80,398,547,655**

* Assets summarized on performance basis.

Total Investment Summary (as of December 31, 2012) ($ in billions)



Total Investment Returns—Annual Rates of Return*



	2012	Rolling 3-Yr	Rolling 5-Yr	Rolling 10-Yr	Rolling 30-Yr
OPERS' Return	14.40%	9.30%	2.75%	8.16%	8.55%
Policy Benchmark Return	15.04%	8.83%	2.70%	7.97%	9.95%

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

Historical Investment Returns

Year	Total Portfolio Return	Total Defined Benefit Return*	Total Health Care Return*	Total Defined Contribution Return**
2012	14.40%	14.54%	13.72%	13.37%
2011	0.20	0.36	(0.52)	(2.59)
2010	13.90	13.98	13.53	13.74
2009	20.06	19.09	24.80	26.44
2008	(26.92)	(27.15)	(25.77)	(28.00)
2007	8.53	8.89	6.87	5.80
2006	14.66	15.05	12.78	12.96
2005	9.03	9.25	8.00	6.88
2004	12.49	12.50	N/A	9.73
2003	25.39	25.39	N/A	
2002	(10.74)	(10.74)	N/A	
2001	(4.60)	(4.60)	N/A	
2000	(0.74)	(0.74)	N/A	
1999	11.94	11.94	N/A	
1998	14.35	14.35	N/A	
1997	13.33	13.33	N/A	
1996	7.88	7.88	N/A	
1995	20.51	20.51	N/A	

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

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

Largest Equity Holdings (by fair value)* (as of December 31, 2012)

Description	Shares	Fair Value
Apple Incorporated	1,022,560	$545,055,157
Exxon Mobil Corporation	4,761,788	412,132,751
General Electric Company	11,243,144	235,993,593
Samsung Electronics Company, Ltd.	164,988	234,557,697
International Business Machines Corporation	1,156,197	221,469,535
Chevron Corporation	2,016,478	218,061,931
Procter & Gamble Company	3,088,501	209,678,333
AT&T Incorporated	6,132,527	206,727,485
Microsoft Corporation	7,661,308	204,786,763
Johnson & Johnson Company	2,902,462	203,462,586
Total	**40,149,953**	**$2,691,925,831**

Largest Bond Holdings (by fair value)* (as of December 31, 2012)

Description	Coupon	Maturity	Rating	Par Value	Fair Value
U.S. Treasury Note	0.250%	12/15/2015	AAA	$275,055,000	$274,227,076
U.S. Treasury Note	0.875	12/31/2016	AAA	220,760,000	223,802,068
U.S. Treasury Note	1.000	10/31/2016	AAA	215,500,000	219,639,751
U.S. Treasury Note	0.125	12/31/2014	AAA	210,960,000	210,424,166
U.S. Treasury Note	0.250	10/15/2015	AAA	195,100,000	194,647,364
U.S. Treasury Note	0.250	10/31/2014	AAA	172,705,000	172,730,904
U.S. Treasury Note	0.250	9/30/2014	AAA	169,375,000	169,412,268
Freddie Mac Gold Pool	4.500	2/1/2041	AA-	124,954,243	134,315,960
U.S. Treasury Inflation Indexed Bonds	0.125	4/15/2017	AAA	96,425,899	103,296,244
U.S. Treasury Note	0.750	10/31/2017	AAA	102,083,000	102,420,889
Total				**$1,782,918,142**	**$1,804,916,690**

*A complete list of assets held at December 31, 2012, is available from OPERS upon request.

U.S. Equity Commissions (for the year ended December 31, 2012)

Brokerage Firm	U.S. Equity Commissions Paid	Shares Traded	Average Commission Per Share
UBS Securities LLC	$2,011,690	141,425,219	$ 0.014
Credit Suisse Securities (USA) LLC	1,457,535	86,156,011	0.017
J.P. Morgan Securities, LLC	1,205,490	53,762,693	0.022
Goldman Sachs & Co.	776,790	6,076,521	0.128
Barclays Capital Inc.	698,553	26,635,541	0.026
Merrill Lynch, Pierce, Fenner & Smith Inc.	545,165	18,032,300	0.030
Citigroup Global Markets Inc.	540,725	29,300,510	0.018
Morgan Stanley & Co., Inc.	440,257	14,658,912	0.030
Deutsche Bank Securities Inc.	363,290	12,410,060	0.029
Investment Technology Group Inc.	343,117	22,962,762	0.015
Raymond James & Assoc. Inc.	318,247	11,283,748	0.028
Cantor Fitzgerald & Co., Inc.	284,541	10,116,484	0.028
Liquidnet Holdings, Inc.	265,948	13,347,332	0.020
RBC Capital Markets, LLC	215,387	7,186,939	0.030
Jefferies & Co., Inc.	207,375	7,151,725	0.029
Robert W. Baird & Co., Inc.	180,471	6,220,000	0.029
Pershing LLC	179,212	7,877,328	0.023
BTIG, LLC	163,481	12,689,088	0.013
National Financial Services Corp.	152,804	5,095,923	0.030
Keybanc Capital Markets Inc.	148,426	4,935,773	0.030
JonesTrading Institutional Services, LLC	147,853	10,159,428	0.015
ISI Group, Inc.	147,796	4,926,545	0.030
Stifel Nicolaus & Company, Inc.	128,518	4,397,234	0.029
Sanford C. Bernstein & Co., LLC	121,381	6,058,972	0.020
Sandler O'Neill + Partners, L. P.	106,733	3,557,760	0.030
Oppenheimer & Co., Inc.	99,216	3,273,527	0.030
Simmons & Company International	67,093	2,236,436	0.030
Johnson Rice & Company LLC	56,641	1,888,024	0.030
BMO Capital Markets	54,189	1,806,313	0.030
Island Trader Securities	53,421	1,780,687	0.030
Evercore Group LLC	51,768	1,725,613	0.030
Miller Tabak + Co. LLC	37,616	1,253,853	0.030
Cowen and Company, LLC	25,477	849,239	0.030
Weeden & Co.	22,890	1,523,730	0.015
Other Commissions less than $20,000	79,185	3,898,189	0.020
Total U.S. Equity Commissions	**$11,698,281**	**546,660,419**	**$0.021**

Non-U.S. Equity Commissions (for the year ended December 31, 2012)

Brokerage Firm	Non-U.S. Equity Commissions Paid	Shares Traded	Average Commission Per Share
Deutsche Bank Securities Inc.	$2,071,565	1,309,879,250	$ 0.002
UBS Securities LLC	1,253,367	553,829,416	0.002
Morgan Stanley & Co. International Ltd.	1,231,100	442,117,674	0.003
J. P. Morgan Securities LLC	1,092,446	190,560,511	0.006
Merrill Lynch & Co., Inc.	1,022,898	280,055,665	0.004
Credit Suisse Asset Management Securities Inc.	1,012,527	232,123,277	0.004
Citigroup Global Markets Inc.	825,608	118,960,667	0.007
Goldman Sachs & Co.	681,691	172,147,419	0.004
Instinet	617,056	162,877,857	0.004
Sanford C. Bernstein & Co. Inc.	505,361	81,126,049	0.006
Credit Lyonnais Bank	491,547	135,452,553	0.004
Barclays Bank PLC	446,757	72,239,261	0.006
Macquarie Bank Ltd.	343,074	81,178,749	0.004
S.G. Securities	332,791	72,238,491	0.005
HSBC Bank	323,079	100,348,389	0.003
Nomura Securities International, Inc.	321,903	63,034,587	0.005
ITG Inc.	287,993	92,615,113	0.003
Banque BNP Paribas	201,343	31,762,218	0.006
Daiwa Capital Markets Inc.	178,316	27,319,040	0.007
Jefferies & Company, Inc.	149,672	28,176,082	0.005
Pershing Securities Ltd.	147,553	21,772,238	0.007
Stifel Nicolaus & Company, Inc.	139,054	8,052,399	0.017
Renaissance Capital Ltd.	107,930	4,760,013	0.023
Credit Agricole	95,941	19,815,802	0.005
Royal Bank Of Canada	94,887	3,842,754	0.025
CLSA Asia-Pacific Markets	92,258	8,433,345	0.011
Itau USA Securities Inc.	91,493	4,448,875	0.021
G-Trade Services Ltd.	72,875	13,574,472	0.005
Berenberg Gossler & Co.	68,706	2,381,046	0.029
UOB Kay Hian Private Ltd.	64,630	16,923,396	0.004
Brockhouse & Cooper Inc.	64,269	9,102,584	0.007
Banco Bradesco SA	61,300	2,816,677	0.022
Exane, Inc.	61,093	975,430	0.063
Bouzet (Du) S A Societe De Bourse	59,116	13,045,807	0.005
BTG Pactual U.S. Capital Corp.	54,291	2,574,457	0.021
ConvergEx Group	53,013	6,278,834	0.008
India Infoline Ltd.	48,350	5,503,877	0.009
Banco Santander SA	45,785	2,191,229	0.021
Salomon Smith Barney Securities	45,334	340,206	0.133

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Non-U.S. Equity Commissions (continued)

Brokerage Firm	Non-U.S. Equity Commissions Paid	Shares Traded	Average Commission Per Share
Mizuho International PLC	43,712	6,614,264	0.007
Investec Securities	43,579	5,349,154	0.008
China International Capital Corp	38,272	9,419,478	0.004
Redburn Partners LLP	37,886	2,415,202	0.016
Goodbody Stockbrokers	37,031	4,080,651	0.009
Banco BTG Pactual SA	36,724	2,041,006	0.018
Liquidnet, Inc.	35,556	13,990,181	0.003
Banco ITAU SA	33,533	1,167,809	0.029
Execution Noble Ltd.	31,677	6,384,952	0.005
Knight Securities	30,547	7,192,729	0.004
Numis Securities Inc.	30,382	4,567,610	0.007
Weeden & Co, LP	29,110	2,812,644	0.010
Cowen and Company LLC	28,975	1,010,840	0.029
XP Investimentos CCTVM SA	27,430	2,547,066	0.011
VTB Bank Europe PLC	26,932	1,994,631	0.014
Royal Trust Corp. of Canada	26,667	1,549,556	0.017
Mirae Asset Securities Co. Ltd.	26,617	9,739,595	0.003
Kotak Securities	26,401	793,615	0.033
MainFirst Bank	25,766	897,741	0.029
Kim Eng Securities (Pte) Ltd.	25,426	12,832,059	0.002
Fator-Doria Atherino S/A CV	25,342	1,939,222	0.013
Oriel Securities Ltd.	23,738	4,181,171	0.006
Samsung Securities Co. Ltd.	23,257	88,190	0.264
Petercam SA	22,089	1,332,798	0.017
Bank Of Tokyo-Mitsubishi UFJ, Ltd.	21,634	835,300	0.026
Santander Central Hispano Bolsa	21,290	853,256	0.025
Cantor Fitzgerald & Co. Inc.	20,265	5,933,664	0.003
Other Commissions Less Than $20,000	616,602	91,118,540	0.007
Total Non-U.S. Equity Commissions	**$16,274,412**	**4,598,558,633**	**$0.004**

Schedules of Brokerage Commissions Paid

Futures Commissions (for the year ended December 31, 2012)

Brokerage Firm	Futures Commissions Paid	Contracts	Average Commission Per Contract
Goldman, Sachs & Co.	$677,403	303,132	$2.23
Credit Suisse Securities (USA) LLC	420,788	179,629	2.34
Total Futures Commissions	**$1,098,191**	**482,761**	**$2.27**
Total U.S. Equity, Non-U.S. Equity and Futures Commissions	**$29,070,884**	**N/A**	**N/A**

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

The total commissions schedule includes $2,311,971 in commissions paid that were part of a commission sharing agreement (CSA). CSA dollars are held by the participating brokers and may be used to purchase qualifying investment research services. During 2012, $1,997,955 in investment research services were purchased using CSA dollars.

Schedule of Fees to External Asset Managers (for the year ended December 31, 2012)

	Defined Benefit	Health Care	Defined Contribution	Total
Fixed Income	$16,422,115	$4,149,529	$123,516	$20,695,160
Domestic Equities	15,930,829	2,660,295	147,212	18,738,336
International Equities	50,290,256	10,951,629	91,132	61,333,017
Real Estate	51,730,242			51,730,242
Private Equities	72,291,519	588,535		72,880,054
Hedge Funds	33,730,193	5,768,074		39,498,267
Total Fees	**$240,395,154**	**$24,118,062**	**$361,860**	**$264,875,076**

Schedule of External Asset Managers (for the year ended December 31, 2012)

U.S. Equity Managers:		
Affinity Investment Advisors	GW Capital	Redwood
AQR Capital Management	Hahn Capital Management	Sasco Capital
Atlanta Capital Management	J.P. Morgan	Seizert Capital
Credo Capital Management	Los Angeles Capital	Shapiro Capital Management
Dean Investment Associates	New South	Sparta Capital
Disciplined Growth Investors	Nicholas Investment Partners	Systematic Financial Management
Elessar Investment Management	Oberweis Asset Management	The Boston Company
First Fiduciary Investment	Opus Capital Management	Wasatch Advisors
Geneva Capital Management	Penn Capital Management	Winslow Asset Management

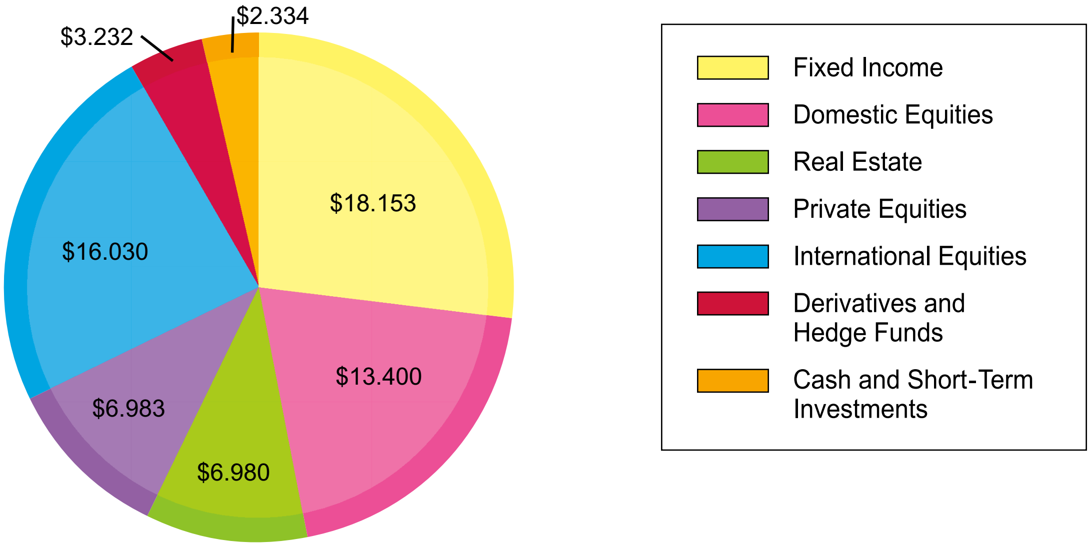
Non-U.S. Equity Managers:		
Acadian	Dimensional	Schroders
AllianceBernstein	Fisher Investments	Strategic Global Advisors
AQR Capital Management	Franklin	Trilogy
Arrowstreet	J.P. Morgan	T.Rowe Price
Ballie Gifford	JO Hambro	TT International
Baring	Lazard	Vontobel
BlackRock	LSV	Walter Scott
Brandes	Manning and Napier	Wasatch
Copper Rock	Oldfield	

Bond Managers:		
AFL-CIO Housing Investment Trust	Lazard	Post Advisory Group
Capital Guardian	Logan Circle Partners	Shenkman Capital Management
Fort Washington	MacKay Shields	Stone Harbor
Franklin Templeton	Neuberger Berman	Wellington Management
J.P. Morgan		

Hedge Fund Managers:		
AQR Capital Management	Davidson Kemper	Prisma Capital Partners
Arrowgrass Partnership	First Quadrant	Saba Capital Partners
Ascend Partners	Gracie Capital	Scopia Capital
BlackRock	Graham Capital	Taconic Investment Partners
BlueCrest Capital	Highline Capital Partners	Third Point Partners
Brigade Capital	K2 Advisors	Tiger Consumer Partners
Bridgewater Associates	KLS Diversified Asset Management	Winton Capital
Canyon Capital	Och Ziff Capital Management	Visium Asset Management
COMAC Capital	Panagora Asset Management	York Capital Management

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

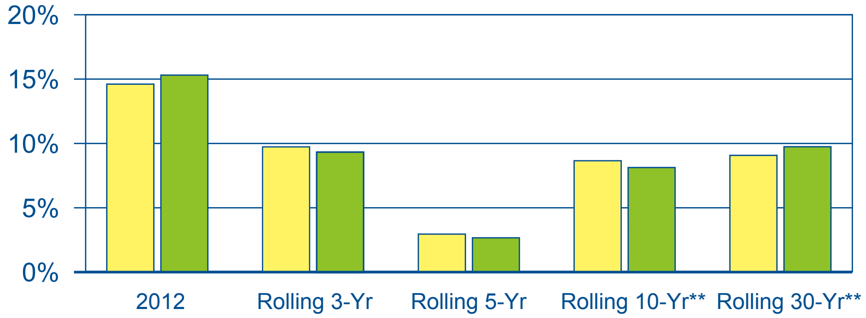
Defined Benefit Portfolio Asset Allocation (as of December 31, 2012) ($ in billions)



Investment Returns

The OPERS Defined Benefit portfolio returned 14.54% in 2012. The overall portfolio return is compared to a composite benchmark return that could be achieved by a portfolio that is passively invested in the broad market, with percentage weights allocated to each asset class as specified in OPERS' *Statement of Investment Objectives and Policies*. The return of the policy benchmark for 2012 was 15.35%.

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



	2012	Rolling 3-Yr	Rolling 5-Yr	Rolling 10-Yr**	Rolling 30-Yr**
OPERS' Defined Benefit Portfolio	14.54%	9.43%	2.60%	8.18%	8.56%
Policy Benchmark Return	15.35%	8.94%	2.51%	7.94%	9.94%

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

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

Historical returns for the defined benefit investments underlying asset class composites and their respective benchmarks are shown below:

Schedule of Investment Results—Defined Benefit Portfolio (for the year ended December 31, 2012)

	2012	Rolling 3-Year	Rolling 5-Year
Total Defined Benefit Portfolio	**14.54%**	**9.43%**	**2.60%**
Total Defined Benefit Portfolio Benchmark[1]	**15.35**	**8.94**	**2.51**
U.S. Equity Composite	16.47	11.17	1.91
U.S. Equity Composite Benchmark	16.42	11.20	2.04
Non-U.S. Equity Composite	17.88	4.57	(2.69)
Non-U.S. Equity Composite Benchmark	17.18	3.78	(2.94)
Core Fixed Composite	4.99	6.74	N/A
Core Fixed Composite Benchmark	4.34	6.23	N/A
Corporate Credit Composite	7.95	N/A	N/A
Corporate Credit Composite Benchmark	7.58	N/A	N/A
High Yield Composite	15.57	11.23	N/A
High Yield Composite Benchmark	15.81	11.86	N/A
Emerging Market Debt Composite	18.64	N/A	N/A
Emerging Market Debt Composite Benchmark	17.74	N/A	N/A
Securitized Debt Composite	24.51	N/A	N/A
Securitized Debt Composite Benchmark	11.66	N/A	N/A
Floating Rate Debt Composite	3.75	N/A	N/A
Floating Rate Debt Composite Benchmark	3.69	N/A	N/A
Global High Yield Debt Composite	11.39	N/A	N/A
Global High Yield Debt Composite Benchmark	11.44	N/A	N/A
Liquidity Composite	0.23	0.27	N/A
Liquidity Composite Benchmark	0.11	0.11	N/A
Private Equity Composite	18.54	18.54	6.98
Private Equity Composite Benchmark	33.20	16.36	4.20
Real Estate Composite	12.53	11.21	N/A
Real Estate Composite Benchmark	11.00	10.90	N/A
Hedge Fund Composite	6.26	N/A	N/A
Hedge Fund Composite Benchmark	7.00	N/A	N/A
Opportunistic Composite	4.25	N/A	N/A
Opportunistic Composite Benchmark	5.43	N/A	N/A
Cash Composite	0.43	0.44	(0.77)
Cash Composite Benchmark	0.11	0.11	0.52
Additional Annuity	1.82	2.51	2.88
Additional Annuity Composite Benchmark	0.11	0.11	0.52

Footnotes for Schedule of Investment Results—Defined Benefit Portfolio

[1] **Defined Benefit Portfolio Benchmark**—The returns for this benchmark are derived from the asset class composite benchmark returns summarized in the table on page 98, the historical asset class target allocations listed below, and the asset class composite benchmark indices listed in the table on page 100.

Historical Asset Class Target Allocations—Defined Benefit Portfolio

Asset Class	2012	2011	2010	2009	2008
U.S. Equity	23.6%	29.1%	35.5%	42.4%	43.4%
Opportunistic	0.7	1.6	1.3	0.6	0.2
Core Bonds (Universal Bonds pre-2010)	13.3	17.9	12.4	14.0	14.4
Corporate Credit	0.5	N/A	N/A	N/A	N/A
Floating Rate Debt	0.7	N/A	N/A	N/A	N/A
Global High Yield	1.5	N/A	N/A	N/A	N/A
Securitized Debt	1.0	N/A	N/A	N/A	N/A
Long Duration Bond	0.0	0.0	5.6	10.0	9.6
Non-U.S. Equity	24.0	24.6	24.5	20.0	20.0
Private Real Estate/REITS	10.0	9.7	8.5	8.0	8.0
Private Equity	10.0	8.8	5.2	5.0	4.4
Cash Equivalents	2.0	2.0	2.0	0.0	0.0
High Yield	5.0	5.0	5.0	N/A	N/A
Emerging Market Debt	3.0	0.1	N/A	N/A	N/A
Hedge Fund	4.7	1.2	N/A	N/A	N/A
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

Historical Asset Class Composite Benchmark Indices—Defined Benefit Portfolio

Asset Class Composite Benchmarks	12/31/2012	12/31/2011	12/31/2010-12/31/2008
U.S. Equity	Russell 3000 [2]	Russell 3000	Russell 3000
Opportunistic	Custom Opportunistic Benchmark [3]	Custom Opportunistic Benchmark	LIBOR (2 month lag) + 4%
Core Bond (formerly Universal)	Barclays U.S. Aggregate Bond Index [4]	Barclays U.S. Aggregate Bond Index	Barclays U.S. Aggregate Bond Index
Corporate Credit	Barclays U.S. Corporate Investment Grade [5]	N/A	N/A
Floating Rate Debt	Credit Suisse Leveraged Loan Index [6]	N/A	N/A
Global High Yield	Barclays Global High Yield [7]	N/A	N/A
Securitized Debt	Barclays Commercial Mortgage Backed Securities [CMBS] Index + 2% [8]	N/A	N/A
Long Duration Bond	N/A	N/A	Barclays U.S. Long Government/Credit Bond
Non-U.S. Equity	Custom Non-U.S. Equity Benchmark (net) [9]	Custom Non-U.S. Equity Benchmark (net)	MSCI ACWI x U.S. (net)
Private Real Estate	NCREIF Property Index (quarter lag) [10]	NCRIEF Property Index (quarter lag)	NCRIEF Property Index (quarter lag)
REITS	DJ U.S. Select REIT TR [11]	DJ U.S. Select REIT TR	DJ U.S. Select REIT TR
Private Equity	Russell 3000 (quarter lag) + 3% [2]	Russell 3000 (quarter lag) + 3%	Russell 3000 (quarter lag) + 3%
Cash Equivalents	90-day U.S. Treasury Bill [12]	90-day U.S. Treasury Bill	90-day U.S. Treasury Bill
High Yield	Barclays Capital U.S. Corporate High Yield [13]	Barclays Capital U.S. Corporate High Yield	Barclays Capital U.S. HY BA/B 3% Issuer Cap (2010 only)
Emerging Market Debt	Custom Emerging Market Debt Benchmark [14]	Custom Emerging Market Debt Benchmark	N/A
Hedge Fund	Custom Hedge Market Debt Benchmark [15]	Custom Hedge Fund Benchmark	N/A

The footnotes below provide definitions for the December 31, 2012 asset class composite benchmark indices.

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

3 **Custom Opportunistic Benchmark**—As of December 31, 2012 blend was 63% MSCI Emerging Market Currency (USD) index + 37% Custom Risk Parity.

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

5 **Barclays U.S. Corporate Investment Grade**—Publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

6 **Credit Suisse Leveraged Loan Index**—Is designed to mirror the investible universe of the U.S.-denominated leveraged loan market.

7 **Barclays Global High Yield**—This Global High Yield Index represents the union of the U.S. High Yield, Pan-European High Yield, U.S. Emerging Markets High Yield, and Pan-European Emerging Markets High Yield Indices.

8 **Barclays Commercial Mortgage Backed Securities (CMBS) Index**—The Barclays CMBS ERISA-Eligible Index is the ERISA-eligible component of the Barclays CMBS Index. This index, which includes investment grade securities that are ERISA eligible under the underwriter's exemption, is the only CMBS sector that is included in the U.S. Aggregate Index.

9 **Custom Non-U.S. Equity Benchmark**—As of December 31, 2012 blend was 56.5% MSCI World ex United States (net), 31% MSCI Emerging Markets (net), 10% MSCI World ex United States Small Cap (net), and 2.5% MSCI Emerging Market Small Cap (net).

10 **NCREIF Property Index (NPI)**—Appraisal-based valuations of privately owned commercial real estate that consists of both equity and leveraged properties, reported on an unleveraged basis.

11 **DJ U.S. Select REIT TR**—The Dow Jones U.S. Select Real Estate Securities Index (RESI) represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded in the U.S.

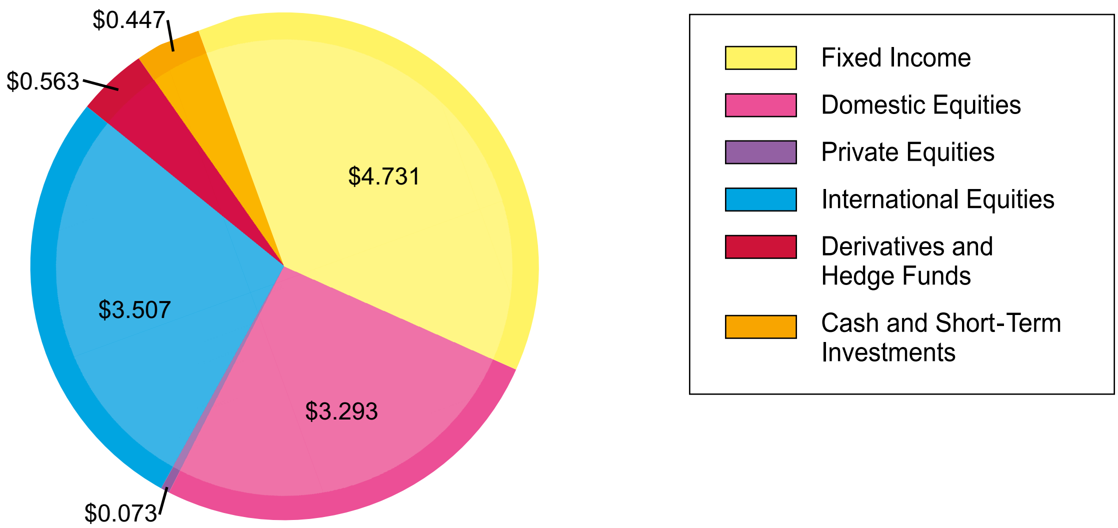
12 **90-day U.S. Treasury Bill Index**—The 90-day Treasury Bill return as measured by Bank of America Merrill Lynch.

13 **Barclays Capital U.S. Corporate High Yield**—Covers the universe of fixed rate, non-investment grade debt.

14 **Custom Emerging Market Debt Benchmark**—As of December 31, 2012 blend was 50% JPMorgan EMBI Global Index, 50% JPMorgan GBI-Emerging Markets Global Diversified USD Index.

15 **Custom Hedge Market Debt Benchmark**—The higher of 3-Month U.S. LIBOR (London Interbank Offered Rate) + 4% or a straight 7%.

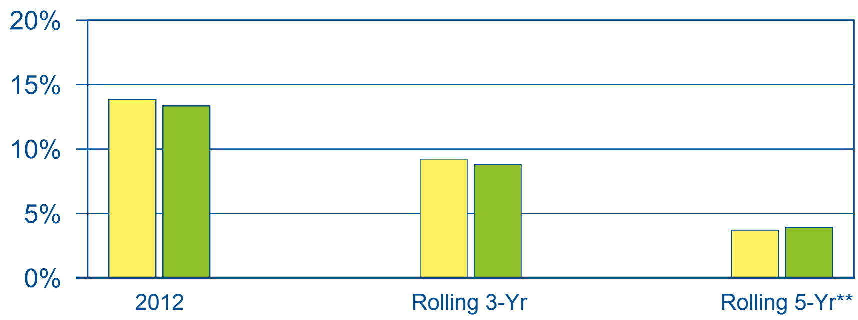
Health Care Portfolio Asset Allocation (as of December 31, 2012) ($ in billions)



Investment Returns

The OPERS Health Care portfolio returned 13.72% in 2012. The overall portfolio return is compared to a composite benchmark return that could be achieved by a portfolio that is passively invested in the broad market, with percentage weights allocated to each asset class as specified in OPERS' *Statement of Investment Objectives and Policies*. The return of the policy benchmark for 2012 was 13.54%.

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



	2012	Rolling 3-Yr	Rolling 5-Yr**
OPERS' Health Care Portfolio	13.72%	8.70%	3.54%
Policy Benchmark Return	13.54%	8.37%	3.67%

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

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

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

Schedule of Investment Results—Health Care Portfolio (for the year ended December 31, 2012)

	2012	Rolling 3-Year	Rolling 5-Year
Total Health Care Portfolio	**13.72%**	**8.70%**	**3.54%**
Total Health Care Portfolio Benchmark[1]	**13.54**	**8.37**	**3.67**
U.S. Equity Composite	16.47	11.17	1.91
U.S. Equity Composite Benchmark	16.42	11.20	2.04
Non-U.S. Equity Composite	17.88	4.58	(2.69)
Non-U.S. Equity Composite Benchmark	17.18	3.78	(2.94)
Core Fixed Composite	4.99	6.74	N/A
Core Fixed Composite Benchmark	4.34	6.23	N/A
Corporate Credit Composite	7.95	N/A	N/A
Corporate Credit Composite Benchmark	7.58	N/A	N/A
TIPS Composite	6.95	9.00	7.20
TIPS Composite Benchmark	6.98	8.90	7.04
High Yield Composite	15.57	11.23	N/A
High Yield Composite Benchmark	15.81	11.86	N/A
Emerging Market Debt Composite	18.64	N/A	N/A
Emerging Market Debt Composite Benchmark	17.74	N/A	N/A
Securitized Debt Composite	24.51	N/A	N/A
Securitized Debt Composite Benchmark	11.66	N/A	N/A
Floating Rate Debt Composite	3.75	N/A	N/A
Floating Rate Debt Composite Benchmark	3.69	N/A	N/A
Global High Yield Debt Composite	11.39	N/A	N/A
Global High Yield Debt Composite Benchmark	11.44	N/A	N/A
Liquidity Composite	0.23	0.25	N/A
Liquidity Composite Benchmark	0.11	0.11	N/A
Private Equity Composite	14.25	4.36	N/A
Private Equity Composite Benchmark	33.20	16.36	N/A
REIT Composite	17.17	18.49	5.29
REIT Composite Benchmark	17.09	17.87	4.92
Hedge Fund Composite	6.26	N/A	N/A
Hedge Fund Composite Benchmark	7.00	N/A	N/A
Opportunistic Composite	4.25	N/A	N/A
Opportunistic Composite Benchmark	5.43	N/A	N/A
Commodities Composite	0.30	2.72	N/A
Commodities Composite Benchmark	0.08	2.54	N/A
Cash Composite	0.45	0.48	0.88
Cash Composite Benchmark	0.11	0.11	0.52

Footnotes for Schedule of Investment Results—Health Care Portfolio

[1] **Health Care Portfolio Benchmark**—The returns for this benchmark are derived from the asset class composite benchmark returns summarized in the table on page 102, the historical asset class target allocations listed in the following table and the asset class composite benchmark indices listed in the tables on page 104.

Historical Asset Class Target Allocations—Health Care Portfolio

Asset Class	2012	2011	2010	2009	2008
U.S. Equity	24.6%	28.7%	30.2%	28.4%	29.0%
Commodities	1.0	1.0	1.0	N/A	N/A
Opportunistic	0.7	1.7	1.3	1.0	N/A
Core Bond (formerly Universal)	18.8	21.5	21.5	10.0	10.3
Corporate Credit	1.0	N/A	N/A	N/A	N/A
Floating Rate Debt	0.7	N/A	N/A	N/A	N/A
Global High Yield	2.0	N/A	N/A	N/A	N/A
Securitized Debt	1.0	N/A	N/A	N/A	N/A
TIPS	3.5	3.5	3.5	20.0	20.2
Short Duration Bond	0.0	0.0	0.0	10.0	11.5
High Yield	2.0	2.0	2.0	N/A	N/A
Non-U.S. Equity	27.0	27.3	27.3	24.5	23.0
Emerging Market Debt	5.0	5.0	5.0	N/A	N/A
REITS	6.0	6.0	6.0	6.0	6.0
Cash Equivalents	2.0	2.0	2.0	0.0	0.0
Private Equity	0.5	0.4	0.2	0.1	0.0
Hedge Fund	4.2	0.9	N/A	N/A	N/A
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

Historical Asset Class Composite Benchmark Indices—Health Care Portfolio

Asset Class Composite Benchmarks	12/31/2012	12/31/2011	12/31/2010	12/31/2009
U.S. Equity	Russell 3000 [2]	Russell 3000	Russell 3000	Russell 3000
Commodities	S&P Goldman Sachs Commodity Index [3]	S&P Goldman Sachs Commodity Index	S&P Goldman Sachs Commodity Index	N/A
Opportunistic	Custom Opportunistic Benchmark [4]	Custom Opportunistic Benchmark	LIBOR (2 month lag) + 4%	LIBOR (2 month lag) + 4%
Core Bonds (formerly Universal)	Barclays U.S. Aggregate Bond Index [5]	Barclays U.S. Aggregate Bond Index	Barclays U.S. Aggregate Bond Index	Barclays U.S. Aggregate Bond Index
Corporate Credit	Barclays U.S. Corporate Investment Grade [6]	N/A	N/A	N/A
Floating Rate Debt	Credit Suisse Leveraged Loan Index [7]	N/A	N/A	N/A
Global High Yield	Barclays Global High Yield [8]	N/A	N/A	N/A
Securitized Debt	Barclays Commercial Mortgage Backed Securities [CMBS] Index + 2% [9]	N/A	N/A	N/A
TIPS	Barclays U.S. TIPS [10]	Barclays U.S. TIPS	Barclays U.S. TIPS	Barclays U.S. TIPS
High Yield	Barclays Capital U.S. Corporate High Yield [11]	Barclays Capital U.S. Corporate High Yield	Barclays Capital U.S. Corporate High Yield	N/A
Non-U.S. Equity	Custom Non-U.S. Equity Benchmark (net) [12]	Custom Non-U.S. Equity Benchmark (net)	MSCI ACWI x U.S.	MSCI ACWI x U.S.
Emerging Market Debt	Custom Emerging Market Debt Benchmark [13]	Custom Emerging Market Debt Benchmark	Custom Emerging Market Debt Benchmark	N/A
REITS	DJ U.S. Select REIT TR [14]	DJ U.S. Select REIT TR	DJ U.S. Select REIT TR	DJ Wilshire RESI (full cap)
Cash Equivalents	90-day U.S. Treasury Bill [15]	90-day U.S. Treasury Bill	90-day U.S. Treasury Bill	90-day U.S. Treasury Bill
Private Equity	Russell 3000 (quarter lag) + 3% [2]	Russell 3000 (quarter lag) + 3%	Russell 3000 (quarter lag) + 3%	Russell 3000 (quarter lag) + 3%
Hedge Fund	Custom Hedge Fund Benchmark [16]	Custom Hedge Fund Benchmark	N/A	N/A

The footnotes below provide definitions for the December 31, 2012 asset class composite benchmark indices.

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

3 **S&P Goldman Sachs Commodity Index**—Tracks general price movements and inflation in the world economy. The index is calculated primarily on a world-production weighted basis and is comprised of the principal physical commodities that are the subject of active, liquid futures markets.

4 **Custom Opportunistic Benchmark**—As of December 31, 2012 blend was 63% MSCI Emerging Market Currency [USD] index, 37% Custom Risk Parity.

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

6 **Barclays U.S. Corporate Investment Grade**—Publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

7 **Credit Suisse Leveraged Loan Index**—This Index is designed to mirror the investible universe of the U.S.-denominated leveraged loan market.

8 **Barclays Global High Yield**—This Global High Yield Index represents the union of the U.S. High Yield, Pan-European High Yield, U.S. Emerging Markets High-Yield, and Pan-European Emerging Markets High Yield Indices.

9 **Barclays Commercial Mortgage Backed Securities (CMBS) Index**—The Barclays CMBS ERISA-Eligible Index is the ERISA-eligible component of the Barclays CMBS Index. This index, which includes investment grade securities that are ERISA eligible under the underwriter's exemption, is the only CMBS sector that is included in the U.S. Aggregate Index.

10 **Barclays U.S. TIPS Index**—This index consists of inflation-protection securities issued by the U.S. Treasury.

11 **Barclays Capital U.S. Corporate High Yield**—Covers the universe of fixed rate, non-investment grade debt.

12 **Custom Non-U.S. Equity Benchmark**—As of December 31, 2012 blend was 56.5% MSCI World ex United States (net), 31% MSCI Emerging Markets (net), 10% MSCI World ex United States Small Cap (net), and 2.5% MSCI Emerging Market Small Cap (net).

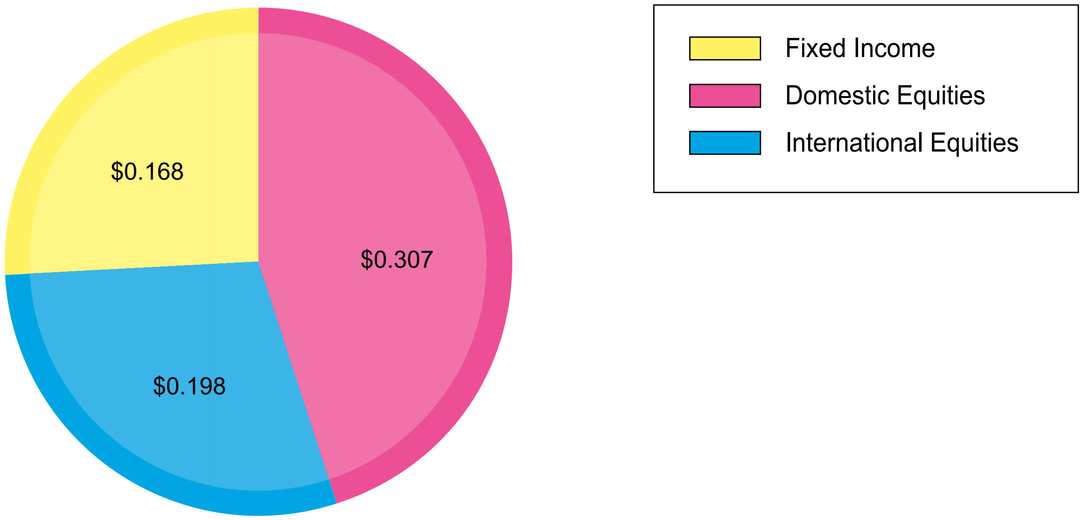
13 **Custom Emerging Market Debt Benchmark**—As of December 31, 2012 blend was 50% JPMorgan EMBI Global Index, 50% JPMorgan GBI-Emerging Markets Global Diversified USD Index.

14 **DJ U.S. Select REIT TR**—The Dow Jones U.S. Select Real Estate Securities Index (RESI) represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded in the U.S.

15 **90-day U.S. Treasury Bill Index**—The 90-day Treasury Bill return as measured by Bank of America Merrill Lynch.

16 **Custom Hedge Fund Benchmark**—The higher of 3-Month U.S. LIBOR (London Interbank Offered Rate) + 4% or a straight 7%.

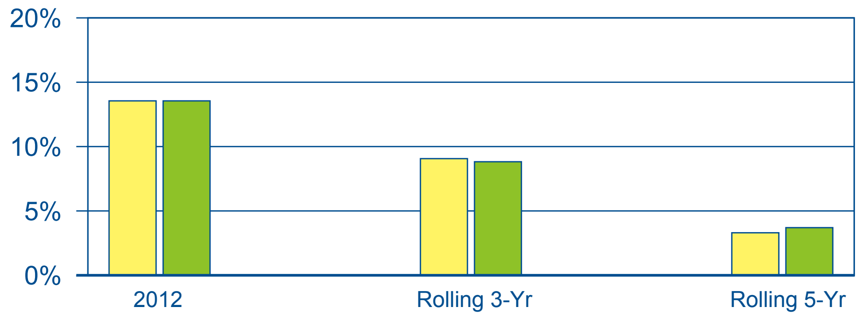
Defined Contribution Portfolio Asset Allocation (as of December 31, 2012) ($ in billions)



Investment Returns

The OPERS Defined Contribution portfolio returned 13.37% in 2012. The portfolio composite is derived from the individual investment option returns and their actual year-end market values. Members may not invest in this portfolio composite but may invest in the individual investment options as they choose. The returns for the OPERS investment options and their respective indices are shown on the following page.

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



	2012	Rolling 3-Yr	Rolling 5-Yr
OPERS' Defined Contribution Portfolio	13.37%	7.89%	2.72%
Policy Benchmark Return	13.41%	7.81%	3.11%

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

Historical returns for the defined contribution investments underlying asset class composites and their respective benchmarks are shown below:

Schedule of Investment Results—Defined Contribution Portfolio (for the year ended December 31, 2012)

	2012	Rolling 3-Year	Rolling 5-Year
Target Payout Fund	7.78%	6.20%	3.55%
Target Payout Fund Index [1]	8.44	5.90	3.24
Target 2015 Fund	9.97	7.11	1.30
Target 2015 Fund Index [2]	9.90	6.79	2.37
Target 2020 Fund	12.13	7.42	0.73
Target 2020 Fund Index [3]	11.83	7.17	1.75
Target 2025 Fund	14.04	7.59	0.47
Target 2025 Fund Index [4]	13.72	7.59	1.39
Target 2030 Fund	14.78	7.68	0.31
Target 2030 Fund Index [5]	14.60	7.71	1.23
Target 2035 Fund	15.08	7.73	0.19
Target 2035 Fund Index [6]	14.85	7.77	1.11
Target 2040 Fund	15.43	7.72	(0.01)
Target 2040 Fund Index [7]	15.20	7.74	0.93
Target 2045 Fund	15.76	7.70	(0.25)
Target 2045 Fund Index [8]	15.56	7.71	0.68
Target 2050 Fund	15.87	7.71	(0.23)
Target 2050 Fund Index [9]	15.56	7.71	0.68
Target 2055 Fund	15.86	7.75	(0.21)
Target 2055 Fund Index [10]	15.56	7.71	0.68
Stable Value Index Portfolio	1.82	2.55	2.97
Stable Value Index Benchmark [11]	4.59	1.58	1.40
Bond Index Portfolio	4.22	6.76	6.29
Bond Index Benchmark [12]	4.22	6.19	5.95
Stock Index Portfolio	16.34	11.20	2.09
Stock Index Portfolio Benchmark [13]	16.42	11.20	2.04
Large Cap Index Portfolio	16.33	11.23	1.89
Large Cap Index Portfolio Benchmark [14]	16.42	11.12	1.92
Small Cap Index Portfolio	16.32	12.22	3.70
Small Cap Index Portfolio Benchmark [15]	16.35	12.25	3.56
Non-U.S. Stock Index Portfolio	17.87	4.14	(4.72)
Non-U.S. Stock Index Portfolio Benchmark [16]	16.83	3.87	(2.89)

Footnotes for Schedule of Investment Results—Defined Contribution Portfolio

[1] **Target Payout Fund Index** — 25% Barclays Government 1-3 Year Index, 32% Barclays U.S. Aggregate, 10% Russell 1000, 5% Russell 2000, 15% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 13% Barclays U.S. TIPS.

[2] **Target 2015 Fund Index** — 13% Barclays Government 1-3 Year Index, 36% Barclays U.S. Aggregate, 12% Russell 1000, 8% Russell 2000, 20% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 11% Barclays U.S. TIPS.

[3] **Target 2020 Fund Index** — 2% Barclays Government 1-3 Year Index, 37% Barclays U.S. Aggregate, 15% Russell 1000, 13% Russell 2000, 28% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 5% Barclays U.S. TIPS.

[4] **Target 2025 Fund Index** — 24% Barclays U.S. Aggregate, 19% Russell 1000, 17% Russell 2000, 36% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 3% Barclays U.S. Government/Credit, 1% Barclays U.S. TIPS.

[5] **Target 2030 Fund Index** — 13% Barclays U.S. Aggregate, 21% Russell 1000, 19% Russell 2000, 40% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 7% Barclays U.S. Government/Credit.

[6] **Target 2035 Fund Index** — 9% Barclays U.S. Aggregate, 22% Russell 1000, 19% Russell 2000, 42% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 8% Barclays U.S. Government/Credit.

[7] **Target 2040 Fund Index** — 7% Barclays U.S. Aggregate, 23% Russell 1000, 20% Russell 2000, 43% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 7% Barclays U.S. Government/Credit.

[8] **Target 2045 Fund Index** — 6% Barclays U.S. Aggregate, 25% Russell 1000, 20% Russell 2000, 44% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 5% Barclays U.S. Government/Credit.

[9] **Target 2050 Fund Index** — 5% Barclays U.S. Aggregate, 25% Russell 1000, 20% Russell 2000, 45% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 5% Barclays U.S. Government/Credit.

[10] **Target 2055 Fund Index** — 5% Barclays U.S. Aggregate, 25% Russell 1000, 20% Russell 2000, 45% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 5% Barclays U.S. Government/Credit.

[11] **Stable Value Index** — 45% Barclays 1-5 Year Government/Credit Bond, 35% Barclays Intermediate Government/Credit, 15% Barclays Aggregate Index, 5% Bank of America Merrill Lynch 3-Month U.S. Treasury Bill.

[12] **Bond Index — Barclays U.S. Aggregate Index** — A market value weighted index consisting of Barclays Corporate, Government and Mortgage-Backed Indices. This index is the broadest available measure of the aggregate U.S. fixed income market.

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

[14] **Large Cap Index Portfolio — Russell 1000 Stock Index** — A capitalization-weighted stock index consisting of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

[15] **Small Cap Index Portfolio — Russell 2000 Stock Index** — A capitalization-weighted stock index consisting of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

[16] **Non-U.S. Stock Index Portfolio — MSCI All Country World Ex – U.S. Index (MSCI ACWI x U.S.)** — A capitalization-weighted index of stocks representing 45 developed and emerging country markets, excluding the U.S. market.

The 10 largest direct investments in the state of Ohio, measured as the market value of our investment in the securities of firms headquartered in Ohio, totaled approximately $0.3 billion at the end of the year.

The 10 largest indirect investments, measured as the market value of our investment in the securities of 10 companies with the largest employment presence in the state, totaled approximately $1.0 billion. Employment presence is measured by the number of persons employed at a business located in Ohio, as defined by the Office of Strategic Research, Ohio Department of Development. Firms with the largest employment presence in Ohio employed 202,525 people in Ohio.

Top Ohio Holdings (for the year ended December 31, 2012)

Direct		Indirect		
Largest Firms Headquartered In Ohio	Fair Value	Firms With Largest Employment Presence	Ohio Employment Estimated Headcount	Fair Value
Procter & Gamble Co.	$209,678,333	Wal-Mart Stores, Inc.	50,625	$113,878,053
Fifth Third Bancorp	24,017,471	Kroger Co.	39,000	10,022,071
FirstEnergy Corp.	17,267,885	JPMorgan Chase & Co.	20,500	188,087,567
Parker Hannifin Corp.	16,579,045	General Electric Co.	15,000	235,993,592
JM Smucker Co.	14,500,825	Procter and Gamble Co.	13,600	209,678,333
Cardinal Health Inc.	13,119,660	Honda Motor Co., Ltd.	13,500	60,079,470
Keycorp	11,395,443	PNC Financial Services Group	13,400	29,214,185
Kroger Co.	10,022,071	United Parcel Service, Inc.	13,400	50,202,020
Progressive Corp.	8,770,721	Target Corp.	12,000	59,291,121
Big Lots Inc.	8,295,635	Sears Holdings Corp.	11,500	292,581
Total	**$333,647,089**	**Total**	**202,525**	**$956,738,993**

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

The OPERS Board of Trustees reviews all policies and approves changes or additions as appropriate. The Investment staff fulfills the mandates and obligations described in the policies and recommends changes to the OPERS Board of Trustees, as appropriate. The policies below reflect those in place for the 2012 fiscal year.

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

The purpose of OPERS' policies is to provide a broad strategic framework for managing portfolios. Approved OPERS Board of Trustees asset class policies are summarized beginning on page 114 and are posted on the OPERS website, www.OPERS.org, where they can be viewed in their entirety.

Defined Benefit Investment Policies

Investment Objective

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

Asset Allocation and Performance Objectives

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

The Board sets target allocations (targets) to various asset classes that are designed to meet OPERS' long-term investment objectives. Targets for the Public Equity and Fixed Income asset classes are 46% and 27%, respectively, with the remaining 27% allocated to a diverse group of asset classes referred to collectively as Alternatives. The Board also establishes a band of minimum and maximum allowable allocations, or ranges, surrounding each asset class target. The purpose of ranges is to appropriately and cost-effectively balance the Board's investment policy with the investment strategies pursued over shorter time periods. The following table lists the Defined Benefit portfolio target allocations, ranges and performance benchmarks for each asset class.

Defined Benefit Asset Allocation

Asset Class	Target Allocation	Range	Benchmark Index
Public Equity:	**46%**	**40 to 60%**	
U.S. Equity	Mkt. Wgt.*	+/- 5%	Russell 3000 Stock Index
Non-U.S. Equity	Mkt. Wgt.*	+/- 5	Custom benchmark of the following indices: 55% MSCI World Index-ex U.S. Standard 10% MSCI World Index-ex U.S. Small Cap 31% MSCI Emerging Markets Standard 4% MSCI Emerging Markets Small Cap
Fixed Income:	**27%**	**15 to 32%**	
Core Fixed	13.34	9 to 17	Custom benchmark using the Barclays Capital Aggregate Index weightings with a maximum allocation to treasuries and government-related issues of 25% with corresponding pro-rata increases to the credit and securitized sectors.
High Yield	5.00	2 to 8	Barclays U.S. High Yield Index
Emerging Market Debt	3.00	0 to 5	Custom benchmark of the following indices: 50% JP Morgan Emerging Markets Bond Index Global 50% JP Morgan Government Bond Index-Emerging Markets Global Diversified
Liquidity	2.00	0 to 4	Merrill Lynch 3-month U.S. Treasury Bill Index
Global High Yield	1.50	0 to 2	Barclays Global High Yield Index
Securitized Debt	1.00	0 to 2	Barclays CMBS plus 200 basis points
Floating Rate Debt	0.66	0 to 2	Credit Suisse Leveraged Loan Index
Internal Credit	0.50	0 to 1	Barclays U.S. Corporate Credit
Alternatives:	**27%**	**8 to 30%**	
Private Equity	10.00	0 to 14	Russell 3000 Stock Index plus 300 basis points
Real Estate	10.00	0 to 14	NCREIF Property Index
Hedge Fund	6.00	0 to 9	3-Month LIBOR plus 400 basis points, minimum 700 basis points
Opportunistic	1.00	0 to 3	Market Weight of underlying portfolio benchmarks
Total	**100%**		

* U.S. to Non-U.S. equity ratio reset quarterly based on the MSCI All Country World Index (ACWI) - Investable Market Index U.S. to Non-U.S. ratio.

Rebalancing

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

The OPERS Board of Trustees establishes the asset allocation targets and ranges and reviews them annually. The OPERS Board of Trustees will review, at least annually, the investment policy and asset allocation target and ranges in conjunction with the actuarial assessment of the solvency of the fund. Every three to five years the Board will undertake a comprehensive strategic asset allocation review designed to assess the continuing appropriateness of this policy. Such review will consider an asset-liability study of future benefit payments, liabilities, required funding, the appropriateness of the actuarial interest rate assumption and the prospective funded status of liabilities. It may also include a study of portfolio design for optimal diversification and comparisons with peer practices.

Health Care Investment Policies

Investment Objective

The primary objective of the Health Care portfolio is to provide discretionary health care coverage for eligible members over a solvency period as defined by the Board from time to time. The assets of the Health Care portfolio shall be invested with the objectives of a) preservation of capital, and b) earning a reasonable return.

Asset Allocation and Performance Objectives

The approved OPERS Board of Trustees asset allocation establishes a framework for OPERS that has a high likelihood of realizing OPERS' long term investment objective. The Health Care portfolio's performance objective is to exceed the OPERS performance benchmark net of investment expenses. For the Health Care portfolio, the targets for the Public Equity and Fixed Income asset classes are 50.2% and 36.0%, respectively, with the remaining 13.8% to Alternatives. The table below sets forth targets, ranges and performance benchmarks for each asset class.

Health Care Asset Allocation

Asset Class	Target Allocation	Range	Benchmark Index
Public Equity:	**50.20%**	**44 to 66%**	
U.S. Equity	Mkt. Wgt.*	+/- 5%	Russell 3000 Stock Index
Non-U.S. Equity	Mkt. Wgt.*	+/- 5	Custom benchmark of the following indices: 55% MSCI World Index ex U.S. Standard 10% MSCI World Index ex U.S. Small Cap 31% MSCI Emerging Markets Standard 4% MSCI Emerging Markets Small Cap
Fixed Income:	**36.00%**	**24 to 44%**	
Core Fixed	18.84	13 to 24	Custom benchmark using the Barclays Capital Aggregate Index weightings with a maximum allocation to treasuries and government-related issues of 25% with corresponding pro-rata increases to the credit and securitized sectors.
Emerging Market Debt	5.00	1 to 9	Custom benchmark of the following indices: 50% JP Morgan Emerging Markets Bond Index Global 50% JP Morgan Government Bond Index-Emerging Markets Global Diversified
TIPS	3.50	2 to 5	Barclays U.S TIPS Index
High Yield	2.00	0 to 4	Barclays U.S. High Yield Index
Global High Yield	2.00	0 to 4	Barclays Global High Yield Index
Liquidity	2.00	0 to 4	Merrill Lynch 3-month U.S. Treasury Bill Index
Securitized Debt	1.00	0 to 2	Barclays CMBS plus 200 basis points
Floating Rate Debt	0.66	0 to 2	Credit Suisse Leveraged Loan Index
Internal Credit	0.50	0 to 2	Barclays U.S. Corporate Credit
Alternatives:	**13.80%**	**2 to 14%**	
REITS	6.00	2 to 10	Dow Jones U.S. Select Real Estate Securities Index Total Return
Hedge Fund	5.40	0 to 8	3-Month LIBOR plus 400 basis points, minimum 700 basis points
Opportunistic	1.00	0 to 3	Market Weight of underlying portfolio benchmarks
Commodities	1.00	0 to 2	Standard & Poor's-Goldman Sachs Commodity Index Total Return
Private Equity	0.40	0 to 2	Russell 3000 Stock Index plus 300 basis points
Total	**100.00%**		

* U.S. to Non-U.S. equity ratio reset quarterly based on the MSCI All Country World Index (ACWI)—Investable Market Index U.S. to Non-U.S. ratio.

Rebalancing

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

The Board establishes the asset allocation targets and ranges and reviews them annually. Every three to five years the Board will undertake a comprehensive asset allocation review designed to assess the continuing appropriateness of this policy. Such review will consider an asset-liability study of future costs, funding requirements, the appropriateness of the actuarial interest rate assumption and the prospective funded status of future coverage. It may also include a study of portfolio design for optimal diversification and comparisons with peer practices.

Defined Contribution Investment Policies

Investment Objective

The Defined Contribution portfolio investment options are intended to be primary retirement savings vehicles for members. The long-term objectives of the Defined Contribution portfolios are to support defined contribution plan members in having independent control over their OPERS retirement assets, while providing a suitable framework to invest their assets over the long-term.

Asset Allocation

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

- **OPERS Target Date Funds**

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

Defined Contribution Asset Allocation

OPERS Investment Fund	OPERS Target Date Funds									
	Payout		2015		2020		2025		2030	
	Target	Range	Target	Range	Target	Range	Target	Range	Target	Range
Stable Value	25.0%	+/-3.7%	9.0%	+/-2.1%	1.0%	+/-0.0%	0.0%	+/-0.0%	0.0%	+/-0.0%
Bond	32.0	+/-4.0	38.0	+/-4.1	36.0	+/-2.7	21.0	+/-2.4	11.0	+/-2.4
TIPS	13.0	+/-3.4	11.0	+/-3.5	4.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.0
Long-Duration Bond	0.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.0	5.0	+/-1.5	8.0	+/-1.4
Large Cap	10.0	+/-1.3	12.0	+/-1.4	16.0	+/-1.7	21.0	+/-1.9	22.0	+/-2.1
Small Cap	5.0	+/-1.7	9.0	+/-1.8	13.0	+/-2.1	18.0	+/-2.4	19.0	+/-2.6
Non-U.S. Stock	15.0	+/-2.2	21.0	+/-2.4	30.0	+/-2.6	39.0	+/-2.8	41.0	+/-2.8

Defined Contribution Asset Allocation (continued)

OPERS Investment Fund	OPERS Target Date Funds									
	2035		2040		2045		2050		2055	
	Target	Range	Target	Range	Target	Range	Target	Range	Target	Range
Stable Value	0.0%	+/-0.0%	0.0%	+/-0.0%	0.0%	+/-0.0%	0.0%	+/-0.0%	0.0%	+/-0.0%
Bond	8.0	+/-2.3	7.0	+/-2.2	5.0	+/-2.1	5.0	+/-2.1	5.0	+/-2.1
TIPS	0.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.0	0.0	+/-0.5
Long-Duration Bond	8.0	+/-1.3	6.0	+/-1.3	5.0	+/-1.2	5.0	+/-1.2	5.0	+/-1.2
Large Cap	23.0	+/-2.1	24.0	+/-2.2	25.0	+/-2.3	25.0	+/-2.3	25.0	+/-2.3
Small Cap	19.0	+/-2.7	20.0	+/-2.7	20.0	+/-2.8	20.0	+/-2.8	20.0	+/-2.8
Non-U.S. Stock	42.0	+/-2.9	43.0	+/-3.0	45.0	+/-3.1	45.0	+/-3.1	45.0	+/-3.1

- **OPERS Funds**

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

OPERS Fund	Market Index
Stable Value	Custom Index*
Bond Index	Barclays U.S. Aggregate
Stock Index	Russell 3000
Large Cap	Russell 1000
Small Cap	Russell 2000
Non-U.S. Stock Index	MSCI ACWI Ex-U.S.

* The Stable Value Fund (SVF) is managed actively and its primary objective is to preserve the value of principal. Its secondary objective is to exceed the long-term return of a Custom Index comprised of the Barclays 1-5 Year Government/Corporate Bond Index (45%), the Barclays Intermediate Government/Corporate Bond Index (35%), the Barclays Aggregate Bond Index (15%) and the Merrill Lynch 3-Month U.S. Treasury Bills Index (5%). A typical stable value fund return fluctuates less than one percent a year; therefore neither the short-term returns nor volatility of the SVF is consistent with market value instruments such as those in the Custom Index.

- **OPERS Self-Directed Brokerage Account**

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

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

Rebalancing

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

Performance Objectives and Risk Management

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

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

Fixed Income

The Fixed Income program includes investments in fixed income sub-asset classes of core fixed, emerging market debt, floating rate debt, securitized debt, Treasury inflation-protected securities (TIPS), high yield, global high yield, liquidity, and internal credit.

The Fixed Income program utilizes active and passive management strategies through internal and external managers. The internal core portfolio uses a risk-controlled active strategy focusing on investment grade securities. Currently, external managers are used for the high yield, emerging debt, global high yield, floating rate debt, and a portion of the core fixed sectors, which require specialized expertise. The TIPS, securitized debt, liquidity and the majority of the core fixed portfolios are internally managed using risk controlled active strategies.

Domestic Equities

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

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

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

Real Estate

The Private Market Real Estate program is expected to meet or exceed the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (NPI) over rolling five-year periods, net of manager fees. Leverage will be limited to 40% loan to value of the aggregate Private Market Real Estate, with a range plus-or-minus 10 percentage points.

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

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

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

Private Equities

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

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

International Equities

The Non-U.S. Equity program is expected to outperform the custom benchmark consisting of various MSCI indices, with a tracking error not to exceed 300 basis points.

The Non-U.S. Equity program utilizes both index and active management styles and is managed predominantly through external investment managers. Starting in late 2011 and continuing through 2012, internal staff began managing developed markets large cap, developed markets small cap, emerging markets large cap, and emerging markets small cap portfolios. Allocations to a single external manager are limited to 15% of the sub-asset class excluding passive investment portfolios.

Cash Management

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

Derivatives

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

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

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

Asset Class	Derivatives Limit
Public Equity:	
U.S. Equity	25%
Non-U.S. Equity	25
Public Fixed Income:	
Liquidity	0
Core Fixed	25
TIPS	0
Global High Yield	25
High Yield	25
Emerging Market Debt	25
Floating Rate Debt	25
Securitized Debt	25
Alternatives:	
REITS	10
Commodities	100
Opportunistic	100

Hedge Funds

Hedge Fund investments are structured to preserve capital and provide competitive returns with a low correlation to traditional asset classes, providing diversification, reduced volatility or returns and long-term return enhancement.

The performance objective for the Hedge Fund sub-asset class is the greater of 3-month LIBOR + 400 basis points or 700 basis points per annum, net of fees and expenses. Risk is managed through a combination of quantitative and qualitative measures. The requirements for establishing appropriate risk metrics for each hedge fund include; (1) providing risk parameter and performance reporting on a monthly basis, (2) seeking advice from legal counsel, the due diligence consultant and/or investment advisor to determine if audited financial statements are required based on the specific structure of each investment, and (3) establishing position-level transparency targets for the Hedge Fund asset class. Hedge fund allocations are limited to $400 million for multi-strategy managers and $200 million for direct hedge fund managers.

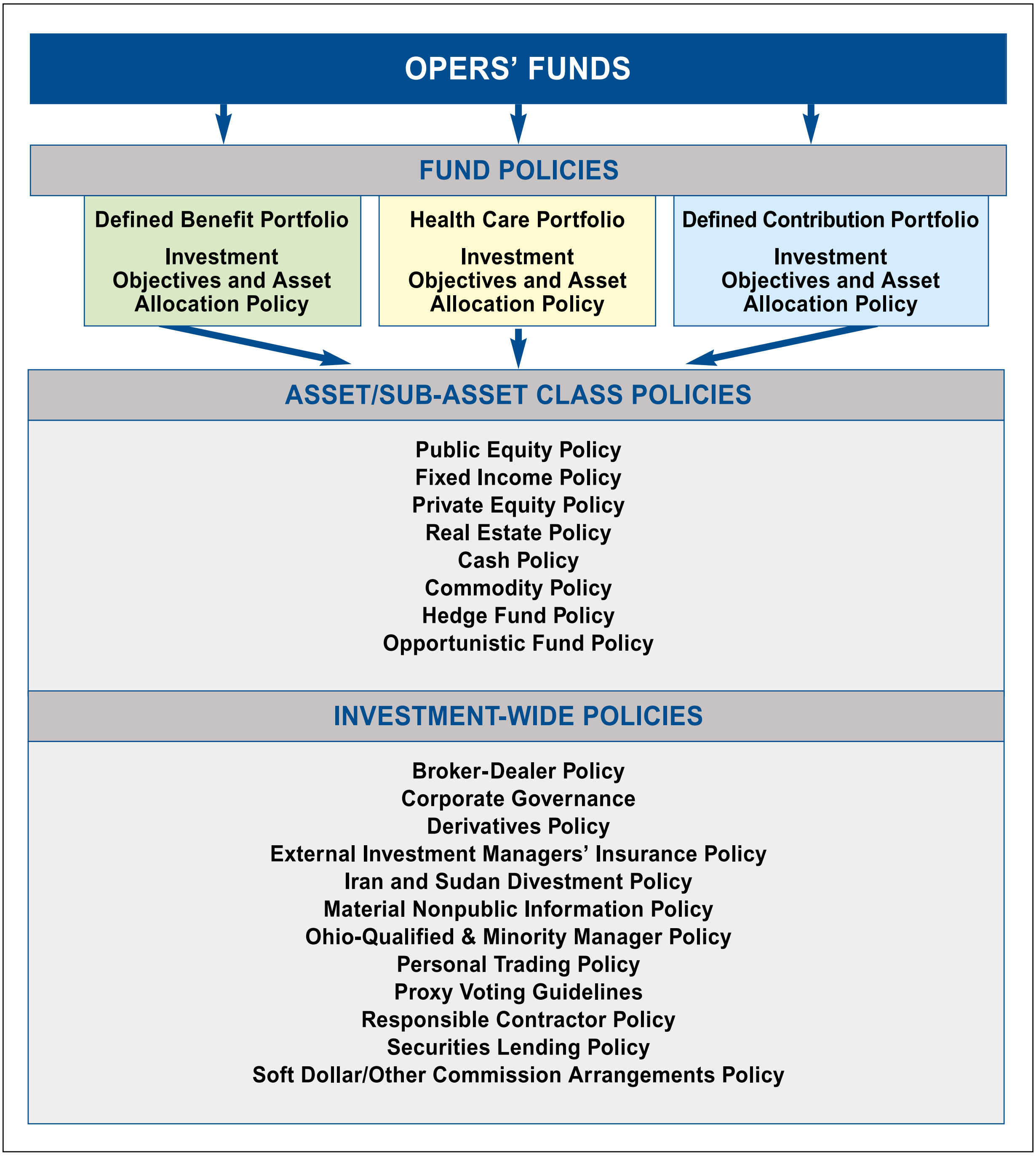
Securities Lending

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

Cash reinvestment risk, counterparty risk and liquidity risk is managed through a combination of quantitative and qualitative constraints. Excess collateral, marked-to-market daily, is held for each loan in the amount of 102% for domestic securities and 105% for international securities. The maximum percentage of assets that may be on loan is 50% of the total plan while the maximum amount that may be on loan with any one borrower is 15% of the total plan.

Structure and Relationship of Investment Policies

The following exhibit illustrates the structure and relationship of the 20 investment policies within the total System and its three investment portfolios.



Actuarial Section

Fourth key: Strengthening the health care plan

Access to health care is important. Although OPERS-provided health care is neither guaranteed nor required, the System is working diligently so that meaningful access to health care coverage can continue to be offered.

OPERS members and retirees must do their part to help strengthen the health care fund. Members and retirees are encouraged to recognize that healthy lifestyles can help contain the cost of health care. Healthy lifestyles have been proven to help delay or prevent many chronic illnesses—and the cost of prevention is significantly less than the cost of treatment. Simply put, healthy lifestyles integrated during working years may positively impact quality of life (and finances) in retirement.

GRS

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April 9, 2013

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

Dear Board Members:

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

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

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of December 31, 2011.

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

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

Actuarial Section

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

Financial Section

Schedule of Funding Progress

The Retirement Board
April 9, 2013
Page 2

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

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

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and parameters comply with the requirements of the Governmental Accounting Standards Board Statement No. 25 and Statement No. 43. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The December 31, 2011 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2006-2010 period.

The computed amortization period as of the December 31, 2011 annual valuation increased from the prior year. Actuarial losses occurred primarily in the areas of investment return and service retirement. These were partially offset by actuarial gains in the area of pay increases. The reduction in the valuation payroll also had an upward effect on the computed amortization period. At the time the December 31, 2011 retiree health plan annual valuation was being completed, the long-term viability of the retiree health program continued to be a cause for concern. The expected solvency period in the retiree health plan declined from 11 years to 10 years. It is anticipated that the recently adopted changes resulting from the Health Care Preservation Plan (HCPP) 3.0 will assist in the long-term viability of the retiree health program.

Based upon the results of the December 31, 2011 valuations, we are pleased to report to the Board that with respect to pension benefits, the Public Employees Retirement System of Ohio is meeting its basic financial objective and continues in sound condition in accordance with actuarial principles of level percent of payroll financing. However, continued recovery in the investment markets is very important to OPERS and most other retirement plans in the country.

The signing actuaries are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

Brian B. Murphy, FSA, MAAA
Mita D. Drazilov, ASA, MAAA
Randall J. Dziubek, ASA, MAAA

BBM/MDD/RJD:mdd

Gabriel Roeder Smith & Company

The actuarial information presented in the *2012 Comprehensive Annual Financial Report* is based on the System's most current actuarial valuation data as of December 31, 2011.

OPERS conducts experience studies every five years in accordance with ORC 145.22. The actuary conducted an experience study for the five-year period ending December 31, 2010. Following this experience study and based on the recommendations of the actuary, the Board of Trustees approved and adopted the following methods and assumptions in 2011. These methods and assumptions apply to both the Traditional Pension Plan and the Combined Plan.

Funding Method

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

Economic Assumptions

The following economic assumptions were used by the actuary:

- ***Investment Return*** — 8.00% compounded annually, net after administrative expenses.
- ***Wage Inflation Rate*** — 3.75% per year. Wage inflation is defined to be the portion of total pay increases for an individual that are due to macroeconomic forces including productivity, price inflation, and labor market conditions. The wage inflation rate does not include pay changes rated to individual merit and seniority effects.
- ***Price Inflation*** — 3.00% of the investment return rate and wage inflation rate is assumed to be price inflation.
- ***Assumed Real Rate of Return*** — 4.25% per year. The assumed real rate of return is defined as the portion of the 8.0% investment return that is more than the wage inflation rate of 3.75%.
- ***Active Member Population*** — Consists of the sum of the active members in the Traditional Pension Plan and Combined Plan, and is assumed to remain constant. For purposes of financing the unfunded actuarial accrued liabilities, total payroll is assumed to grow at the wage inflation rate of 3.75% per year.
- ***Individual Employee Pay Increases*** — An active employee's pay is assumed to increase each year, in accordance with an age-based table. Part of the assumed increase is for merit and/or seniority increases, and the balance recognizes the wage inflation rate. The following table describes annual increase percentages for sample ages.

Individual Employee Pay Increases

	Merit and Seniority					Total Increase Next Year			
Age	State	Local	Public Safety	Law	Wage Inflation	State	Local	Public Safety	Law
30	3.00%	3.00%	4.00%	4.00%	3.75%	6.75%	6.75%	7.75%	7.75%
40	1.80	1.80	0.85	0.85	3.75	5.55	5.55	4.60	4.60
50	1.20	1.20	0.50	0.50	3.75	4.95	4.95	4.25	4.25
60	0.70	0.70	0.50	0.50	3.75	4.45	4.45	4.25	4.25

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

Percent Separating Within Next Year—Withdrawal from Employment

Sample Ages	Years of Service	Withdrawal							
		State		Local		Public Safety		Law Enforcement	
		Men	Women	Men	Women	Men	Women	Men	Women
	0	45.00%	45.00%	40.00%	40.00%	19.00%	19.00%	16.00%	16.00%
	1	30.00	30.00	26.00	26.00	17.00	17.00	10.00	12.00
	2	17.00	18.00	16.00	17.00	10.00	10.00	8.00	8.00
	3	12.00	13.00	11.00	13.00	10.00	10.00	6.00	7.00
	4	10.00	10.00	10.00	10.00	10.00	10.00	5.00	7.00
30	5 & over	5.16	6.66	5.24	6.54	8.80	8.80	2.66	2.90
40	5 & over	2.82	3.32	2.86	3.52	3.50	3.50	1.48	1.50
50	5 & over	1.90	2.30	2.30	2.60	2.00	2.00	1.20	1.20
60	5 & over	1.90	2.30	2.30	2.60	2.00	2.00	1.20	1.20

Percent Separating Within Next Year—Death or Disability

Sample Ages	Years of Service	Death		Disability					
		All Divisions		State		Local		Public Safety & Law Enforcement	
		Men	Women	Men	Women	Men	Women	Men	Women
25	5 & over	0.03%	0.01%	0.15%	0.15%	0.13%	0.12%	0.24%	0.40%
35	5 & over	0.07	0.03	0.32	0.32	0.28	0.21	0.76	1.02
45	5 & over	0.14	0.06	0.72	0.72	0.62	0.45	1.18	1.86
55	5 & over	0.33	0.17	1.36	1.36	1.34	0.98	2.76	3.40
60	5 & over	0.61	0.34	2.20	2.20	1.54	1.35	3.50	4.00

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

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

Assets Valuation Method

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

Valuation Data

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

Decrement Assumptions

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

- ***Mortality*** — The tables used in evaluating age-and-service and survivor benefit allowances to be paid were based on the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of Combined Health male mortality rates were used. For females, 100% of the Combined Healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based upon the RP-2000 mortality table with no projection. For males, 120% of the Disabled Female Mortality rates are used, set forward two years. For females, 100% of the Disabled Female Mortality rates are used.
- ***Retirement*** — Probabilities of age-and-service retirement applicable to members eligible to retire are as shown in the schedules on pages 125 – 126.

Percent of Eligible Active Members Retiring Within Next Year

With Unreduced Age-and-Service Retirement Benefits

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

- ***State and Local***—30 years of service at any age;
  - ➤ A service-based probability is used for members who attain 30 years of service prior to age 65
  - ➤ An age-based probability is used for members who attain 30 years of service on or after age 65
- ***Public Safety***—25 years of service and attained the age of 52;
- ***Law Enforcement***—25 years of service and attained the age of 48.

Service	State		Local	
	Men	Women	Men	Women
30	37%	40%	35%	35%
31	28	33	26	30
32-39	24	26	23	24
40-42	35	33	32	24
43-44	35	33	32	20
45	25	25	32	20
46-49	25	25	25	20
50 & Over	100	100	100	100

Retirement Age	State		Local	
	Men	Women	Men	Women
65-66	22%	22%	20%	20%
67	20	20	15	20
68-71	20	20	15	17
72-76	15	20	15	17
77-78	15	25	15	17
79	15	25	15	22
80-84	25	25	20	22
85 & Over	100	100	100	100

Retirement Age	Public Safety	Law Enforcement
48-51	N/A	20%
52-53	30%	20
54-55	25	20
56-57	25	23
58-59	20	25
60	35	30
61-69	35	25
70 & Over	100	100

Percent of Eligible Active Members Retiring Within Next Year

With Reduced Age-and-Service Retirement Benefits

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

Retirement Age	State		Local		Public Safety
	Men	Women	Men	Women	
48-51	N/A	N/A	N/A	N/A	8%
55-58	10%	10%	9%	11%	N/A
59	10	11	9	11	N/A
60	10	12	9	11	N/A
61	10	13	9	12	N/A
62	15	15	13	13	N/A
63	15	15	14	14	N/A
64	15	15	12	15	N/A

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

Average Defined Benefits Paid OPERS Retirees — Traditional Pension Plan

Year	Average Age at Retirement	Average Service at Retirement	Average Final Average Salary	Average Pension at Retirement	Average Age on Valuation Date	Average Pension on Valuation Date
2011	57.3	22.6	$36,549	$18,221	69.3	$22,614
2010	57.2	22.4	35,025	17,380	69.3	21,600
2009	57.2	22.2	33,808	16,725	69.3	20,731
2008	57.2	22.0	32,401	15,942	69.4	19,751
2007	57.2	21.9	31,214	15,318	69.4	18,917
2006	57.3	21.7	29,974	14,711	69.4	18,096

Average Defined Benefits Paid OPERS Retirees — Combined Plan

Year	Average Age at Retirement	Average Service at Retirement	Average Final Average Salary	Average Pension at Retirement	Average Age on Valuation Date	Average Pension on Valuation Date
2011	64.2	7.9	$49,751	$2,757	66.0	$2,828
2010	64.3	7.9	40,548	2,158	65.9	2,219
2009	65.0	7.6	35,139	1,590	66.6	1,635
2008	64.0	7.4	29,454	1,239	64.8	1,260
2007	61.1	4.8	43,743	1,620	62.0	1,644
2006	62.1	3.8	50,116	1,656	62.3	1,656

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

Actuarial Valuation Data — Traditional Pension Plan

	Active Members				Retired Lives		
Valuation Year	Number	Annual Payroll ($ millions)	Average Pay	Percent Increase in Average Pay	Number*	Annual Allowance ($ millions)	Average Allowance
2011	328,640	$12,103	$36,828	1.27%	189,753	$4,232	$22,303
2010	334,507	12,165	36,367	1.15	181,433	3,868	21,319
2009	341,777	12,288	35,953	0.29	174,637	3,576	20,477
2008	349,969	12,546	35,849	3.87	169,000	3,300	19,525
2007	357,743	12,347	34,514	2.76	163,505	3,063	18,731
2006	356,430	11,971	33,586	2.12	159,039	2,852	17,934

* The number of Retired Lives represents an individual count of retirees and beneficiaries

Actuarial Valuation Data — Combined Plan

	Active Members				Retired Lives		
Valuation Year	Number	Annual Payroll ($ millions)	Average Pay	Percent Increase in Average Pay	Number*	Annual Allowance ($ millions)	Average Allowance
2011	6,714	$296	$44,087	3.13%	36	$0	$2,828
2010	6,667	285	42,748	4.56	20	0	2,219
2009	6,335	259	40,884	2.91	8	0	1,635
2008	6,419	255	39,726	6.60	7	0	1,260
2007	6,333	236	37,265	4.12	2	0	1,693
2006	5,700	204	35,789	4.82	1	0	1,505

* The number of Retired Lives represents an individual count of retirees and beneficiairies receiving an age-and-service benefit.

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

Actuarial Valuation Data — Purchased Annuities

	Member-Directed Plan			Combined Plan		
Valuation Year	Number*	Annual Allowance ($ millions)	Average Allowance	Number*	Annual Allowance ($ millions)	Average Allowance
2011	38	$0	$2,652	22	$0	$2,286
2010	18	0	2,275	12	0	1,920
2009	10	0	2,158	4	0	1,770
2008	4	0	3,468	5	0	1,778
2007	2	0	1,932	2	0	1,702
2006				1	0	2,007

* Number represents an individual count of retirees and beneficiaries.

Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

The tables below display the changes in the retiree population that occurred each year within the Traditional Pension and Combined Plans. The Annual Allowances in the Rolls at End of the Year and the Average Annual Allowances represent the value of pension payments for the retiree population on the rolls at December 31, 2012.

The statistics presented below represent the number of retired members' accounts under which either the member or the members' beneficiaries are receiving defined formula benefits for age-and-service retirements, disability or survivor benefits. Annual Allowances include annual cost-of-living adjustments, but exclude other annuities such as money purchase or additional annuities (refer to the Plan Statement beginning on page 180 for a description of these benefits). Prior to 2011, the statistics exclude retired members with less than five years of service credit. Restated data for years prior to 2011 is not available.

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

Year Ended	Added to Rolls		Removed From Rolls		Rolls at End of Year		Percentage Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
2012	11,263	$281,185,485	5,772	$87,465,474	189,357	$4,501,952,331	6.8%	$23,775
2011*	12,235	321,228,243	5,402	80,530,077	183,866	4,215,359,130	10.2	22,926
2010	10,607	278,758,820	4,041	59,271,884	173,235	3,824,710,874	8.0	22,078
2009	10,839	289,793,503	5,542	78,808,830	166,669	3,541,886,599	8.6	21,251
2008	9,240	225,548,983	4,124	56,416,940	161,372	3,261,996,219	7.4	20,214
2007	9,733	230,401,061	5,576	82,605,482	156,256	3,035,847,045	7.9	19,429

* Data corrected from values reported in the *2011 Comprehensive Annual Financial Report*.

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

Year Ended	Added to Rolls		Removed From Rolls		Rolls at End of Year		Percentage Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
2012	19	$59,135	0	$0	55	$158,191	68.4%	$2,876
2011	15	50,537	0	0	36	93,925	119.2	2,609
2010	11	29,695	0	0	19	42,849	228.7	2,255
2009	4	7,545	3	3,702	8	13,035	46.8	1,629
2008	5	5,492	0	0	7	8,879	162.2	1,268
2007	1	1,881	0	0	2	3,386	125.0	1,693

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

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

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

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

Accrued Pension Liabilities ($ in millions) — **Traditional Pension Plan**

Valuation Year	Aggregate Accrued Liabilities for			Valuation Assets *	Portions of Accrued Liabilities Covered by Reported Assets		
	(1) Member Contributions	(2) Retirees and Beneficiaries	(3) Active/Inactive Members (Employer-Financed Portion)		(1)	(2)	(3)
2011	$12,299	$46,588	$25,439	$65,274	100%	100%	25%
2010***	12,134	42,362	25,811	63,515	100	100	35
2010**	12,134	41,715	25,609	60,461	100	100	26
2009	11,933	38,577	25,897	57,519	100	100	27
2008	11,546	35,485	26,315	55,230	100	100	31
2007	10,785	32,923	25,930	67,067	100	100	90
2006	10,374	30,636	25,078	61,235	100	100	81

*Does not include assets set aside for the Post-employment Health Care Plan.
**Results from original valuation prior to completion of experience study.
***Results restated based on experience study.

Accrued Pension Liabilities ($ in millions) — **Combined Plan**

Valuation Year	Aggregate Accrued Liabilities for			Valuation Assets *	Portions of Accrued Liabilities Covered by Reported Assets		
	(1) Member Contributions	(2) Retirees and Beneficiaries	(3) Active/Inactive Members (Employer-Financed Portion)		(1)	(2)	(3)
2011	$1	$2	$200	$161	100%	100%	79%
2010***	1	1	175	134	100	100	75
2010**	1	1	169	138	100	100	80
2009	1	0	147	110	100	100	74
2008	1	0	119	85	100	100	71
2007	0	0	95	84	100	100	89
2006	N/A	0	72	61	N/A	100	84

*Does not include assets set aside for the Post-employment Health Care Plan.
**Results from original valuation prior to completion of experience study.
***Results restated based on experience study.

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

Analysis of Financial Experience — Traditional Pension Plan

Type of Activity	Gain (or Loss) For Year ($ in millions)				
	2011	2010	2009	2008	2007
Age-and-Service Retirements If members retire at older ages than assumed, there is a gain. If younger ages, a loss.	($179.0)	($20.5)	($27.5)	$10.1	($30.6)
Disability Retirements If Disability claims are less than assumed, there is a gain. If more claims, a loss.	88.1	59.2	74.0	39.1	36.7
Death-In-Service Annuities If survivor claims are less than assumed, there is a gain. If more claims, a loss.	36.1	32.0	34.6	31.7	29.5
Other Separations If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	15.9	99.8	(58.9)	(27.9)	(129.0)
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	359.5	773.7	1,141.8	220.2	202.4
Investment Return If there is greater investment return than assumed, there is a gain. If less return, a loss.	(1,193.8)	153.5	(620.5)	(15,813.5)	1,979.3
Gain (or Loss) During Year From Financial Experience	**($873.2)**	**$1,097.7**	**$543.5**	**($15,540.3)**	**$2,088.3**

Analysis of Financial Experience — Combined Plan

Type of Activity	Gain (or Loss) For Year ($ in millions)				
	2011	2010	2009	2008	2007
Age-and-Service Retirements If members retire at older ages than assumed, there is a gain. If younger ages, a loss.	($0.09)	($0.12)	($0.12)	($0.06)	($0.03)
Disability Retirements If Disability claims are less than assumed, there is a gain. If more claims, a loss.	4.52	2.78	2.07	1.94	1.12
Death-In-Service Annuities If survivor claims are less than assumed, there is a gain. If more claims, a loss.	(0.02)	0.04	0.53	0.05	0.21
Other Separations If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	0.55	(1.67)	7.56	1.98	1.08
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	3.00	2.29	(3.35)	(0.21)	0.22
Investment Return If there is greater investment return than assumed, there is a gain. If less return, a loss.	(2.69)	(3.44)	(3.25)	(23.83)	(0.10)
Gain (or Loss) During Year From Financial Experience	**$5.27**	**($0.12)**	**$3.44**	**($20.13)**	**$2.50**

Actual vs. Recommended Contribution Rates

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

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Statistical Section

Fifth key: Forward positioning

Change is constant. Organizations must anticipate and plan for change or become obsolete. OPERS remains strong by preparing today for the events of tomorrow. As an organization, OPERS is diligent in benchmarking past activities, mining data to crystalize current decisions, and using all available information to constantly position the System for the future.

OPERS has a strong tradition of strategic planning. The discipline of developing strategic plans has enabled the organization to benchmark past and current efforts against anticipated future needs. With our strategic planning structure in place, OPERS can continue to proactively evolve. Our ongoing positioning has enabled the System to implement innovative technology, assess and refine business processes for cost savings, provide superior service to a growing retiree base (without commensurate increases in staff), and constantly evolve toward the goal of being the best-run pension system in the country.

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

The schedules and graphs beginning on page 135 show financial trend information about the growth of OPERS' assets for the past 10 years. These schedules provide detailed information about the trends of key sources of additions and deductions to the System's assets and assist in providing a context framing how OPERS' financial position has changed over time. The financial trend schedules presented are:

- Net Position by Plan,
- Statutory Fund Balance by Plan,
- Fiduciary Net Position by Year,
- Changes in Fiduciary Net Position,
- Additions by Source,
- Deductions by Type,
- Benefits by Type, and
- Refunds by Type.

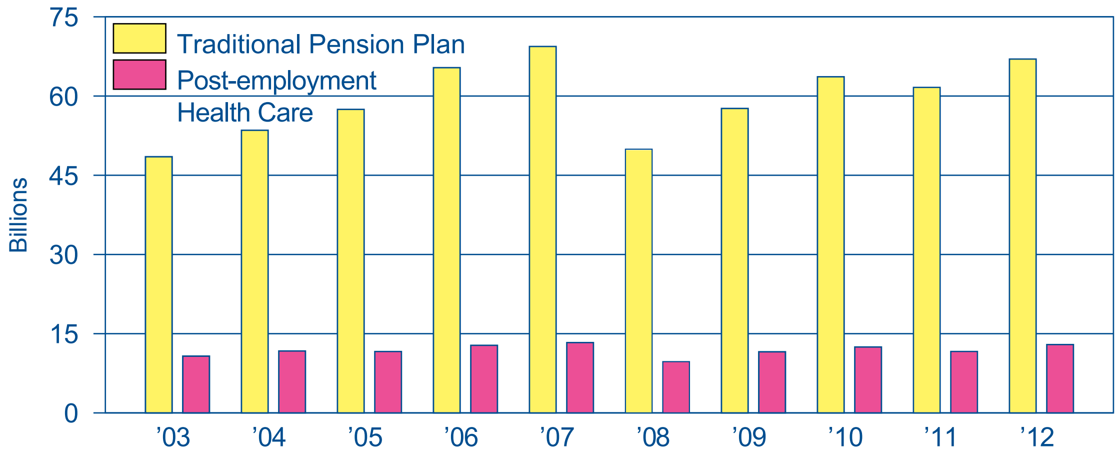
The schedules on page 160 compare the pension assets accumulated to cover the projected pension liabilities that are ultimately due at retirement for each of the defined benefit plans and the corresponding funded ratio. The schedule on page 161 displays similar information for OPERS' health care assets and projected liabilities. The Health Care Solvency schedule shows the estimated number of years for which assets are available to cover the projected liabilities. OPERS' target is to maintain a rolling 20-40 years of available solvency. Refer to Schedules of Pension and Health Care Assets vs. Liabilities.

The schedules beginning on page 158 show demographic and economic information and operating information. The demographic and economic information is designed to assist in understanding the environment in which OPERS operates. The operating information is intended to provide contextual information about OPERS' operations to assist in assessing the System's economic condition. The demographic and economic information, and the operating information presented includes:

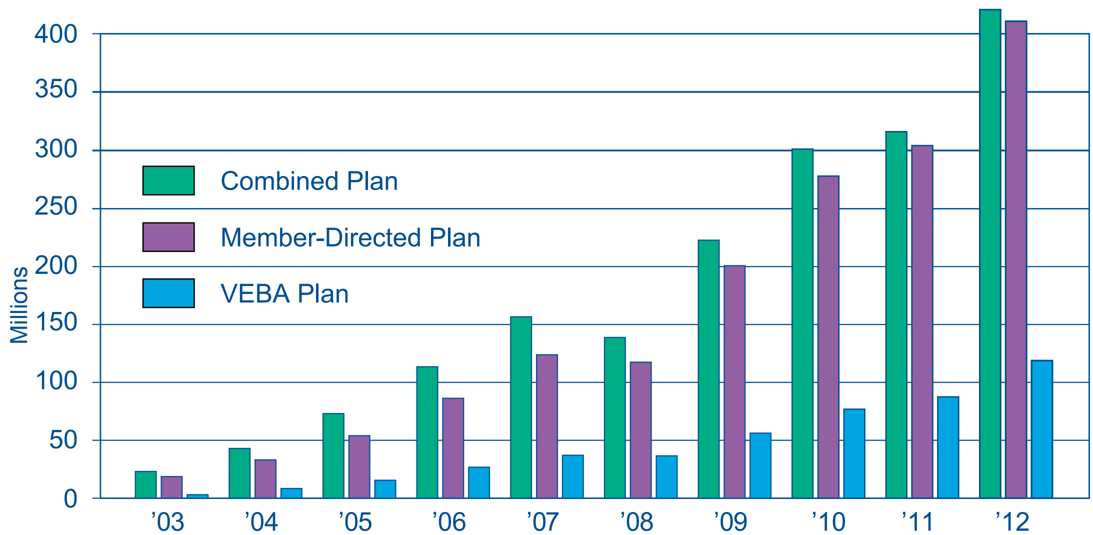
- Number of Refund Payments by Plan,
- Pension Assets vs. Pension Liabilities,
- Health Care Assets vs. Health Care Liabilities,
- Number of Retirees/Benefit Recipients by Category,
- Number of Covered Lives by Category,
- Schedule of Retires by Benefit Type and Amount,
- Number of New Pension Retirees,
- Schedule of Average Benefits (Traditional Pension and Combined Plans),
- Member Counts by Plan,
- 2012 Pension Benefits by Ohio County,
- Retirees by Geographic Location,
- Contribution Rates,
- Number of Employer Units, and
- Principal Participating Employers.

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

Net Position by Plan — Traditional Pension, Post-employment Health Care



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



Net Position by Plan (last 10 fiscal years)

Year	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	VEBA Plan	Total Net Position
2012	$67,668,091,799	$12,828,625,322	$420,197,546	$410,662,967	$119,615,875	$81,447,193,509
2011*	61,330,891,370	11,959,000,311	333,095,015	317,193,338	90,696,132	74,030,876,166
2010*	63,153,243,166	12,682,612,422	300,437,631	279,096,442	76,231,029	76,491,620,690
2009	57,630,423,957	11,415,195,274	223,384,797	200,588,070	55,784,131	69,525,376,229
2008	49,312,811,154	9,596,082,077	138,950,485	117,342,021	36,333,066	59,201,518,803
2007	69,959,641,078	13,282,947,482	156,864,566	123,946,918	37,227,685	83,560,627,729
2006	65,297,352,893	12,838,059,079	113,999,034	86,524,882	25,331,889	78,361,267,777
2005	57,662,214,741	11,845,713,012	72,499,607	54,502,026	15,377,190	69,650,306,576
2004	53,554,315,210	11,609,113,358	43,463,455	33,579,873	7,978,960	65,248,450,856
2003	48,239,335,328	10,813,803,449	22,890,488	18,464,414	3,181,305	59,097,674,984

* Net Position by Plan was restated to correct the allocation of investment income as of December 31, 2010, with the restatement rolled forward through 2011 and 2012. The restatement by plan does not impact the total net position of the System.

Statutory Fund Balance by Plan (last 10 fiscal years)

Year	2012	2011*	2010*	2009
All Plans				
Employees' Savings Fund	$12,641,655,468	$12,300,117,438	$12,134,839,989	$11,933,642,333
Employers' Accumulation Fund—Pension/Health Care	19,074,270,351	15,959,261,830	22,278,219,189	20,026,006,552
Annuity and Pension Reserve Fund	47,232,908,883	43,513,048,458	39,927,499,750	35,616,195,176
Survivors' Benefit Fund	1,627,212,197	1,568,050,108	1,527,374,797	1,472,264,995
Defined Contribution Fund—Retirement/Health Care	763,702,610	587,622,632	522,426,170	376,419,373
Income Fund	107,444,000	99,016,985	99,070,651	95,184,666
Expense Fund		3,758,715	2,190,144	5,663,134
Total Fund Balance	**$81,447,193,509**	**$74,030,876,166**	**$76,491,620,690**	**$69,525,376,229**
Traditional Pension Plan				
Employees' Savings Fund	$12,639,906,042	$12,298,673,251	$12,133,856,642	$11,932,873,455
Employers' Accumulation Fund—Pension	6,066,140,290	3,850,924,715	9,464,360,661	8,508,596,858
Annuity and Pension Reserve Fund	47,227,389,270	43,510,467,596	39,926,390,271	35,615,840,849
Survivors' Benefit Fund	1,627,212,197	1,568,050,108	1,527,374,797	1,472,264,995
Income Fund	107,444,000	99,016,985	99,070,651	95,184,666
Expense Fund		3,758,715	2,190,144	5,663,134
Total Fund Balance	**$67,668,091,799**	**$61,330,891,370**	**$63,153,243,166**	**$57,630,423,957**
Post-employment Health Care				
Employers' Accumulation Fund—Health Care	$12,828,625,322	$11,959,000,311	$12,682,612,422	$11,415,195,274
Total Fund Balance	**$12,828,625,322**	**$11,959,000,311**	**$12,682,612,422**	**$11,415,195,274**
Combined Plan				
Employees' Savings Fund	$1,606,472	$1,362,904	$975,589	$768,977
Employers' Accumulation Fund—Pension	179,466,995	149,374,928	131,266,975	102,108,811
Annuity and Pension Reserve Fund	3,114,881	1,514,253	644,239	251,905
Defined Contribution Fund—Retirement	236,009,198	180,842,930	167,550,828	120,255,104
Total Fund Balance	**$420,197,546**	**$333,095,015**	**$300,437,631**	**$223,384,797**
Member-Directed Plan				
Employees' Savings Fund	$142,954	$81,283	$7,758	($99)
Employers' Accumulation Fund—Pension	37,744	(38,124)	(20,869)	105,609
Annuity and Pension Reserve Fund	2,404,732	1,066,609	465,240	102,422
Defined Contribution Fund—Retirement	408,077,537	316,083,570	278,644,313	200,380,138
Total Fund Balance	**$410,662,967**	**$317,193,338**	**$279,096,442**	**$200,588,070**
VEBA Plan				
Defined Contribution Fund—Health Care	$119,615,875	$90,696,132	$76,231,029	$55,784,131
Total Fund Balance	**$119,615,875**	**$90,696,132**	**$76,231,029**	**$55,784,131**

* Net Position by Plan was restated to correct the allocation of investment income as of December 31, 2010, with the restatement rolled forward through 2011 and 2012. The restatement by plan does not impact the total net position of the System.

Statutory Fund Balance by Plan (continued)

2008	2007	2006	2005	2004	2003
$11,546,208,967	$10,815,159,012	$10,374,480,725	$9,810,364,125	$9,339,927,737	$8,896,964,040
13,503,733,507	40,336,757,059	38,641,822,117	33,061,020,982	30,921,433,439	27,368,711,915
32,410,382,036	30,699,027,425	27,770,522,547	25,377,301,101	23,663,435,434	21,562,826,137
1,418,388,692	1,373,512,884	1,313,109,826	1,209,472,794	1,171,933,656	1,143,463,941
216,885,601	234,047,349	165,336,652	102,223,154	62,970,790	35,826,751
100,226,117	99,627,634	95,995,910	87,484,700	84,749,285	89,838,868
5,693,883	2,496,366		2,439,720	4,000,515	43,332
$59,201,518,803	**$83,560,627,729**	**$78,361,267,777**	**$69,650,306,576**	**$65,248,450,856**	**$59,097,674,984**
$11,545,651,011	$10,814,646,533	$10,374,152,385	$9,810,182,770	$9,339,889,114	$8,896,961,910
3,832,714,973	26,970,418,583	25,743,571,669	21,175,333,656	19,290,307,206	16,546,201,140
32,410,136,478	30,698,939,078	27,770,523,103	25,377,301,101	23,663,435,434	21,562,826,137
1,418,388,692	1,373,512,884	1,313,109,826	1,209,472,794	1,171,933,656	1,143,463,941
100,226,117	99,627,634	95,995,910	87,484,700	84,749,285	89,838,868
5,693,883	2,496,366		2,439,720	4,000,515	43,332
$49,312,811,154	**$69,959,641,078**	**$65,297,352,893**	**$57,662,214,741**	**$53,554,315,210**	**$48,239,335,328**
$9,596,082,077	$13,282,947,482	$12,838,059,079	$11,845,713,012	$11,609,113,358	$10,813,803,449
$9,596,082,077	**$13,282,947,482**	**$12,838,059,079**	**$11,845,713,012**	**$11,609,113,358**	**$10,813,803,449**
$557,956	$512,479	$328,340	$181,355	$38,623	$2,130
74,976,136	83,391,067	60,191,369	39,974,314	22,012,875	8,707,326
73,758	60,804	(556)			
63,342,635	72,900,216	53,479,881	32,343,938	21,411,957	14,181,032
$138,950,485	**$156,864,566**	**$113,999,034**	**$72,499,607**	**$43,463,455**	**$22,890,488**
($39,679)	($73)				
171,800	27,543				
117,209,900	123,919,448	$86,524,882	$54,502,026	$33,579,873	$18,464,414
$117,342,021	**$123,946,918**	**$86,524,882**	**$54,502,026**	**$33,579,873**	**$18,464,414**
$36,333,066	$37,227,685	$25,331,889	$15,377,190	$7,978,960	$3,181,305
$36,333,066	**$37,227,685**	**$25,331,889**	**$15,377,190**	**$7,978,960**	**$3,181,305**

Fiduciary Net Position by Year (last 10 fiscal years)

Year	2012	2011*	2010*	2009
All Plans				
Assets:				
Cash and Short-Term Investments	$2,780,697,535	$2,847,839,851	$3,654,805,279	$1,742,538,072
Receivables	2,212,003,770	1,554,352,796	1,437,458,798	1,976,201,742
Investments	77,617,850,120	71,149,016,095	72,661,379,153	66,819,524,257
Collateral on Loaned Securities	6,827,172,458	10,401,223,945	9,250,107,607	9,978,449,975
Net Capital Assets	121,172,935	112,092,861	112,130,055	113,508,936
Prepaid Expenses and Other Assets	3,841,978	779,630	471,611	236,290
Total Assets	**89,562,738,796**	**86,065,305,178**	**87,116,352,503**	**80,630,459,272**
Liabilities and Net Position				
Benefits Payable	101,188,640	119,591,363	142,993,825	140,959,867
Investment Commitments Payable	1,116,869,935	1,423,836,318	1,155,469,120	916,348,545
Obligations Under Securities Lending	6,816,672,766	10,410,130,422	9,250,107,607	9,978,449,975
Other Liabilities	80,813,946	80,870,909	76,161,261	69,324,656
Net Position (Fund Balance)	81,447,193,509	74,030,876,166	76,491,620,690	69,525,376,229
Total Liabilities and Net Position	**$89,562,738,796**	**$86,065,305,178**	**$87,116,352,503**	**$80,630,459,272**
Traditional Pension Plan				
Assets:				
Cash and Short-Term Investments	$2,324,824,614	$2,321,930,951	$2,969,362,112	$1,652,107,085
Receivables	1,690,953,615	1,181,127,055	1,039,459,387	915,977,579
Investments	64,487,332,183	58,890,460,789	59,973,039,802	55,741,813,567
Collateral on Loaned Securities	6,797,920,566	10,363,838,801	7,708,958,738	9,653,891,069
Net Capital Assets	85,661,140	84,923,332	85,155,975	86,063,353
Prepaid Expenses and Other Assets	3,841,978	779,630	471,611	236,290
Total Assets	**75,390,534,096**	**72,843,060,558**	**71,776,447,625**	**68,050,088,943**
Liabilities and Net Position				
Benefits Payable	682,136	1,061,656	31,862	6,950,608
Investment Commitments Payable	918,234,060	1,124,645,829	899,118,485	749,608,796
Obligations Under Securities Lending	6,787,465,861	10,372,713,265	7,708,958,738	9,653,891,069
Other Liabilities	16,060,240	13,748,438	15,095,374	9,214,513
Net Position (Fund Balance)	67,668,091,799	61,330,891,370	63,153,243,166	57,630,423,957
Total Liabilities and Net Position	**$75,390,534,096**	**$72,843,060,558**	**$71,776,447,625**	**$68,050,088,943**
Post-employment Health Care				
Assets:				
Cash and Short-Term Investments	$446,851,345	$516,841,401	$673,728,399	$82,384,335
Receivables	500,838,389	355,160,439	383,127,242	1,046,106,655
Investments	12,167,526,143	11,492,400,597	12,011,299,168	10,567,015,643
Collateral on Loaned Securities			1,517,578,594	299,502,780
Net Capital Assets	26,625,770	26,945,871	26,862,896	27,377,310
Total Assets	**13,141,841,647**	**12,391,348,308**	**14,612,596,299**	**12,022,386,723**
Liabilities and Net Position				
Benefits Payable	100,495,333	118,529,285	142,952,643	134,007,772
Investment Commitments Payable	194,165,994	294,572,622	253,257,695	163,153,464
Obligations Under Securities Lending			1,517,578,594	299,502,780
Other Liabilities	18,554,998	19,246,090	16,194,945	10,527,433
Net Position (Fund Balance)	12,828,625,322	11,959,000,311	12,682,612,422	11,415,195,274
Total Liabilities and Net Position	**$13,141,841,647**	**$12,391,348,308**	**$14,612,596,299**	**$12,022,386,723**

* Net Position by Plan was restated to correct the allocation of investment income as of December 31, 2010, with the restatement rolled forward through 2011 and 2012. The adjustment is reflected in the Cash and Short-Term Investments line and has no impact on the total net position of the System.

Fiduciary Net Position by Year (continued)

2008	2007	2006	2005	2004	2003
$1,429,632,493	$1,030,943,608	$1,395,818,610	$965,982,241	$1,084,770,226	$2,260,563,154
1,016,153,104	1,029,220,765	1,214,050,676	641,652,467	587,965,294	579,291,848
57,289,210,006	82,001,128,270	76,452,836,443	68,225,900,093	64,338,975,910	56,351,104,067
7,665,906,536	13,159,403,768	12,744,242,746	11,087,980,611	8,144,602,235	5,211,705,742
117,521,350	120,859,724	120,156,097	120,588,673	120,989,855	126,842,607
284,846	387,169	213,849,031	198,922,306	181,572,843	136,332,241
67,518,708,335	**97,341,943,304**	**92,140,953,603**	**81,241,026,391**	**74,458,876,363**	**64,665,839,659**
131,922,479	142,701,327	145,895,911	138,450,016	116,024,321	114,581,249
437,680,710	415,429,392	836,766,843	314,302,665	910,706,088	208,302,530
7,665,906,536	13,159,403,768	12,744,242,746	11,087,980,611	8,144,602,235	5,211,705,742
81,679,807	63,781,088	52,780,326	49,986,523	39,092,863	33,575,154
59,201,518,803	83,560,627,729	78,361,267,777	69,650,306,576	65,248,450,856	59,097,674,984
$67,518,708,335	**$97,341,943,304**	**$92,140,953,603**	**$81,241,026,391**	**$74,458,876,363**	**$64,665,839,659**
$1,208,848,813	$858,481,646	$1,070,224,554	$714,335,617	$889,697,209	$1,842,604,728
741,420,763	774,558,734	937,337,825	505,540,741	470,860,153	457,487,635
47,649,655,710	68,602,804,295	63,719,149,199	56,418,544,924	52,668,744,014	45,908,586,397
5,357,710,312	11,069,869,796	10,710,884,709	9,324,745,071	6,701,310,056	4,245,455,497
91,213,500	93,969,101	94,728,174	95,976,311	97,343,091	74,728,520
284,846	387,169	213,849,031	198,922,306	181,572,843	136,332,241
55,049,133,944	**81,400,070,741**	**76,746,173,492**	**67,258,064,970**	**61,009,527,366**	**52,665,195,018**
130,259					
364,423,724	355,806,425	725,040,155	258,012,233	744,671,099	170,057,706
5,357,710,312	11,069,869,796	10,710,884,709	9,324,745,071	6,701,310,056	4,245,455,497
14,058,495	14,753,442	12,895,735	13,092,925	9,231,001	10,346,487
49,312,811,154	69,959,641,078	65,297,352,893	57,662,214,741	53,554,315,210	48,239,335,328
$55,049,133,944	**$81,400,070,741**	**$76,746,173,492**	**$67,258,064,970**	**$61,009,527,366**	**$52,665,195,018**
$214,267,049	$166,407,166	$322,120,585	$250,418,690	$194,486,592	$417,214,283
261,187,030	242,221,858	266,309,590	128,024,458	111,691,612	117,623,132
9,301,814,794	13,050,429,116	12,479,536,506	11,636,525,615	11,561,325,739	10,384,190,620
2,297,927,070	2,072,493,713	2,015,624,266	1,749,802,181	1,429,823,432	960,517,368
26,203,570	26,606,207	24,425,394	22,906,221	21,102,187	48,187,782
12,101,399,513	**15,558,158,060**	**15,108,016,341**	**13,787,677,165**	**13,318,429,562**	**11,927,733,185**
131,776,992	142,701,327	145,895,911	138,450,016	116,024,321	114,581,249
69,811,443	57,017,727	108,410,835	53,711,956	163,468,451	38,150,816
2,297,927,070	2,072,493,713	2,015,624,266	1,749,802,181	1,429,823,432	960,517,368
5,801,931	2,997,811	26,250			680,303
9,596,082,077	13,282,947,482	12,838,059,079	11,845,713,012	11,609,113,358	10,813,803,449
$12,101,399,513	**$15,558,158,060**	**$15,108,016,341**	**$13,787,677,165**	**$13,318,429,562**	**$11,927,733,185**

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Fiduciary Net Position by Year (last 10 fiscal years, continued)

Year	2012	2011*	2010*	2009
Combined Plan				
Assets:				
Cash and Short-Term Investments	$6,574,926	$6,248,674	$7,127,776	$3,716,643
Receivables	9,350,843	7,707,808	6,892,606	6,259,012
Investments	416,161,716	339,986,995	303,637,263	233,771,271
Collateral on Loaned Securities	18,059,949	23,506,898	15,196,825	16,765,205
Net Capital Assets	4,357,765	65,084	34,750	1,932
Total Assets	**454,505,199**	**377,515,459**	**332,889,220**	**260,514,063**
Liabilities and Net Position				
Investment Commitments Payable	2,690,744	2,823,632	1,950,989	1,942,496
Obligations Under Securities Lending	18,032,174	23,527,027	15,196,825	16,765,205
Other Liabilities	13,584,735	18,069,785	15,303,775	18,421,565
Net Position (Fund Balance)	420,197,546	333,095,015	300,437,631	223,384,797
Total Liabilities and Net Position	**$454,505,199**	**$377,515,459**	**$332,889,220**	**$260,514,063**
Member-Directed Plan				
Assets:				
Cash and Short-Term Investments	$91,299	$980,013	$1,349,705	$2,322,907
Receivables	6,821,748	7,353,279	5,657,850	5,901,916
Investments	432,851,458	338,695,474	301,502,301	221,224,028
Collateral on Loaned Securities	205,837	111,647	40,463	30,222
Net Capital Assets	3,667,974	94,933	38,662	2,294
Total Assets	**443,638,316**	**347,235,346**	**308,588,981**	**229,481,367**
Liabilities and Net Position				
Investment Commitments Payable	155,855	123,669	6,707	787,160
Obligations Under Securities Lending	205,521	111,743	40,463	30,222
Other Liabilities	32,613,973	29,806,596	29,445,369	28,075,915
Net Position (Fund Balance)	410,662,967	317,193,338	279,096,442	200,588,070
Total Liabilities and Net Position	$443,638,316	**$347,235,346**	**$308,588,981**	**$229,481,367**
VEBA Plan				
Assets:				
Cash and Short-Term Investments	$2,355,351	$1,838,812	$3,237,287	$2,007,102
Receivables	4,039,175	3,004,215	2,321,713	1,956,580
Investments	113,978,620	87,472,240	71,900,619	55,699,748
Collateral on Loaned Securities	10,986,106	13,766,599	8,332,987	8,260,699
Net Capital Assets	860,286	63,641	37,772	64,047
Total Assets	**132,219,538**	**106,145,507**	**85,830,378**	**67,988,176**
Liabilities and Net Position				
Benefits Payable	11,171	422	9,320	1,487
Investment Commitments Payable	1,623,282	1,670,566	1,135,244	856,629
Obligations Under Securities Lending	10,969,210	13,778,387	8,332,987	8,260,699
Other Liabilities			121,798	3,085,230
Net Position (Fund Balance)	119,615,875	90,696,132	76,231,029	55,784,131
Total Liabilities and Net Position	**$132,219,538**	**$106,145,507**	**$85,830,378**	**$67,988,176**

* Net Position by Plan was restated to correct the allocation of investment income as of December 31, 2010, with the restatement rolled forward through 2011 and 2012. The adjustment is reflected in the Cash and Short-Term Investments line and has no impact on the total net position of the System.

Fiduciary Net Position by Year (continued)

2008	2007	2006	2005	2004	2003
$2,982,361	$2,725,143	$1,375,582	$267,450	$22,755	$474,850
5,788,861	5,264,533	4,853,858	3,779,363	2,471,545	1,889,953
157,027,020	172,094,212	127,517,778	85,816,585	53,827,860	28,007,134
7,044,675	11,788,022	10,888,345	7,667,367	6,657,051	2,605,853
118	68,975	437,854	858,051	1,279,716	1,052,626
172,843,035	**191,940,885**	**145,073,417**	**98,388,816**	**64,258,927**	**34,030,416**
1,527,796	1,205,858	1,626,857	1,121,710	1,193,165	51,956
7,044,675	11,788,022	10,888,345	7,667,367	6,657,051	2,605,853
25,320,079	22,082,439	18,559,181	17,100,132	12,945,256	8,482,119
138,950,485	156,864,566	113,999,034	72,499,607	43,463,455	22,890,488
$172,843,035	**$191,940,885**	**$145,073,417**	**$98,388,816**	**$64,258,927**	**$34,030,416**
$2,194,785	$3,064,085	$1,644,348	$738,324	$397,840	$85,983
5,995,977	5,397,814	3,977,091	2,997,398	2,119,426	1,659,771
137,235,988	140,594,070	103,263,918	69,936,199	46,252,793	26,607,503
9,177	171,375	3,077,000	3,738,615	5,720,220	2,605,853
137	55,124	333,494	679,200	1,012,974	1,940,168
145,436,064	**149,282,468**	**112,295,851**	**78,089,736**	**55,503,253**	**32,899,278**
1,585,226	1,216,779	1,394,809	1,380,789	1,234,257	25,208
9,177	171,375	3,077,000	3,738,615	5,720,220	2,605,853
26,499,640	23,947,396	21,299,160	18,468,306	14,968,903	11,803,803
117,342,021	123,946,918	86,524,882	54,502,026	33,579,873	18,464,414
$145,436,064	**$149,282,468**	**$112,295,851**	**$78,089,736**	**$55,503,253**	**$32,899,278**
$1,339,485	$265,568	$453,541	$222,160	$165,830	$183,310
1,760,473	1,777,826	1,572,312	1,310,507	822,558	631,357
43,476,494	35,206,577	23,369,042	15,076,770	8,825,504	3,712,413
3,215,302	5,080,862	3,768,426	2,027,377	1,091,476	521,171
104,025	160,317	231,181	168,890	251,887	933,511
49,895,779	**42,491,150**	**29,394,502**	**18,805,704**	**11,157,255**	**5,981,762**
15,228					
332,521	182,603	294,187	75,977	139,116	16,844
3,215,302	5,080,862	3,768,426	2,027,377	1,091,476	521,171
9,999,662			1,325,160	1,947,703	2,262,442
36,333,066	37,227,685	25,331,889	15,377,190	7,978,960	3,181,305
$49,895,779	**$42,491,150**	**$29,394,502**	**$18,805,704**	**$11,157,255**	**$5,981,762**

Changes in Fiduciary Net Position (last 10 fiscal years)

Year	2012	2011*	2010	2009
All Plans				
Additions:				
Members' Contributions	$1,426,415,134	$1,434,755,544	$1,387,327,050	$1,385,175,757
Employers' Contributions	1,778,728,069	1,809,470,716	1,796,343,429	1,822,639,448
Contracts and Other Receipts	218,259,489	211,847,098	197,507,372	219,182,666
Federal Subsidies	182,579,917	192,118,407	142,658,293	69,132,772
Net Income (Loss) from Investing Activity	10,375,431,044	179,956,702	9,268,181,189	12,274,797,785
Other Income, Net	12,103,692	11,255,503	7,930,265	794,525
Interplan Activity	16,981,683	10,077,664	10,528,250	7,879,768
Total Additions	14,010,499,028	3,849,481,634	12,810,475,848	15,779,602,721
Deductions:				
Pension Benefits	4,590,938,871	4,329,918,267	3,961,552,022	3,661,174,109
Health Care Benefits	1,609,157,697	1,576,457,152	1,568,065,943	1,488,266,219
Refunds of Contributions	307,486,279	323,672,042	233,054,714	222,580,254
Administrative Expenses	69,617,155	70,101,033	71,030,458	75,844,945
Interplan Activity	16,981,683	10,077,664	10,528,250	7,879,768
Total Deductions	6,594,181,685	6,310,226,158	5,844,231,387	5,455,745,295
Net Increase (Decrease)	7,416,317,343	(2,460,744,524)	6,966,244,461	10,323,857,426
Net Position Held in Trust, Beginning of Year	74,030,876,166	76,491,620,690	69,525,376,229	59,201,518,803
Net Position Held in Trust, End of Year	**$81,447,193,509**	**$74,030,876,166**	**$76,491,620,690**	**$69,525,376,229**

Traditional Pension Plan**				
Additions:				
Members' Contributions	$1,199,073,380	$1,221,597,118	$1,217,388,746	$1,236,966,262
Employers' Contributions	1,208,150,727	1,233,002,841	1,097,711,440	1,019,582,360
Contracts and Other Receipts	122,281,629	121,560,871	113,080,115	160,232,136
Net Income (Loss) from Investing Activity	8,713,817,411	274,530,266	7,678,536,712	9,822,978,753
Other Income, Net	329,493	340,460	763,943	140,494
Interplan Activity	16,918,042	10,077,664	10,501,974	7,839,790
Total Additions	11,260,570,682	2,861,109,220	10,117,982,930	12,247,739,795
Deductions:				
Pension Benefits	4,589,973,216	4,329,452,581	3,961,217,461	3,661,076,709
Refunds of Contributions	284,217,216	302,812,289	219,808,143	212,209,227
Administrative Expenses	49,179,821	51,196,146	52,375,762	56,805,048
Interplan Activity				36,008
Total Deductions	4,923,370,253	4,683,461,016	4,233,401,366	3,930,126,992
Net Increase (Decrease)	6,337,200,429	(1,822,351,796)	5,884,581,564	8,317,612,803
Net Position Held in Trust, Beginning of Year	61,330,891,370	63,153,243,166	57,630,423,957	49,312,811,154
Net Position Held in Trust, End of Year	**$67,668,091,799**	**$61,330,891,370**	**$63,515,005,521**	**$57,630,423,957**

* Net Position by Plan was restated to correct the allocation of investment income as of December 31, 2010, with the restatement shown in the beginning net position of 2011. The restatement by plan does not impact the total net position of the System.

** 2009 restated for reclassification of Alternative Retirement Plan contribution accrual from Employer Contributions to Contract and Other Receipts.

Changes in Fiduciary Net Position (continued)

2008	2007	2006	2005	2004	2003
$1,386,561,202	$1,306,544,058	$1,171,079,333	$1,055,269,202	$1,038,288,958	$1,023,198,026
1,840,585,266	1,798,305,461	1,673,479,701	1,599,401,084	1,547,265,013	1,626,775,196
180,763,502	151,494,844	216,390,457	120,057,761	139,473,863	200,272
63,310,194	59,075,120	58,987,181			
(22,770,412,901)	6,594,053,702	10,028,554,662	5,740,076,574	7,192,406,571	11,868,086,473
1,635,996	110,559	1,501,275	980,539	(107,798)	411,093
7,470,205	5,730,846	5,286,335	2,457,816	3,510,475	29,392,751
(19,290,086,536)	9,915,314,590	13,155,278,944	8,518,242,976	9,920,837,082	14,548,063,811
3,388,953,861	3,136,995,197	2,906,859,113	2,679,084,743	2,454,131,826	2,236,477,663
1,377,274,519	1,282,829,856	1,231,882,888	1,152,943,718	1,040,949,675	907,769,092
221,300,825	221,092,748	235,136,633	220,236,000	209,777,972	193,209,598
74,022,980	69,305,991	65,152,774	61,664,979	61,691,260	69,836,790
7,470,205	5,730,846	5,286,335	2,457,816	3,510,475	29,392,751
5,069,022,390	4,715,954,638	4,444,317,743	4,116,387,256	3,770,061,208	3,436,685,894
(24,359,108,926)	5,199,359,952	8,710,961,201	4,401,855,720	6,150,775,874	11,111,377,917
83,560,627,729	78,361,267,777	69,650,306,576	65,248,450,856	59,097,674,982	47,986,297,065
$59,201,518,803	**$83,560,627,729**	**$78,361,267,777**	**$69,650,306,576**	**$65,248,450,856**	**$59,097,674,982**

$1,253,053,822	$1,183,959,051	$1,065,862,778	$965,977,835	$958,095,802	$1,006,863,812
892,693,746	1,051,808,289	1,092,998,459	1,106,755,953	1,057,429,880	1,026,594,837
113,351,117	105,157,859	122,076,019	112,227,300	118,205,826	
(19,258,540,437)	5,717,111,026	8,529,935,923	4,860,636,257	5,886,688,477	9,603,775,739
1,021,007	40,061	194,492	432,175	(107,798)	411,093
7,289,779	4,969,740	4,520,387	1,593,458	3,510,475	8,754,777
(16,991,130,966)	8,063,046,026	10,815,588,058	7,047,622,978	8,023,822,662	11,646,400,258
3,388,862,796	3,136,978,910	2,906,857,436	2,679,084,743	2,454,131,826	2,236,477,663
212,802,651	213,007,451	228,034,617	215,398,602	207,121,141	192,768,335
53,853,085	50,053,260	44,854,241	44,375,744	47,589,813	57,195,937
180,426	718,220	703,612	864,358		20,637,974
3,655,698,958	3,400,757,841	3,180,449,906	2,939,723,447	2,708,842,780	2,507,079,909
(20,646,829,924)	4,662,288,185	7,635,138,152	4,107,899,531	5,314,979,882	9,139,320,349
69,959,641,078	65,297,352,893	57,662,214,741	53,554,315,210	48,239,335,328	39,100,014,979
$49,312,811,154	**$69,959,641,078**	**$65,297,352,893**	**$57,662,214,741**	**$53,554,315,210**	**$48,239,335,328**

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Changes in Fiduciary Net Position (last 10 fiscal years)

Year	2012	2011*	2010	2009
Post-employment Health Care**				
Additions:				
Members' Contributions	$159,614,898	$148,370,246	$111,638,313	$94,370,543
Employers' Contributions	494,048,415	503,458,216	628,685,237	740,817,891
Contracts and Other Receipts	94,730,390	89,087,996	83,572,868	58,649,547
Federal Subsidies	182,579,917	192,118,407	142,658,293	69,132,772
Net Income (Loss) from Investing Activity	1,549,970,894	(78,923,627)	1,511,164,964	2,356,554,863
Other Income, Net	11,774,199	10,915,043	7,163,609	654,031
Total Additions	2,492,718,713	865,026,281	2,484,883,284	3,320,179,647
Deductions:				
Health Care	1,607,921,528	1,575,561,578	1,567,551,611	1,488,032,855
Administrative Expenses	15,172,174	13,076,814	12,782,968	13,033,595
Total Deductions	1,623,093,702	1,588,638,392	1,580,334,579	1,501,066,450
Net Increase (Decrease)	869,625,011	(723,612,111)	904,548,705	1,819,113,197
Net Position Held in Trust, Beginning of Year	11,959,000,311	12,682,612,422	11,415,195,274	9,596,082,077
Net Position Held in Trust, End of Year	**$12,828,625,322**	**$11,959,000,311**	**$12,319,743,979**	**$11,415,195,274**

Combined Plan				
Additions:				
Members' Contributions	$30,193,165	$29,256,952	$27,272,707	$26,096,068
Employers' Contributions	23,998,486	23,280,520	26,432,761	23,397,299
Contracts and Other Receipts	745,347	386,879	384,947	124,823
Net Income (Loss) from Investing Activity	50,732,608	(5,810,229)	35,971,101	44,034,607
Other Income, Net			1,267	
Interplan Activity				
Total Additions	105,669,606	47,114,122	90,062,783	93,652,797
Deductions:				
Pension Benefits	610,545	305,215	128,366	35,566
Refunds of Contributions	6,173,714	6,462,849	3,540,043	2,905,883
Administrative Expenses	2,295,688	2,559,312	2,584,673	2,638,279
Interplan Activity	9,487,128	5,129,362	6,043,719	3,638,757
Total Deductions	18,567,075	14,456,738	12,296,801	9,218,485
Net Increase (Decrease)	87,102,531	32,657,384	77,765,982	84,434,312
Net Position Held in Trust, Beginning of Year	333,095,015	300,437,631	223,384,797	138,950,485
Net Position Held in Trust, End of Year	**$420,197,546**	**$333,095,015**	**$301,150,779**	**$223,384,797**

* Net Position by Plan was restated to correct the allocation of investment income as of December 31, 2010, with the restatement shown in the beginning net position of 2011. The restatement by plan does not impact the total net position of the System.

** 2010 restated for reclassification of Early Retirement Reinsurance Program from Contracts and Other Receipts to Federal Subsidies, and the reclassification of the Pending Medical Claims adjustment from Health Care to Other Income. Pending Medical Claims consists of the annual adjustment made to the Incurred But Not Reported liability included in the Medical Benefits Payable. This liability fluctuates from year to year based on changes in the claims experience.

Changes in Fiduciary Net Position (continued)

2008	2007	2006	2005	2004	2003
$82,695,255	$79,198,959	$71,718,182	$63,408,347	$58,975,931	
891,561,073	695,967,837	538,312,995	457,325,506	461,788,996	$579,904,361
66,343,542	45,534,017	93,724,104	7,234,092	20,897,027	
63,310,194	59,075,120	58,987,181			
(3,400,647,342)	858,614,433	1,471,059,831	868,900,661	1,297,291,883	2,258,066,075
614,989	70,498	1,306,783	548,364		
(2,296,122,289)	1,738,460,864	2,235,109,076	1,397,416,970	1,838,953,837	2,837,970,436
1,377,146,173	1,282,776,044	1,231,870,038	1,152,941,961	1,040,949,675	907,769,092
13,596,943	10,796,417	10,892,971	7,875,355	2,694,253	2,679,981
1,390,743,116	1,293,572,461	1,242,763,009	1,160,817,316	1,043,643,928	910,449,073
(3,686,865,405)	444,888,403	992,346,067	236,599,654	795,309,909	1,927,521,363
13,282,947,482	12,838,059,079	11,845,713,012	11,609,113,358	10,813,803,449	8,886,282,086
$9,596,082,077	**$13,282,947,482**	**$12,838,059,079**	**$11,845,713,012**	**$11,609,113,358**	**$10,813,803,449**

$25,123,220	$21,907,704	$17,367,629	$13,720,773	$11,104,158	$8,658,022
20,352,999	19,241,579	17,689,420	15,632,184	12,164,161	8,451,197
844,005	347,280	427,966	263,142	310,255	150,574
(53,571,566)	9,866,238	14,041,870	5,420,080	4,282,641	3,077,753
68,857	411,764	420,198	425,831		10,300,381
(7,182,485)	51,774,565	49,947,083	35,462,010	27,861,215	30,637,927
11,911	5,451	552			
3,623,723	2,707,630	1,910,107	1,390,162	601,042	49,490
2,990,092	3,890,828	4,510,803	4,432,803	5,032,027	4,480,051
4,105,870	2,305,124	2,026,194	602,893	1,655,177	3,217,900
10,731,596	8,909,033	8,447,656	6,425,858	7,288,246	7,747,441
(17,914,081)	42,865,532	41,499,427	29,036,152	20,572,969	22,890,486
156,864,566	113,999,034	72,499,607	43,463,455	22,890,486	
$138,950,485	**$156,864,566**	**$113,999,034**	**$72,499,607**	**$43,463,455**	**$22,890,486**

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Changes in Fiduciary Net Position (last 10 fiscal years)

Year	2012	2011*	2010	2009
Member-Directed Plan				
Additions:				
Members' Contributions	$37,533,691	$35,531,228	$31,027,284	$27,742,884
Employers' Contributions	35,646,573	33,746,291	29,527,197	26,356,764
Contracts and Other Receipts	492,890	802,270	462,075	173,832
Net Income (Loss) from Investing Activity	46,860,344	(10,151,205)	34,223,485	42,835,328
Other Income, Net			1,108	
Interplan Activity				
Total Additions	120,533,498	59,928,584	95,241,149	97,108,808
Deductions:				
Pension Benefits	355,110	160,471	206,195	61,834
Refunds of Contributions	17,095,349	14,396,904	9,706,528	7,465,144
Administrative Expenses	2,118,855	2,354,183	2,435,285	2,514,665
Interplan Activity	7,494,555	4,920,130	4,382,873	3,821,116
Total Deductions	27,063,869	21,831,688	16,730,881	13,862,759
Net Increase (Decrease)	93,469,629	38,096,896	78,510,268	83,246,049
Net Position Held in Trust, Beginning of Year	317,193,338	279,096,442	200,588,070	117,342,021
Net Position Held in Trust, End of Year	**$410,662,967**	**$317,193,338**	**$279,098,338**	**$200,588,070**

VEBA Plan				
Additions:				
Employers' Contributions	$16,883,868	$15,982,848	$13,986,794	$12,485,134
Contracts and Other Receipts	9,233	9,082	7,367	2,328
Net Income (Loss) from Investing Activity	14,049,787	311,497	8,284,927	8,394,234
Other Income, Net			338	
Interplan Activity	63,641		26,276	39,978
Total Additions	31,006,529	16,303,427	22,305,702	20,921,674
Deductions:				
Health Care Benefits	1,236,169	895,574	514,332	233,364
Administrative Expenses	850,617	914,578	851,770	853,358
Interplan Activity		28,172	101,658	383,887
Total Deductions	2,086,786	1,838,324	1,467,760	1,470,609
Net Increase (Decrease)	28,919,743	14,465,103	20,837,942	19,451,065
Net Position Held in Trust, Beginning of Year	90,696,132	76,231,029	55,784,131	36,333,066
Net Position Held in Trust, End of Year	**$119,615,875**	**$90,696,132**	**$76,622,073**	**$55,784,131**

* Net Position by Plan was restated to correct the allocation of investment income as of December 31, 2010, with the restatement shown in the beginning net position of 2011. The restatement by plan does not impact the total net position of the System.

Changes in Fiduciary Net Position (continued)

2008	2007	2006	2005	2004	2003
$25,688,905	$21,478,344	$16,130,744	$12,162,247	$10,113,067	$7,676,192
24,411,834	21,048,014	16,363,129	12,435,161	10,026,114	7,462,827
223,485	453,716	161,894	332,927	60,434	49,551
(46,084,400)	5,860,816	10,529,166	4,078,183	3,423,731	2,753,472
55,277	278,478	345,750	355,531		10,337,593
4,295,101	49,119,368	43,530,683	29,364,049	23,623,346	28,279,635
79,154	10,836	1,125			
4,874,451	5,377,667	5,191,909	3,447,236	2,055,789	391,773
2,762,484	3,601,327	3,882,917	4,128,233	4,898,872	5,098,717
3,183,909	2,707,502	2,431,876	866,427	1,553,226	4,324,731
10,899,998	11,697,332	11,507,827	8,441,896	8,507,887	9,815,221
(6,604,897)	37,422,036	32,022,856	20,922,153	15,115,459	18,464,414
123,946,918	86,524,882	54,502,026	33,579,873	18,464,414	
$117,342,021	**$123,946,918**	**$86,524,882**	**$54,502,026**	**$33,579,873**	**$18,464,414**

$11,565,614	$10,239,742	$8,115,698	$7,252,280	$5,855,862	$4,361,974
1,353	1,972	474	300	321	147
(11,569,156)	2,601,189	2,987,872	1,041,393	719,839	413,434
56,292	70,864		82,996		
54,103	12,913,767	11,104,044	8,376,969	6,576,022	4,775,555
128,346	53,812	12,850	1,757		
820,376	964,159	1,011,842	852,844	1,476,295	382,104
		124,653	124,138	302,072	1,212,146
948,722	1,017,971	1,149,345	978,739	1,778,367	1,594,250
(894,619)	11,895,796	9,954,699	7,398,230	4,797,655	3,181,305
37,227,685	25,331,889	15,377,190	7,978,960	3,181,305	
$36,333,066	**$37,227,685**	**$25,331,889**	**$15,377,190**	**$7,978,960**	**$3,181,305**

Additions by Source (last 10 fiscal years)

Year	2012	2011	2010*	2009
All Plans				
Members' Contributions	$1,426,415,134	$1,434,755,544	$1,387,327,050	$1,385,175,757
Employers' Contributions	1,778,728,069	1,809,470,716	1,796,343,429	1,822,639,448
Purchase of Service	62,507,139	59,976,857	51,936,153	42,247,663
Early Retirement Incentive Payments	13,568,992	23,366,505	27,964,615	93,149,748
Transfers from Other Retirement Systems	39,590,467	31,487,779	31,862,677	26,142,599
Vendor Rebates & Other Receipts	90,103,930	84,515,422	72,854,648	47,557,407
Additional Annuity/Voluntary Contributions	5,402,253	5,334,480	5,296,310	3,915,521
Other Employer Payments	7,086,708	7,166,055	7,592,969	6,169,728
Federal Subsidies	182,579,917	192,118,407	142,658,293	69,132,772
Net Income (Loss) from Investing Activity	10,375,431,044	179,956,702	9,268,181,189	12,274,797,785
Other Income	12,103,692	11,255,503	7,930,265	794,525
Interplan Activity	16,981,683	10,077,664	10,528,250	7,879,768
Total Additions	**$14,010,499,028**	**$3,849,481,634**	**$12,810,475,848**	**$15,779,602,721**
Traditional Pension Plan				
Members' Contributions	$1,199,073,380	$1,221,597,118	$1,217,388,746	$1,236,966,262
Employers' Contributions	1,208,150,727	1,233,002,841	1,097,711,440	1,019,582,360
Purchase of Service	62,193,231	59,770,075	51,738,819	42,177,769
Early Retirement Incentive Payments	13,134,027	22,388,005	26,567,998	87,738,002
Transfers from Other Retirement Systems	36,013,336	28,505,778	23,234,777	20,972,055
Additional Annuity Contributions	4,530,704	4,447,182	4,699,133	3,705,856
Other Employer Payments	6,410,331	6,449,831	6,839,388	5,638,454
Net Income (Loss) from Investing Activity	8,713,817,411	274,530,266	7,678,536,712	9,822,978,753
Other Income	329,493	340,460	763,943	140,494
Interplan Activity	16,918,042	10,077,664	10,501,974	7,839,790
Total Additions	**$11,260,570,682**	**$2,861,109,220**	**$10,117,982,930**	**$12,247,739,795**
Post-employment Health Care				
Members' Contributions	$159,614,898	$148,370,246	$111,638,313	$94,370,543
Employers' Contributions	494,048,415	503,458,216	628,685,237	740,817,891
Purchase of Service			48,467	
Early Retirement Incentive Payments	434,965	978,500	1,396,617	5,411,746
Transfers from Other Retirement Systems	3,577,131	2,946,044	8,627,900	5,170,544
Vendor Rebates & Other Receipts	90,103,930	84,515,422	72,854,394	47,557,407
Other Employer Payments	614,364	648,030	645,490	509,850
Federal Subsidies—Medicare Part D	926,931	788,419	72,100,529	69,132,772
Federal Subsidies—Medicare PDP	181,652,986	81,802,880		
Federal Subsidies—Early Retiree Reinsurance Program		109,527,108	70,557,764	
Net Income (Loss) from Investing Activity	1,549,970,894	(78,923,627)	1,511,164,964	2,356,554,863
Other Income	11,774,199	10,915,043	7,163,609	654,031
Total Additions	**$2,492,718,713**	**$865,026,281**	**$2,484,883,284**	**$3,320,179,647**

* 2010 Post-employment Health Care expenses restated for reclassification of Pending Medical Claims adjustment from Health Care Medical Expense to Other Income. Pending Medical Claims consists of the annual adjustment made to the Incurred But Not Reported liability included in Medical Benefits Payable. This liability fluctuates from year to year based on changes in the claims experience.

Additions by Source (continued)

2008	2007	2006	2005	2004	2003
$1,386,561,202	$1,306,544,058	$1,171,079,333	$1,055,269,202	$1,038,288,958	$963,800,398
1,840,585,266	1,798,305,461	1,673,479,701	1,599,401,084	1,547,265,013	1,569,353,460
47,326,741	45,091,289	50,645,844	48,472,217	51,003,292	46,781,202
34,588,480	30,078,951	38,617,128	37,426,646	40,727,906	34,829,208
43,533,703	24,071,283	23,863,918	17,996,360	18,660,906	21,314,306
44,672,114	41,826,091	87,417,935	4,024,855	18,589,344	
4,498,262	5,538,887	8,668,898	8,457,595	6,115,428	8,787,964
6,144,202	4,888,343	7,176,734	3,680,088	4,376,987	5,306,956
63,310,194	59,075,120	58,987,181			
(22,770,412,901)	6,594,053,702	10,028,554,662	5,740,076,574	7,192,406,571	11,868,086,473
1,635,996	110,559	1,501,275	980,539	(107,798)	411,093
7,470,205	5,730,846	5,286,335	2,457,816	3,510,475	29,392,751
($19,290,086,536)	**$9,915,314,590**	**$13,155,278,944**	**$8,518,242,976**	**$9,920,837,082**	**$14,548,063,811**
$1,253,053,822	$1,183,959,051	$1,065,862,778	$965,977,835	$958,095,802	$947,466,184
892,693,746	1,051,808,289	1,092,998,459	1,106,755,953	1,057,429,880	971,223,297
47,167,085	44,994,292	50,533,824	48,434,728	50,987,926	46,781,682
32,401,549	27,838,050	35,579,146	34,700,645	38,465,638	32,802,098
24,779,353	23,209,103	21,807,617	17,958,823	18,660,906	21,314,306
3,615,649	4,879,268	8,184,059	7,940,554	5,791,305	8,590,538
5,387,481	4,237,146	5,971,373	3,192,550	4,300,051	5,280,544
(19,258,540,437)	5,717,111,026	8,529,935,923	4,860,636,257	5,886,688,477	9,603,775,739
1,021,007	40,061	194,492	432,175	(107,798)	411,093
7,289,779	4,969,740	4,520,387	1,593,458	3,510,475	8,754,777
($16,991,130,966)	**$8,063,046,026**	**$10,815,588,058**	**$7,047,622,978**	**$8,023,822,662**	**$11,646,400,258**
$82,695,255	$79,198,959	$71,718,182	$63,408,347	$58,975,931	
891,561,073	695,967,837	538,312,995	457,325,506	461,788,996	$577,854,165
	13,557	28,133	3,586		
2,186,931	2,240,901	3,037,982	2,726,001	2,262,268	2,027,110
18,754,350	862,180	2,056,301			
44,672,114	41,826,091	87,417,935	4,024,855	18,589,344	
730,147	591,288	1,183,753	479,650	45,415	23,086
63,310,194	59,075,120	58,987,181			
(3,400,647,342)	858,614,433	1,471,059,831	868,900,661	1,297,291,883	2,258,066,075
614,989	70,498	1,306,783	548,364		
($2,296,122,289)	**$1,738,460,864**	**$2,235,109,076**	**$1,397,416,970**	**$1,838,953,837**	**$2,837,970,436**

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Additions by Source (last 10 fiscal years)

Year	2012	2011	2010	2009
Combined Plan				
Members' Contributions	$30,193,165	$29,256,952	$27,272,707	$26,096,068
Employers' Contributions	23,998,486	23,280,520	26,432,761	23,397,299
Purchase of Service	313,711	201,906	150,035	68,726
Transfers from Other Retirement Systems		35,957		
Voluntary Contributions	425,653	134,608	177,121	48,855
Other Employer Payments	5,983	14,408	57,791	7,242
Net Income (Loss) from Investing Activity	50,732,608	(5,810,229)	35,971,101	44,034,607
Other Income			1,267	
Interplan Activity				
Total Additions	**$105,669,606**	**$47,114,122**	**$90,062,783**	**$93,652,797**
Member-Directed Plan				
Members' Contributions	$37,533,691	$35,531,228	$31,027,284	$27,742,884
Employers' Contributions	35,646,573	33,746,291	29,527,197	26,356,764
Purchase of Service	197	4,876	(1,168)	1,168
Voluntary Contributions	445,896	752,690	420,056	160,810
Other Employer Payments	46,797	44,704	43,187	11,854
Net Income (Loss) from Investing Activity	46,860,344	(10,151,205)	34,223,485	42,835,328
Other Income			1,108	
Interplan Activity				
Total Additions	**$120,533,498**	**$59,928,584**	**$95,241,149**	**$97,108,808**
VEBA Plan				
Employers' Contributions	$16,883,868	$15,982,848	$13,986,794	$12,485,134
Vendor Rebates & Other Receipts			254	
Other Employer Payments	9,233	9,082	7,113	2,328
Net Income (Loss) from Investing Activity	14,049,787	311,497	8,284,927	8,394,234
Other Income			338	
Interplan Activity	63,641		26,276	39,978
Total Additions	**$31,006,529**	**$16,303,427**	**$22,305,702**	**$20,921,674**

Additions by Source (continued)

2008	2007	2006	2005	2004	2003
$25,123,220	$21,907,704	$17,367,629	$13,720,773	$11,104,158	$8,658,022
20,352,999	19,241,579	17,689,420	15,632,184	12,164,161	8,451,197
159,371	83,440	83,887	33,903	12,606	2,280
			37,537		
684,634	239,505	329,818	186,294	291,348	147,062
	24,335	14,261	5,408	6,301	1,232
(53,571,566)	9,866,238	14,041,870	5,420,080	4,282,641	3,077,753
68,857	411,764	420,198	425,831		10,300,381
($7,182,485)	**$51,774,565**	**$49,947,083**	**$35,462,010**	**$27,861,215**	**$30,637,927**
$25,688,905	$21,478,344	$16,130,744	$12,162,247	$10,113,067	$7,676,192
24,411,834	21,048,014	16,363,129	12,435,161	10,026,114	7,462,827
285				2,760	(2,760)
197,979	420,114	155,021	330,747	32,775	50,364
25,221	33,602	6,873	2,180	24,899	1,947
(46,084,400)	5,860,816	10,529,166	4,078,183	3,423,731	2,753,472
55,277	278,478	345,750	355,531		10,337,593
$4,295,101	**$49,119,368**	**$43,530,683**	**$29,364,049**	**$23,623,346**	**$28,279,635**
$11,565,614	$10,239,742	$8,115,698	$7,252,280	$5,855,862	$4,361,974
1,353	1,972	474	300	321	147
(11,569,156)	2,601,189	2,987,872	1,041,393	719,839	413,434
56,292	70,864		82,996		
$54,103	**$12,913,767**	**$11,104,044**	**$8,376,969**	**$6,576,022**	**$4,775,555**

Deductions by Type (last 10 fiscal years)

Year	2012	2011	2010**	2009
All Plans				
Pension—Annuities	$4,582,583,776	$4,322,202,507	$3,954,057,452	$3,653,998,513
Pension—Installment Payments	463,923	207,443	246,225	50,709
Pension—Other	7,891,172	7,508,317	7,248,345	7,124,887
Refunds	307,486,279	323,672,042	233,054,714	222,580,254
Medicare Part B	112,530,781	109,072,281	107,770,173	105,854,803
Medical	888,700,307	872,219,550	871,299,322	877,861,028
Pending Medical Claims				
Prescription Drug	541,552,286	530,404,030	526,054,523	494,674,419
Dental	41,711,390	38,467,223	38,978,748	
Vision	7,896,366	7,288,175	7,668,138	
Disease Management	4,711,813	4,620,914	2,557,254	
Allowance Payment to RMA	10,818,585	13,489,405	13,223,453	9,642,605
VEBA Claims	1,236,169	895,574	514,332	233,364
Administrative Expense	67,498,300	70,101,033	71,030,458	75,844,945
Interplan Activity	16,981,684	10,077,664	10,528,250	7,879,768
Total Deductions	**$6,592,062,831**	**$6,310,226,158**	**$5,844,231,387**	**$5,455,745,295**
Traditional Pension Plan				
Pension—Annuities	$4,582,082,044	$4,321,944,264	$3,953,969,116	$3,653,951,822
Pension—Other	7,891,172	7,508,317	7,248,345	7,124,887
Refunds	284,217,216	302,812,289	219,808,143	212,209,227
Administrative Expense	49,179,821	51,196,146	52,375,762	56,805,048
Interplan Activity				36,008
Total Deductions	**$4,923,370,253**	**$4,683,461,016**	**$4,233,401,366**	**$3,930,126,992**
Post-employment Health Care*				
Medicare Part B	$112,530,781	$109,072,281	$107,770,173	$105,854,803
Medical	888,700,307	872,219,550	871,299,322	877,861,028
Pending Medical Claims				
Prescription Drug	541,552,286	530,404,030	526,054,523	494,674,419
Dental	41,711,390	38,467,223	38,978,748	
Vision	7,896,366	7,288,175	7,668,138	
Disease Management	4,711,813	4,620,914	2,557,254	
Allowance Payment to RMA	10,818,585	13,489,405	13,223,453	9,642,605
Administrative Expense	15,172,174	13,076,814	12,782,968	13,033,595
Total Deductions	**$1,623,093,702**	**$1,588,638,392**	**$1,580,334,579**	**$1,501,066,450**
Combined Plan				
Pension—Annuities	$273,809	$187,051	$61,125	$30,566
Pension—Installment Payments	336,736	118,164	67,241	5,000
Refunds	6,173,714	6,462,849	3,540,043	2,905,883
Administrative Expense	2,295,688	2,559,312	2,584,673	2,638,279
Interplan Activity	9,487,128	5,129,362	6,043,719	3,638,757
Total Deductions	**$18,567,075**	**$14,456,738**	**$12,296,801**	**$9,218,485**
Member-Directed Plan				
Pension—Annuities	$227,923	$71,192	$27,211	$16,125
Pension—Installment Payments	127,187	89,279	178,984	45,709
Refunds	17,095,349	14,396,904	9,706,528	7,465,144
Administrative Expense	2,118,854	2,354,183	2,435,285	2,514,665
Interplan Activity	7,494,556	4,920,130	4,382,873	3,821,116
Total Deductions	**$27,063,869**	**$21,831,688**	**$16,730,881**	**$13,862,759**
VEBA Plan				
VEBA Claims	$1,236,169	$895,574	$514,332	$233,364
Administrative Expense	850,617	914,578	851,770	853,358
Interplan Activity		28,172	101,658	383,887
Total Deductions	**$2,086,786**	**$1,838,324**	**$1,467,760**	**$1,470,609**

* Breakdown of medical disbursements between medical, dental, vision and disease management is not available for 2009 and prior.

** 2010 Post-employment Health Care expenses restated for reclassification of Pending Medical Claims adjustment from Health Care Medical Expense to Other Income. 'Pending Medical Claims consists of the annual adjustment made to the Incurred But Not Reported liability included in Medical Benefits Payable. This liability fluctuates from year to year based on changes in the claims experience.

Deductions by Type (continued)

2008	2007	2006	2005	2004	2003
$3,381,914,006	$3,130,094,411	$2,899,824,472	$2,671,847,680	$2,447,300,267	$2,229,805,278
41,250	9,600	1,125			
6,998,605	6,891,186	7,033,516	7,237,063	6,831,559	6,672,385
221,300,825	221,092,748	235,136,633	220,236,000	209,777,972	193,209,598
103,934,337	99,175,973	92,268,184	80,094,041	67,295,184	58,704,582
827,135,910	745,052,859	705,427,089	656,301,652	560,341,911	489,843,513
	4,121,292	6,034,535	13,361,980	18,454,833	
441,059,097	431,405,495	428,140,230	403,184,288	394,857,747	359,220,997
5,016,829	3,020,425				
128,346	53,812	12,850	1,757		
74,022,980	69,305,991	65,152,774	61,664,979	61,691,260	69,836,790
7,470,205	5,730,846	5,286,335	2,457,816	3,510,475	29,392,751
$5,069,022,390	**$4,715,954,638**	**$4,444,317,743**	**$4,116,387,256**	**$3,770,061,208**	**$3,436,685,894**
$3,381,864,191	$3,130,087,724	$2,899,823,920	$2,671,847,680	$2,447,300,267	$2,229,805,278
6,998,605	6,891,186	7,033,516	7,237,063	6,831,559	6,672,385
212,802,651	213,007,451	228,034,617	215,398,602	207,121,141	192,768,335
53,853,085	50,053,260	44,854,241	44,375,744	47,589,813	57,195,937
180,426	718,220	703,612	864,358		20,637,974
$3,655,698,958	**$3,400,757,841**	**$3,180,449,906**	**$2,939,723,447**	**$2,708,842,780**	**$2,507,079,909**
$103,934,337	$99,175,973	$92,268,184	$80,094,041	$67,295,184	$58,704,582
827,135,910	745,052,859	705,427,089	656,301,652	560,341,911	489,843,513
	4,121,292	6,034,535	13,361,980	18,454,833	
441,059,097	431,405,495	428,140,230	403,184,288	394,857,747	359,220,997
5,016,829	3,020,425				
13,596,943	10,796,417	10,892,971	7,875,355	2,694,253	2,679,981
$1,390,743,116	**$1,293,572,461**	**$1,242,763,009**	**$1,160,817,316**	**$1,043,643,928**	**$910,449,073**
$11,911	$5,451	$552			
3,623,723	2,707,630	1,910,107	$1,390,162	$601,042	$49,490
2,990,092	3,890,828	4,510,803	4,432,803	5,032,027	4,480,051
4,105,870	2,305,124	2,026,194	602,893	1,655,177	3,217,900
$10,731,596	**$8,909,033**	**$8,447,656**	**$6,425,858**	**$7,288,246**	**$7,747,441**
$37,904	$1,236				
41,250	9,600	$1,125			
4,874,451	5,377,667	5,191,909	$3,447,236	$2,055,789	$391,773
2,762,484	3,601,327	3,882,917	4,128,233	4,898,872	5,098,717
3,183,909	2,707,502	2,431,876	866,427	1,553,226	4,324,731
$10,899,998	**$11,697,332**	**$11,507,827**	**$8,441,896**	**$8,507,887**	**$9,815,221**
$128,346	$53,812	$12,850	$1,757		
820,376	964,159	1,011,842	852,844	$1,476,295	$382,104
		124,653	124,138	302,072	1,212,146
$948,722	**$1,017,971**	**$1,149,345**	**$978,739**	**$1,778,367**	**$1,594,250**

Benefits by Type (last 10 fiscal years)

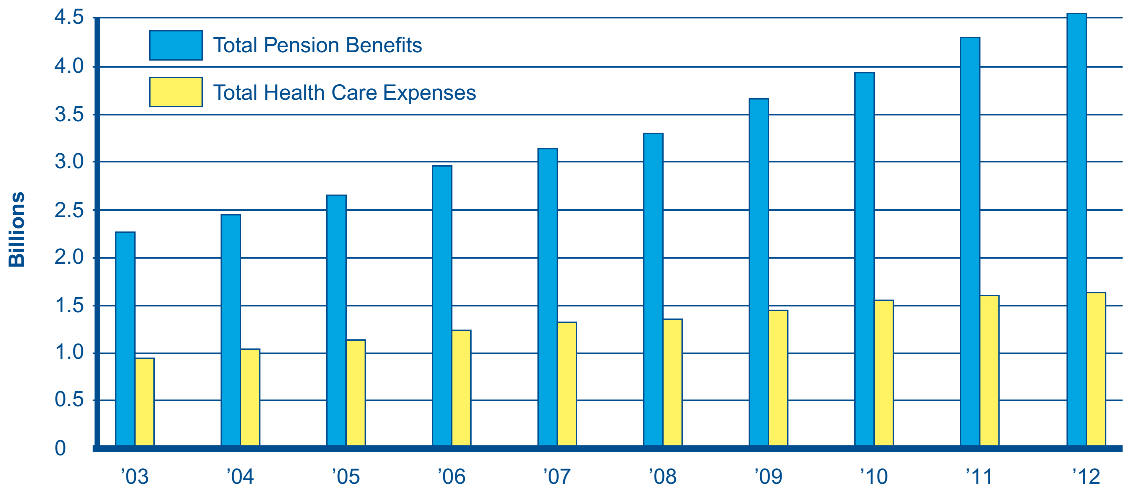
Year	2012	2011	2010	2009
All Plans				
Annuities and installment payments	$4,905,031,237	$4,645,565,449	$4,284,704,173	$3,936,872,530
Disabilities	1,017,238,745	984,655,943	982,774,343	966,748,686
Other Systems/Death/QEBA	34,367,830	31,381,217	26,785,331	20,803,990
Survivors	232,640,171	231,283,405	222,130,665	215,372,517
Allowance Payment to RMA	10,818,585	13,489,405	13,223,453	9,642,605
Total Pension Benefits and Health Care	**$6,200,096,568**	**$5,906,375,419**	**$5,529,617,965**	**$5,149,440,328**
Traditional Pension Plan				
Pension Benefits:				
Age-and-Service Annuities	$3,739,845,743	$3,518,341,988	$3,185,230,279	$2,929,672,689
Disabilities	603,354,845	578,018,246	556,074,897	529,948,352
Other Systems	24,815,413	22,453,906	18,490,323	13,014,368
Survivors	170,092,349	165,488,973	159,725,674	154,482,707
Additional Annuities	4,341,522	4,324,569	3,432,344	2,867,888
Money Purchase Annuities	37,970,927	31,897,588	29,968,936	23,301,083
Death	7,891,172	7,508,317	7,248,345	7,124,887
QEBA*	1,661,245	1,418,994	1,046,663	664,735
Total Pension Benefits	**$4,589,973,216**	**$4,329,452,581**	**$3,961,217,461**	**$3,661,076,709**
Post-employment Health Care				
Health Care* **				
Annuities	$1,120,671,221	$1,089,640,044	$1,065,223,721	$980,700,106
Disabilities	413,883,900	406,637,697	426,699,446	436,800,334
Survivors	62,547,822	65,794,432	62,404,991	60,889,810
Allowance Payment to RMA**	10,818,585	13,489,405	13,223,453	9,642,605
Total Health Care	**$1,607,921,528**	**$1,575,561,578**	**$1,567,551,611**	**$1,488,032,855**
Combined Plan				
Pension Benefits:				
Annuities	$273,809	$187,051	$61,125	$30,566
Installment Payments	336,736	118,164	67,241	5,000
Total Pension Benefits	**$610,545**	**$305,215**	**$128,366**	**$35,566**
Member-Directed Plan				
Pension Benefits:				
Annuities	$227,923	$71,192	$27,211	$16,125
Installment Payments	127,187	89,279	178,984	45,709
Total Pension Benefits	**$355,110**	**$160,471**	**$206,195**	**$61,834**
VEBA Plan				
Health Care:				
Annuities and Installment Payments	$1,236,169	$895,574	$514,332	$233,364
Total Health Care	**$1,236,169**	**$895,574**	**$514,332**	**$233,364**

* QEBA commenced in 2000 with retroactive payments made in 2004.
** Retiree Medical Account (RMA) commenced January 1, 2007.
*** 2010 Post-employment Health Care expenses restated for reclassification of Pending Medical Claims adjustment from Health Care Medical Expense to Other Income. Pending Medical Claims consists of the annual adjustment made to the Incurred But Not Reported liability included in Medical Benefits Payable. This liability fluctuates from year to year based on changes in the claims experience.

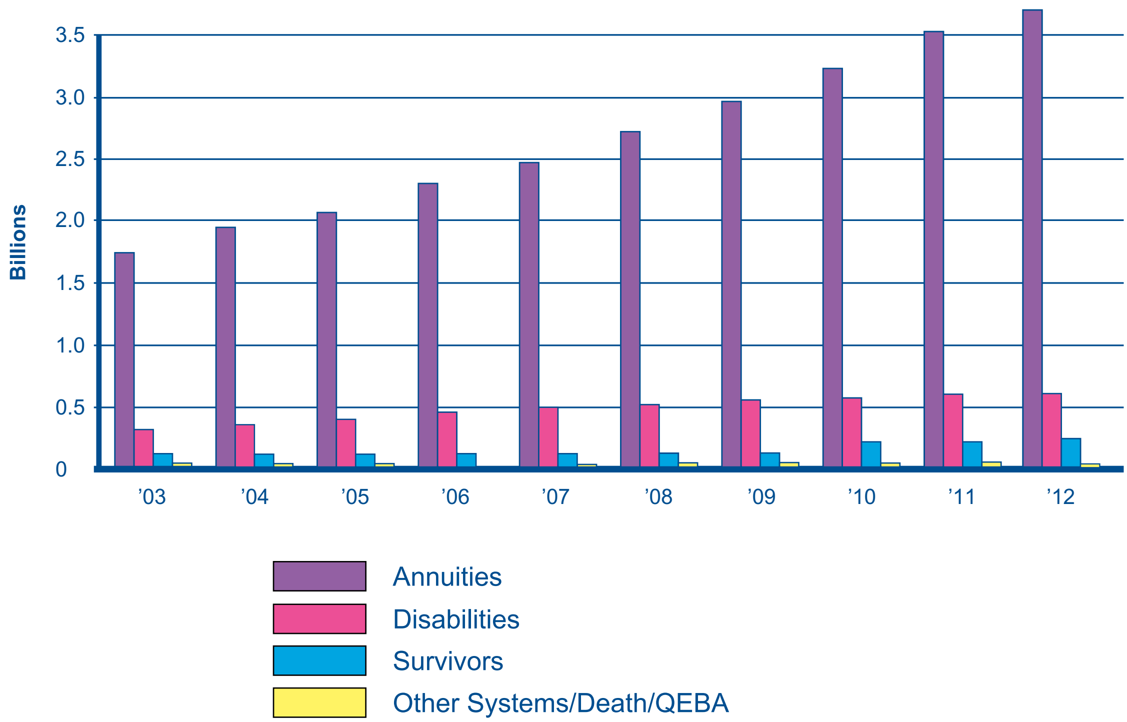
Benefits by Type (continued)

2008	2007	2006	2005	2004	2003
$3,612,525,198	$3,332,227,776	$3,109,822,482	$2,876,119,101	$2,577,789,994	$2,310,506,876
915,061,487	861,927,107	815,518,857	748,295,207	718,562,820	650,830,438
25,216,043	21,293,226	18,413,480	18,826,529	20,452,688	14,485,111
208,408,823	201,356,519	194,987,182	188,787,624	178,275,999	168,424,330
5,016,829	3,020,425				
$4,766,228,380	**$4,419,825,053**	**$4,138,742,001**	**$3,832,028,461**	**$3,495,081,501**	**$3,144,246,755**
$2,676,785,413	$2,466,754,245	$2,274,583,165	$2,089,885,773	$1,907,130,321	$1,732,322,483
509,082,328	481,728,386	454,254,591	418,066,051	384,376,167	352,768,476
17,565,698	13,929,119	11,090,453	11,331,852	13,431,599	7,812,726
149,770,901	144,011,334	138,952,075	134,275,593	127,926,096	123,185,630
2,537,528	2,044,243	1,404,610	964,490	560,526	
25,470,583	21,147,476	19,249,515	17,066,307	13,686,028	13,715,963
6,998,605	6,891,186	7,033,516	7,237,063	6,831,559	6,672,385
651,740	472,921	289,511	257,614	189,530	
$3,388,862,796	**$3,136,978,910**	**$2,906,857,436**	**$2,679,084,743**	**$2,454,131,826**	**$2,236,477,663**
$907,512,263	$842,211,713	$814,570,665	$768,200,774	$656,413,119	$564,468,430
405,979,159	380,198,721	361,264,266	330,229,156	334,186,653	298,061,962
58,637,922	57,345,185	56,035,107	54,512,031	50,349,903	45,238,700
5,016,829	3,020,425				
$1,377,146,173	**$1,282,776,044**	**$1,231,870,038**	**$1,152,941,961**	**$1,040,949,675**	**$907,769,092**
$11,911	$5,451	$552			
$11,911	**$5,451**	**$552**	**$0**	**$0**	**$0**
$37,904	$1,236				
41,250	9,600	$1,125			
$79,154	**$10,836**	**$1,125**	**$0**	**$0**	**$0**
$128,346	$53,812	$12,850	$1,757		
$128,346	**$53,812**	**$12,850**	**$1,757**	**$0**	**$0**

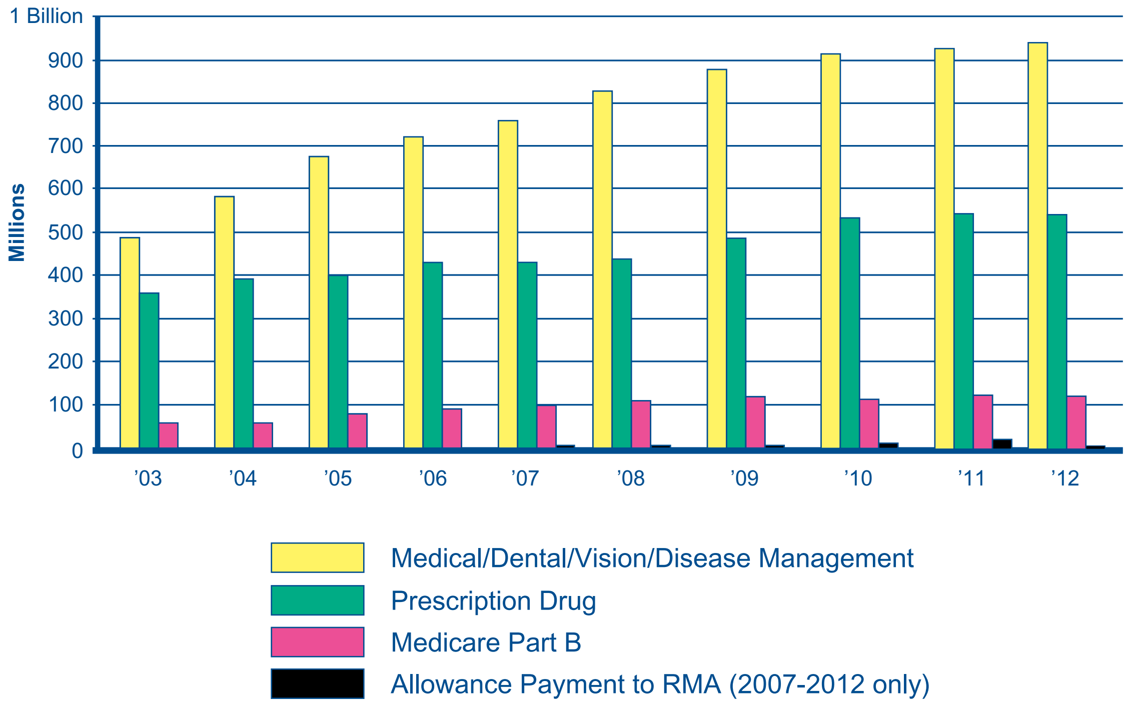
Benefits by Type



Benefits by Type — Traditional Pension Plan



Health Care Expenses by Type



Refunds by Type (last 10 fiscal years)

Year	2012	2011	2010	2009
All Plans				
Refunds:				
Separation	$275,020,766	$291,727,781	$205,298,464	$192,467,640
Beneficiaries	23,366,136	21,276,967	20,870,868	21,549,473
Other	9,099,376	10,667,294	6,885,382	8,563,141
Total Refunds	**$307,486,278**	**$323,672,042**	**$233,054,714**	**$222,580,254**
Traditional Pension Plan				
Refunds:				
Separation	$252,159,989	$271,336,582	$192,608,328	$182,274,674
Beneficiaries	22,957,850	20,808,413	20,314,433	21,371,412
Other	9,099,376	10,667,294	6,885,382	8,563,141
Total Refunds	**$284,217,215**	**$302,812,289**	**$219,808,143**	**$212,209,227**
Combined Plan				
Refunds:				
Separation	$6,138,096	$6,319,318	$3,515,815	$2,824,743
Beneficiaries	35,618	143,531	24,228	81,140
Other				
Total Refunds	**$6,173,714**	**$6,462,849**	**$3,540,043**	**$2,905,883**
Member-Directed Plan				
Refunds:				
Separation	$16,722,681	$14,071,881	$9,174,321	$7,368,223
Beneficiaries	372,668	325,023	532,207	96,921
Other				
Total Refunds	**$17,095,349**	**$14,396,904**	**$9,706,528**	**$7,465,144**

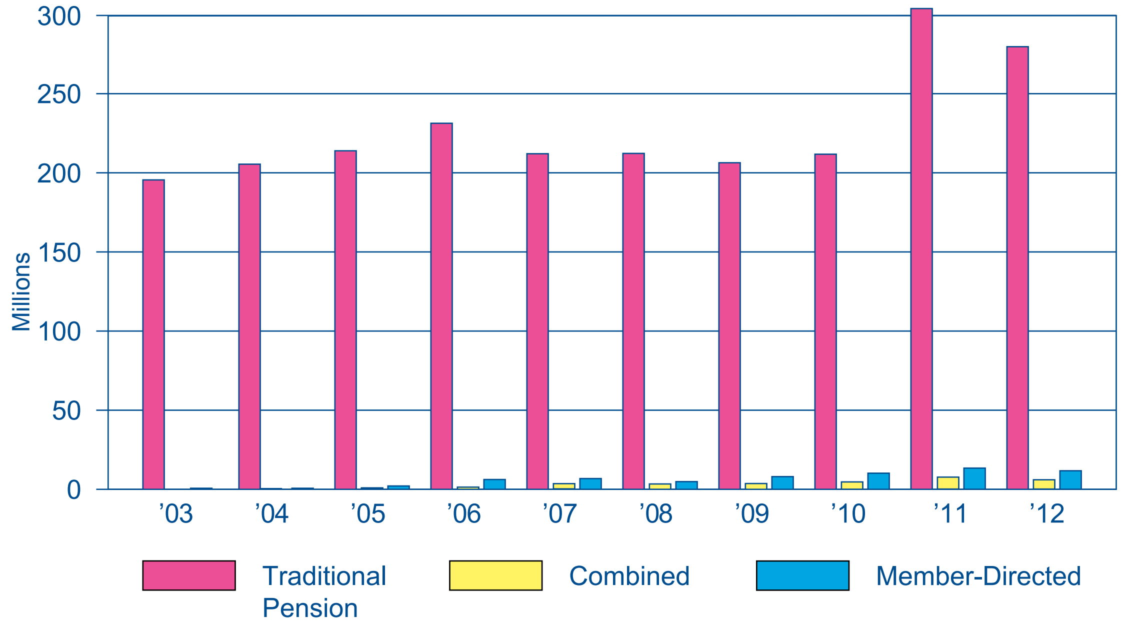
Number of Refund Payments by Plan (last 10 fiscal years)

Year	Traditional Pension Plan	Combined Plan	Member-Directed Plan	Total
2012	24,487	384	1,099	25,970
2011	26,686	391	893	27,970
2010	21,797	345	736	22,878
2009	21,413	389	822	22,624
2008	23,173	451	799	24,423
2007	23,679	378	739	24,796
2006	26,276	383	937	27,596
2005	28,013	253	580	28,846
2004	37,728	151	436	38,315
2003	37,022	21	79	37,122

Refunds by Type (continued)

2008	2007	2006	2005	2004	2003
$192,910,095	$196,668,493	$207,231,584	$193,717,806	$179,851,347	$151,283,802
19,118,230	18,590,739	18,466,920	18,638,613	19,885,182	28,263,206
9,272,500	5,833,515	9,438,129	7,879,581	10,041,443	13,662,590
$221,300,825	**$221,092,747**	**$235,136,633**	**$220,236,000**	**$209,777,972**	**$193,209,598**
$184,463,536	$188,635,768	$200,138,152	$189,019,842	$177,227,660	$150,846,499
19,066,615	18,538,167	18,458,336	18,510,705	19,872,224	28,263,206
9,272,500	5,833,515	9,438,129	7,868,055	10,021,257	13,658,630
$212,802,651	**$213,007,450**	**$228,034,617**	**$215,398,602**	**$207,121,141**	**$192,768,335**
$3,596,259	$2,665,357	$1,910,107	$1,346,396	$595,651	$47,738
27,464	42,273		39,498	2,642	
			4,268	2,749	1,752
$3,623,723	**$2,707,630**	**$1,910,107**	**$1,390,162**	**$601,042**	**$49,490**
$4,850,300	$5,367,368	$5,183,325	$3,351,568	$2,028,036	$389,565
24,151	10,299	8,584	88,410	10,316	
			7,258	17,437	2,208
$4,874,451	**$5,377,667**	**$5,191,909**	**$3,447,236**	**$2,055,789**	**$391,773**

Refunds by Plan



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

Year	2011	2010***	2010**	2009	2008	2007	2006	2005***	2005**	2004	2003	2002
Pension Assets	$65,436	$63,649	$60,599	$57,629	$55,315	$67,151	$61,296	$54,473	$54,473	$50,452	$46,746	$43,706
Accrued Liabilities	$84,529	$80,485	$79,630	$76,555	$73,466	$69,734	$66,161	$62,498	$61,146	$57,604	$54,774	$50,872
Unfunded Liabilities	($19,093)	($16,834)	($19,031)	($18,926)	($18,151)	($2,583)	($4,865)	($8,025)	($6,673)	($7,152)	($8,028)	($7,166)
Funded Ratio	77.41%	79.08%	76.10%	75.28%	75.29%	96.30%	92.65%	87.16%	89.09%	87.58%	85.34%	85.91%
Amortization Years	30	24	29	30	30	14	26	28	20	24	29	29

* The Combined and Member-Directed plans commenced January 1, 2003.
** Information prior to completion of experience study.
*** Information after completion of the experience study.

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

Year	2011	2010***	2010**	2009	2008	2007	2006	2005***	2005**	2004	2003	2002
Pension Assets	$65,274	$63,515	$60,461	$57,519	$55,230	$67,067	$61,235	$54,433	$54,433	$50,430	$46,737	$43,706
Accrued Liabilities	$84,325	$80,307	$79,459	$76,407	$73,346	$69,639	$66,089	$62,447	$61,099	$57,573	$54,756	$50,872
Unfunded Liabilities	($19,051)	($16,792)	($18,998)	($18,888)	($18,116)	($2,572)	($4,854)	($8,014)	($6,666)	($7,143)	($8,019)	($7,166)
Funded Ratio	77.41%	79.09%	76.09%	75.28%	75.30%	96.31%	92.66%	87.17%	89.09%	87.59%	85.36%	85.91%
Amortization Years	30	25	30	30	30	14	25	28	20	24	29	29

** Information prior to completion of experience study.
*** Information after completion of the experience study.

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

Year	2011	2010***	2010**	2009	2008	2007	2006	2005***	2005**	2004	2003
Pension Assets	$161	$134	$138	$110	$85	$84	$61	$40	$40	$22	$9
Accrued Liabilities	$203	$177	$171	$148	$120	$95	$72	$51	$47	$31	$18
Unfunded Liabilities	($42)	($43)	($33)	($38)	($35)	($11)	($11)	($11)	($7)	($9)	($9)
Funded Ratio	79.31%	75.71%	80.70%	74.32%	70.83%	88.42%	84.72%	78.43%	85.11%	70.97%	50.00%
Amortization Years	2	3	2	3	4	N/A	N/A	3	1	2	N/A

* The Combined Plan commenced January 1, 2003.
** Information prior to completion of experience study.
*** Information after completion of the experience study.

Pension Assets vs. Pension Liabilities* (last four fiscal years, $ in millions) — Member-Directed Annuities

Year	2011	2010***	2010**	2009	2008
Pension Assets	$1.156	$0.454	$0.439	$0.206	$0.148
Accrued Liabilities	$1.173	$0.496	$0.490	$0.253	$0.166
Unfunded Liabilities	($0.017)	($0.042)	($0.051)	($0.047)	($0.018)
Funded Ratio	98.55%	91.54%	89.63%	81.39%	88.95%

* The Member-Directed Plan commenced January 1, 2003. Actuarial data for retirement annuities not available prior to 2008.
** Information prior to completion of experience study.
*** Information after completion of the experience study.

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

Year	2011	2010**	2010*	2009	2008	2007	2006	2005**	2005*	2004#
Health Care Assets	$12,115	$12,320	$11,267	$10,936	$10,748	$12,801	$12,025	$11,070	$11,070	$10,816
Accrued Liabilities	$31,020	$30,531	$26,929	$31,558	$29,623	$29,825	$30,748	$31,796	$31,307	$29,479
Unfunded Liabilities	($18,905)	($18,211)	($15,662)	($20,622)	($18,875)	($17,024)	($18,723)	($20,726)	($20,237)	($18,663)
Funded Ratio	39.06%	40.35%	41.84%	34.65%	36.28%	42.92%	39.11%	34.82%	35.36%	36.69%
Solvency Period	10	11	11	11	11	31	27	18	18	17

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

Contribution Rates

	Annual Required Contribution Rate	Actual Employer Contribution Rates Funding Health Care		
Year	All Plans*	Traditional Pension Plan	Combined Plan	Note
2012	11.52%	4.00%	6.05%	(1)
2011	14.55	4.00	6.05	(1)
2010	13.34	5.08	4.31	(1) (2)
2009	13.26	5.88	5.02	(1) (3)
2008	14.57	7.00	5.90	(1)
2007	16.35	5.50	5.50	(4)
2006	16.64	4.50	4.50	
2005		4.00	4.00	
2004		4.00	4.00	
2003		5.00	5.00	

* Data not available prior to 2006.

(1) During 2008 through 2010, the employer contribution rate allocated to health care by the Combined Plan was less than the Traditional Pension Plan. Payment of the impact of the rate difference commenced in 2011 and continued in 2012.

(2) The portion of the employer contribution rate allocated to fund health care for the Traditional Pension Plan was 5.5% for the period January 1, 2010 through February 28, 2010 and decreased to 5.0% for the period March 1, 2010 through December 31, 2010. The overall effective rate for the year was 5.08%. The rates for the Combined Plan for the same period were 4.73% and 4.23%, respectively, for an overall effective rate for the year of 4.31%.

(3) The portion of the employer contribution rate allocated to fund health care for the Traditional Pension Plan was 7% for the period January 1, 2009 through March 31, 2009 and decreased to 5.5% for the period April 1, 2009 through December 31, 2009. The overall effective rate for the year was 5.88%. The rates for the Combined Plan for the same period were 5.90% and 4.73%, respectively, for an overall effective rate for the year of 5.02%.

(4) The portion of the employer contribution rate allocated to fund health care for both the Traditional Pension and Combined plans was 5% for the period January 1, 2007 through June 30, 2007 and increased to 6% for the period July 1, 2007 through December 31, 2007. The overall effective rate for the year was 5.5%.

Self-Funding Rate*

Year	Rate
2011	6.4%
2010	6.7
2009	8.0
2008	7.7
2007	7.4
2006	8.1
2005**	9.0

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

Number of Retirees/Benefit Recipients by Category

The values included in the following tables represent the number of individuals receiving benefit payments. The 2011 and 2012 counts represent retired member accounts only, regardless of the number of recipients designated by the retiree's plan of payment. These statistics are representative of the OPERS contributing membership. Prior to 2011, the values represent the number of individuals receiving a benefit payment from OPERS, where one retiree's account may be issued to multiple recipients or beneficiaries. Restated data for years prior to 2011 is not available.

Traditional Pension Plan

Year End	Annuities	Disabilities	Survivors	Total
2012	155,008	22,768	12,712	190,488
2011	149,598	22,476	12,802	184,876
2010	143,035	23,041	13,437	179,513
2009	135,918	22,651	13,358	171,927
2008	130,734	22,515	13,250	166,499
2007	126,002	22,108	13,232	161,342
2006	122,021	21,563	13,161	156,745
2005	118,099	20,732	12,927	151,758
2004	114,698	19,758	12,510	146,966
2003	112,247	18,859	12,537	143,643

Annuities are comprised of a defined formula benefit paid to contributing members retiring with an age-and-service benefit, as well as benefit annuities paid through the Additional Annuity and Money Purchase plans (refer to the Plan Statement beginning on page 180.) Members who retired from other Ohio retirement systems may return to OPERS covered employment under the OPERS Money Purchase plan. These members receive an annuity in accordance with that program, based on the contributions paid during the re-employment period.

The table below displays the composition of the Traditional Pension Plan Annuities by type for 2011 and 2012. Other Annuities represents Money Purchase and Additional Annuity plan benefits. These benefits may accrue to members whose primary retirement is with OPERS or through another Ohio retirement system (ORS Retirees).

Traditional Pension Plan Annuities

Year	Age-and-Service Annuities	Age-and-Service Receiving Other Annuities	Subtotal Age-and-Service Annuities	Other Annuities (ORS Retirees)	Total
2012	151,765	2,112	153,877	1,131	155,008
2011	146,687	1,901	148,588	1,010	149,598

Number of Retirees/Benefit Recipients by Category (continued)

The values included in the table below represent the number of retirees receiving benefit payments. Members in the Combined Plan receive an age-and-service defined formula benefit annuity from their employer contribution account, and may not elect a retirement distribution from their defined contribution account until they qualify for a defined benefit retirement. Prior to 2012, members in both the Combined and Member-Directed plans had the option of deferring all or a portion of their defined contribution account, elect to purchase an annuity, or could elect to receive installment payments from the defined contribution account. Effective April 1, 2012, the installment payment options were eliminated and new retirees may elect to purchase an annuity, transfer their defined contribution account to another financial institution, or refund their account (refer to the Plan Statement beginning on page 180).

Combined Plan*

Year End	Age-and-Service Annuities	Annuitized DC Accounts	Installment Payments	Liquidated or Deferred DC Accounts	Number of Retirees
2012	55	37	13	5	55
2011	36	22	13	1	36
2010	21	13	7	1	21
2009	9	6	3		9
2008	7	5	N/A	2	7
2007	2	2	N/A		2
2006	1	N/A	N/A	1	1

* Plan commenced January 1, 2003. As of April 1, 2012, no member had elected a combination annuity and installment payment benefit distribution. Retirements effective on or after April 1, 2012 no longer have this option.

Member-Directed Plan*

Year End	Annuities	Installment Payments	Total
2012	62	16	78
2011	38	15	53
2010	18	13	31
2009	9	10	19
2008	5	5	10
2007	2	2	4
2006	1	1	2

* Plan commenced January 1, 2003. As of April 1, 2012, no member had elected a combination annuity and installment payment benefit distribution. Retirements effective on or after April 1, 2012 no longer have this option.

Number of Covered Lives by Category

The values included in the tables below represent the number of lives covered by OPERS health care plans. The 2010 through 2012 Post-employment Health Care plan counts reflect the number of retirees and primary beneficiaries, and the number of additional dependents and other beneficiaries receiving coverage. A primary beneficiary is a survivor of a deceased retiree continuing to receive coverage on the member's account. The values in this column are representative of OPERS' contributing membership, while Dependents and Other Beneficiaries are other family members receiving benefits through a member's account. Corresponding data for years prior to 2010 is not available. These counts represent all members, dependents, and beneficiaries receiving post-employment health care coverage.

Post-employment Health Care

Year End	Number of Retirees and Primary Beneficiaries	Number of Dependents and Other Beneficiaries	Total Covered Lives
2012	163,940	62,456	226,396
2011	161,315	62,507	223,822
2010	157,269	60,624	217,334
2009	N/A	N/A	213,220
2008	N/A	N/A	208,857
2007	N/A	N/A	204,514
2006	N/A	N/A	200,494
2005	N/A	N/A	194,773
2004	N/A	N/A	189,227
2003	N/A	N/A	179,182

The VEBA plan is a retiree medical account in the member's name that can be used to pay qualified medical expenses for the Member-Directed retiree and eligible family members. (Refer to the Plan Statement beginning on page 180.)

VEBA Plan

Year End	Total Covered Lives
2012	2,589
2011	2,073
2010	1,577
2009	1,260
2008	365
2007	176
2006	293
2005	185
2004	75
2003	9

Schedule of Retirees by Benefit Type and Amount

The values included in the following tables represent the number of retired members receiving benefits. Other Annuities represents Money Purchase and Additional Annuity plan benefits. These benefits may accrue to members whose primary retirement is with OPERS or with another Ohio retirement system (ORS Retiree).

Schedule of Retirees by Benefit Type and Amount (as of December 2012) **Traditional Pension Plan**

Amount of Monthly Benefit	Age-and-Service Annuities	Age-and-Service Receiving Other Annuities	Subtotal Age-and-Service Annuities	Disabilities	Survivors	Other Annuities (ORS Retirees)	Total Number of Retirees
$1-299	13,013	1,277	14,290	84	721	471	15,566
$300-499	9,278	331	9,609	189	2,093	210	12,101
$500-999	23,567	312	23,879	1,644	4,837	281	30,641
$1,000-1,499	20,654	94	20,748	3,876	2,390	100	27,114
$1,500-1,999	17,799	47	17,846	5,131	1,236	43	24,256
$2,000 & Over	67,454	51	67,505	11,844	1,435	26	80,810
Totals	**151,765**	**2,112**	**153,877**	**22,768**	**12,712**	**1,131**	**190,488**

Effective April 1, 2012, members electing to retire in the Combined and Member-Directed plans have the option to annuitize their defined contribution account at OPERS for a defined benefit, to transfer their defined contribution account to another financial institution, or to receive a refund of their defined contribution account. Prior to April 1, 2012, these members also had the option to draw on their defined contribution account under an installment payment plan. The installment payment option is still effective for members who retired prior to April 1, 2012.

Combined Plan members are also eligible for a defined (formula) benefit from their employer contributions. The Employer Age-and-Service Annuities column represents members receiving a formula benefit. Members may receive payments of their defined contribution accounts under the methods described above. For those members who retired prior to April 1, 2012, only installment payments with a remaining account balance are counted.

Combined Plan (as of December 2012)

Amount of Monthly Benefit	Employer Age-and-Service Annuities	Member Annuitized DC Accounts	Member DC Installment	Liquidated or Deferred DC
$1-299	42	28		
$300-499	9	6		
$500-999	4	2		
$1,000-1,499	0	1		
$1,500-1,999	0			
$2,000 & Over	0			
Various	0		13	5
Totals	**55**	**37**	**13**	**5**

The Member-Directed Plan table displays the distribution of members electing either a defined benefit annuity or an installment payment option. For those members who retired prior to April 1, 2012, only installment payments with a remaining account balance are counted.

Member-Directed Plan (as of December 2012)

Amount of Monthly Benefit	Annuitized DC Accounts	DC Installment Payments	Total Retirees
$1-299	41		41
$300-499	13		13
$500-999	5		5
$1,000-1,499	2		2
$1,500-1,999	1		1
$2,000 & Over	0		0
Various		16	16
Totals	**62**	**16**	**78**

Number of New Pension Retirees

The values included in the following tables represent the number of new benefit recipients each year. The 2011 and 2012 counts represent retired members only, regardless of the number of recipients designated by the retiree's plan of payment. These statistics are representative of OPERS' contributing membership. Prior to 2011, the values represent the number of new individuals receiving a benefit payment from OPERS where one retiree account may be issued to multiple recipients or beneficiaries. Restated data for years prior to 2011 is not available.

Traditional Pension Plan

Year	Annuities	Disabilities	Survivors	Total
2012	9,793	1,245	358	11,396
2011	10,885	1,051	400	12,336
2010	10,503	1,327	737	12,567
2009	9,026	1,132	723	10,881
2008	8,689	1,351	695	10,735
2007	7,701	1,429	731	9,861
2006	7,457	1,644	707	9,808
2005	7,257	1,734	729	9,720
2004	7,222	1,664	565	9,451
2003	6,559	1,833	770	9,162

Annuities are comprised of a defined formula benefit paid to contributing members retiring with an age-and-service benefit, as well as benefit annuities paid through the Additional Annuity and Money Purchase plans (refer to the Plan Statement beginning on page 180.) Members who retired from other Ohio retirement systems may return to OPERS-covered employment under the OPERS Money Purchase plan. These members receive an annuity in accordance with that program based on the contributions paid during the re-employed period.

The table below displays the composition of the 2011 and 2012 Traditional Pension Plan Annuities by type. Other Annuities represents Money Purchase and Additional Annuity plan benefits. These benefits may accrue to members whose primary retirement is with OPERS or through another Ohio retirement system (ORS Retirees). Comparable data for years prior to 2011 is not available.

Traditional Pension Plan Annuities

Year	Age-and-Service Annuities	Age-and-Service Receiving Other Annuities	Subtotal Age-and-Service Annuities	Other Annuities (ORS Retirees)	Total
2012	9,607	53	9,660	133	9,793
2011	10,730	54	10,784	101	10,885

Number of New Pension Retirees

Effective April 1, 2012, members electing to retire in the Combined and Member-Directed plans have the option to annuitize their defined contribution account at OPERS for a defined benefit, to transfer their defined contribution account to another financial institution, or to receive a refund of their defined contribution account. Prior to April 1, 2012, these members also had the option to draw on their defined contribution account under an installment payment plan. The installment payment option is still effective for members who retired prior to April 1, 2012.

Combined Plan members are also eligible for a defined (formula) benefit from their employer contributions. The Employer Age-and-Service Annuities column represents members receiving a formula benefit. Members may receive payments of their defined contribution accounts under the methods described above. For those members who retired prior to April 1, 2012, only installment payments with a remaining account balance are counted.

Combined Plan*

Year	Employer Age-and-Service Annuities	Member Annuitized Defined Contribution Accounts	Member Defined Contribution Installment Payments	Liquidated or Deferred Defined Contribution Accounts
2012	19	15	1	3
2011	15	9	7	
2010	12	7	4	1
2009	2	1	1	
2008	5	3	2	
2007	1	1		
2006	1			1

* Plan commenced January 1, 2003.

The Member-Directed Plan table displays the distribution of members electing either a defined benefit annuity or an installment payment option. For those members who retired prior to April 1, 2012, only installment payments with a remaining account balance are counted.

Member-Directed Plan*

Year	Annuities	Installment Payments	Total
2012	24	1	25
2011	20	6	26
2010	8	4	12
2009	6	5	11
2008	3	4	7
2007	2	1	3
2006	0	1	1

* Plan commenced January 1, 2003.

Schedule of Average Benefits

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

The 2011 and 2012 statistics include members with less than five years of service (refer to the Plan Statement beginning on page 180 for benefit eligibility requirements). Comparable data for years prior to 2011 is not available. The Total New Retirees column represents the average monthly benefit and average final average salary for the retiree counts listed in each year.

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

		Years Credited Service							
Retirement Effective Dates		0-4	5-9	10-14	15-19	20-24	25-30	30+	Total New Retirees
2012	Average Monthly Benefit	$236	$668	$904	$1,323	$1,824	$2,361	$3,309	$2,078
	Average Final Average Salary	$7,385	$31,007	$37,923	$43,991	$47,969	$54,624	$60,927	$49,262
	Number of Active Recipients	146	1,035	1,677	1,353	1,544	1,761	3,747	11,263
2011	Average Monthly Benefit	$309	$606	$897	$1,320	$1,857	$2,361	$3,270	$2,186
	Average Final Average Salary	$10,126	$30,676	$37,732	$43,790	$49,365	$55,207	$60,228	$50,406
	Number of Active Recipients	156	962	1,569	1,410	1,518	1,786	4,834	12,235
2010	Average Monthly Benefit		$684	$893	$1,216	$1,623	$2,218	$3,315	$2,190
	Average Final Average Salary		$30,128	$36,592	$41,616	$45,312	$51,264	$58,633	$48,897
	Number of Active Recipients		806	1,460	1,203	1,249	1,493	4,396	10,607
2009	Average Monthly Benefit		$670	$901	$1,217	$1,608	$2,195	$3,263	$2,228
	Average Final Average Salary		$30,925	$37,211	$42,333	$45,453	$51,770	$57,750	$49,335
	Number of Active Recipients		801	1,435	1,111	1,205	1,389	4,898	10,839
2008	Average Monthly Benefit		$658	$803	$1,102	$1,491	$2,140	$3,006	$1,980
	Average Final Average Salary		$28,690	$34,193	$39,625	$43,193	$49,965	$55,247	$46,068
	Number of Active Recipients		784	1,360	1,012	1,066	1,268	3,750	9,240
2007***	Average Monthly Benefit		$767	$816	$1,099	$1,519	$2,063	$2,977	$1,927
	Average Final Average Salary		$31,477	$34,991	$40,020	$44,015	$48,653	$54,941	$45,837
	Number of Active Recipients**		852	1,558	1,165	1,131	1,240	3,787	9,733
2006***	Average Monthly Benefit		$732	$688	$1,015	$1,406	$1,994	$2,871	$1,845
	Average Final Average Salary		$28,771	$30,409	$37,248	$40,359	$46,316	$52,998	$43,312
	Number of Active Recipients**		606	1,349	986	993	1,383	3,198	8,515
2005	Average Monthly Benefit		$766	$723	$1,013	$1,407	$1,987	$2,891	$1,888
	Average Final Average Salary		$28,702	$32,126	$36,360	$39,854	$46,151	$52,805	$43,555
	Number of Active Recipients**		645	1,317	987	954	1,319	3,442	8,664
2004	Average Monthly Benefit		$784	$618	$985	$1,377	$1,889	$2,788	$1,795
	Average Final Average Salary		$29,654	$27,902	$34,872	$38,429	$43,826	$50,600	$41,333
	Number of Active Recipients**		520	1,215	1,016	932	1,282	3,072	8,037
2003	Average Monthly Benefit		$736	$658	$1,040	$1,386	$1,944	$2,885	$1,834
	Average Final Average Salary		$25,541	$29,196	$35,115	$37,183	$42,518	$49,747	$40,371
	Number of Active Recipients**		642	1,254	1,037	944	1,230	3,131	8,238

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

Schedule of Average Benefits (continued)

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

Retirement Effective Dates		Years Credited Service 0-4	5-9	10-14	Total New Retirees
2012	Average Monthly Benefit	$0	$255	$263	$259
	Average Final Average Salary	$0	$48,341	$39,064	$43,459
	Number of Active Recipients	0	9	10	19
2011	Average Monthly Benefit	$0	$237	$454	$281
	Average Final Average Salary	$0	$49,177	$75,127	$54,367
	Number of Active Recipients	0	12	3	15
2010	Average Monthly Benefit		$229	$217	$225
	Average Final Average Salary		$61,819	$33,958	$51,688
	Number of Active Recipients		7	4	11
2009	Average Monthly Benefit		$212	$232	$222
	Average Final Average Salary		$54,215	$42,062	$48,139
	Number of Active Recipients		1	1	2
2008	Average Monthly Benefit		$95	$85	$91
	Average Final Average Salary		$25,665	$21,305	$23,921
	Number of Active Recipients		3	2	5
2007	Average Monthly Benefit		$152		$152
	Average Final Average Salary		$37,369		$37,369
	Number of Active Recipients		1		1
2006	Average Monthly Benefit		$118		$118
	Average Final Average Salary		$50,116		$50,116
	Number of Active Recipients		1		1

* All years begin January 1 and end December 31.
** Plan commenced on January 1, 2003, first defined benefit retirement 2006.

Member Counts by Plan

The tables below represent the number of members in each retirement plan based on their status in the plan. Eligible members have the ability to change plans during their career, and may leave their contribution accounts behind with the plan under which the contribution was made. Accordingly, a member may be active in one plan and inactive in another. See the table at the bottom of the next page for a composite total count of active, inactive, and retired members regardless of plan.

The 2011 and 2012 Benefit Recipient counts represent retired members only, regardless of the number of recipients designated by the retiree's plan of payment. These statistics are representative of OPERS' contributing membership. Prior to 2011, the values represent the number of individuals receiving a benefit payment from OPERS where one retiree account may be issued to multiple recipients or beneficiaries.

Member Count—Pension Plans | **Total All Pension Plans**

Year End	Active	Inactive	Benefit Recipients	Total
2012	348,235	467,298	190,621	1,006,154
2011	349,189	452,718	184,965	986,872
2010	356,734	438,434	179,565	974,733
2009	365,229	416,548	171,955	953,732
2008	374,002	395,445	166,516	935,963
2007	382,177	364,823	161,348	908,348
2006	381,464	346,697	156,748	884,909
2005	381,413	327,864	151,758	861,035
2004	375,076	313,248	146,966	835,290
2003	368,996	302,546	143,643	815,185

Member Count—Pension Plans | **Traditional Pension Plan**

Year End	Active	Inactive	Retirees	Total
2012	331,836	462,597	190,488	984,921
2011	333,340	448,417	184,876	966,633
2010	341,779	434,804	179,513	956,096
2009	351,166	413,461	171,927	936,554
2008	360,107	392,687	166,499	919,293
2007	368,780	362,742	161,342	892,864
2006	369,728	345,070	156,745	871,543
2005	371,148	326,528	151,758	849,434
2004	366,470	312,480	146,966	825,916
2003	361,704	302,221	143,643	807,568

Member Counts by Plan (continued)

Member Count—Pension Plans				Combined Plan
Year End	Active	Inactive	Retirees	Total
2012	6,903	1,460	55	8,418
2011	6,674	1,314	36	8,024
2010	6,554	1,052	21	7,627
2009	6,403	942	9	7,354
2008	6,376	846	7	7,229
2007	6,244	659	2	6,905
2006	5,609	519	1	6,129
2005	5,026	414	0	5,440
2004	4,223	232	0	4,455
2003	3,590	92	0	3,682

Member Count—Pension Plans				Member-Directed Plan
Year End	Active	Inactive	Retirees	Total
2012	9,496	3,241	78	12,815
2011	9,175	2,987	53	12,215
2010	8,401	2,578	31	11,010
2009	7,660	2,145	19	9,824
2008	7,519	1,912	10	9,441
2007	7,153	1,422	4	8,579
2006	6,127	1,108	2	7,237
2005	5,239	922	0	6,161
2004	4,383	536	0	4,919
2003	3,702	233	0	3,935

The table below represents a System-level member count regardless of the plan of participation selected by the member. Only OPERS members are included in this table and each member is counted only once. Actively contributing retired OPERS members who return to OPERS-covered employment under the Money Purchase Plan are reported as benefit recipients. Comparable data for years prior to 2011 is not available.

Member Count—Pension Plans				All Plans
Year End	Active	Inactive	Benefit Recipients	Total
2012	348,235	465,940	190,619	1,004,794
2011	349,188	451,353	184,963	985,504

Member Counts by Plan continued on page 172.

Member Counts (continued from page 171)

The values included in the tables below represent the number of individuals covered by the OPERS health care plans. The 2010 through 2012 Post-employment Health Care plan counts reflect the number of retirees and primary beneficiaries only. A primary beneficiary is a survivor of a deceased retiree continuing to receive coverage on the member's account, which is representative of the OPERS contributing membership. Dependents and Other Beneficiaries are shown separately for 2010 through 2012. Corresponding data for years prior to 2010 is not available.

The VEBA plan is a retiree medical account for members in the Member-Directed Plan. Contributions are paid into the plan during the member's career for use at termination or retirement The account is in the member's name and can only be used by the member to pay qualified medical expenses for the retiree and eligible family members. (Refer to the Plan Statement beginning on page 180).

Member Count—Health Care Plans — Total All Health Care Plans*

Year End	Active	Inactive	Retiree & Primary Beneficiaries	Dependents & Other Beneficiaries	Total
2012	9,501	3,189	166,529	62,456	241,675
2011	9,170	2,918	163,388	62,507	237,983
2010	8,392	2,574	158,846	60,624	230,436
2009	7,660	2,126	214,480		224,266
2008	7,520	1,886	209,222		218,628
2007	6,942	1,440	204,690		213,072
2006	5,742	1,122	200,787		207,651
2005	5,004	858	194,958		200,820
2004	4,282	506	189,302		194,090
2003	3,586	27	179,191		182,804

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

Member Count—Health Care Plans — Post-employment Health Care*

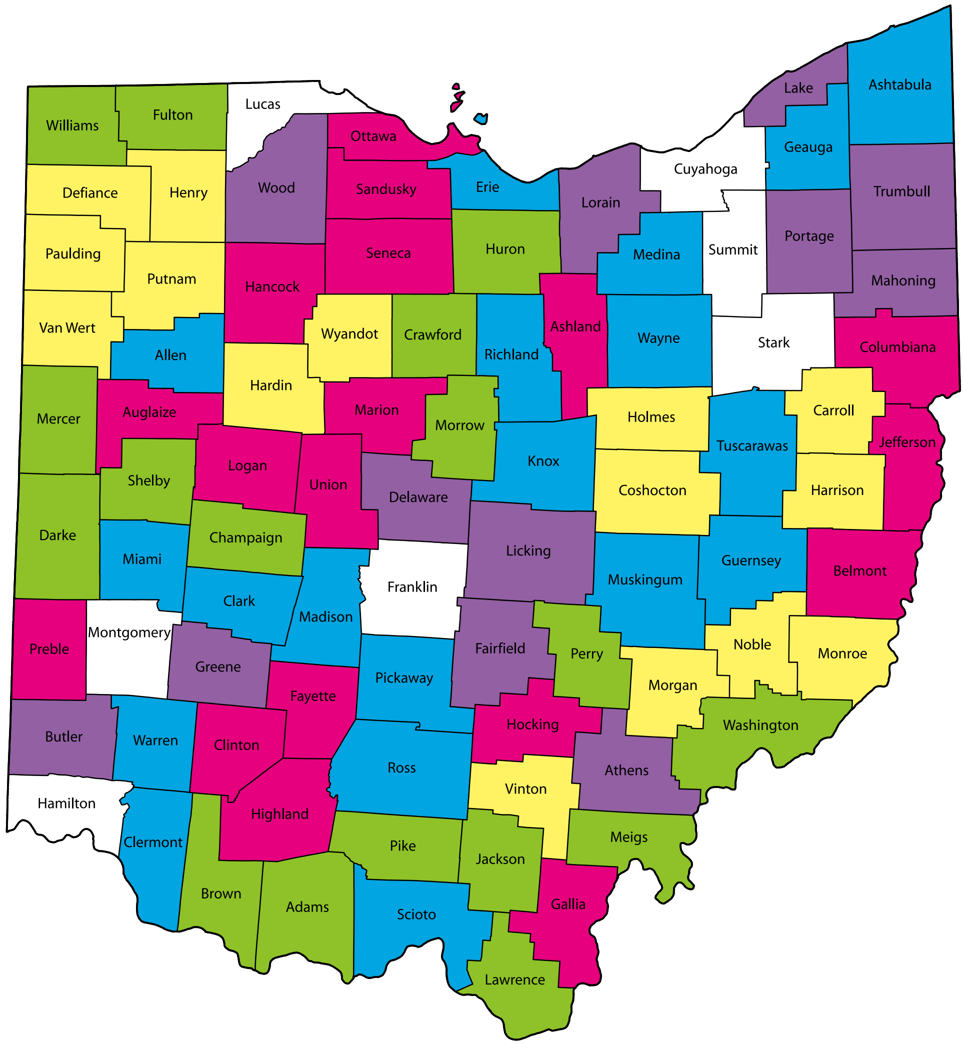
Year End	Active	Inactive	Retiree & Primary Beneficiaries	Dependents & Other Beneficiaries	Total
2012	N/A	N/A	163,940	62,456	226,396
2011	N/A	N/A	161,315	62,507	223,822
2010	N/A	N/A	157,269	60,624	217,893
2009	N/A	N/A	213,220		213,220
2008	N/A	N/A	208,857		208,857
2007	N/A	N/A	204,514		204,514
2006	N/A	N/A	200,494		200,494
2005	N/A	N/A	194,773		194,773
2004	N/A	N/A	189,227		189,227
2003	N/A	N/A	179,182		179,182

* Prior to 2010, Retirees & Primary Beneficiaries is defined as the total number of covered lives.

Member Count—Health Care Plans — VEBA Plan

Year End	Active	Inactive	Retiree Recipients	Total
2012	9,501	3,189	2,589	15,279
2011	9,170	2,918	2,073	14,161
2010	8,392	2,574	1,577	12,543
2009	7,660	2,126	1,260	11,046
2008	7,520	1,886	365	9,771
2007	6,942	1,440	176	8,558
2006	5,742	1,122	293	7,157
2005	5,004	858	185	6,047
2004	4,282	506	75	4,863
2003	3,586	27	9	3,622

2012 Pension Benefits by Ohio County



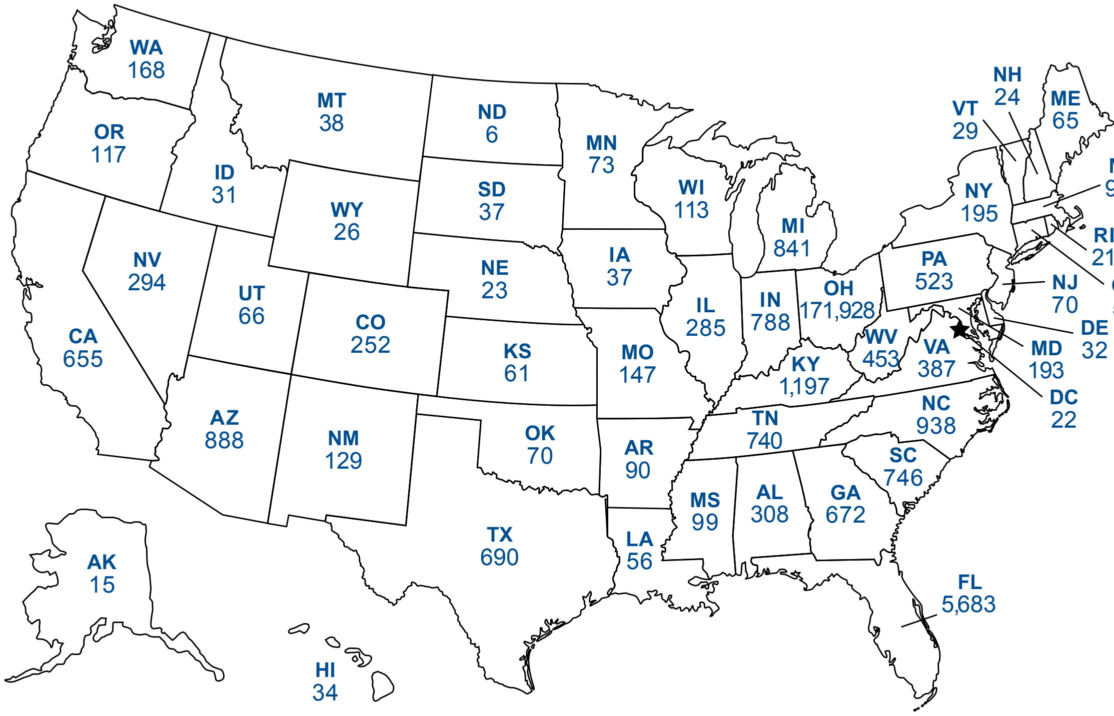
Color Key

- $0-$10 million
- $10-$15 million
- $15-$25 million
- $25-$50 million
- $50-$100 million
- $100 million +

Of the 190,619 retirees in OPERS, 171,928, or 90.2%, remain Ohio residents as of December 31, 2012. Pension benefit payments approaching $4.2 billion this year are distributed throughout Ohio to retirees and their beneficiaries, representing OPERS' impact on the state's economy.

Retirees by Geographical Location (As of December 31, 2012)

Retirees by State



Retirees Outside United States

Armed Forces—Europe 4
Australia 2
Austria 2
Brazil 1
Bulgaria 2
Canada...............................26
China (Taiwan) 1
Costa Rica 1
Croatia 1
Czech Republic 1
Egypt 2
England 4
France 4

Germany 2
Greece 2
Hungary 1
Ireland 1
Israel 5
Italy......................................5
Jordan 1
Latvia 1
Lebanon 1
Lithuania..............................1
New Zealand 1
Northern Mariana Islands......1
Norway 1

Pakistan 2
Philippines 4
Poland 1
Puerto Rico 16
Romania...............................2
Scotland 2
Singapore.............................1
Slovakia 1
Spain 3
Thailand 2
United Kingdom 2
Virgin Islands 3
West Indies 1

Contribution Rates at December 31 — Traditional Pension Plan

	Year	Member Rates	Employer Rates: Normal Cost	Employer Rates: Unfunded Liability	Employer Rates: Health	Total Employer Rates	Total Aggregate Employer and Member Rates
State	2012	10.00%	5.36%	4.64%	4.00%	14.00%	24.00%
	2011	10.00	5.34	4.66	4.00	14.00	24.00
	2010***	10.00	5.35	3.65	5.00	14.00	24.00
	2009**	10.00	4.89	3.61	5.50	14.00	24.00
	2008	10.00	4.89	2.11	7.00	14.00	24.00
	2007*	9.50	4.21	3.56	6.00	13.77	23.27
	2006	9.00	5.67	3.37	4.50	13.54	22.54
	2005	8.50	5.70	3.61	4.00	13.31	21.81
	2004	8.50	5.95	3.36	4.00	13.31	21.81
	2003	8.50	6.17	2.14	5.00	13.31	21.81
Local	2012	10.00%	5.05%	4.95%	4.00%	14.00%	24.00%
	2011	10.00	5.04	4.96	4.00	14.00	24.00
	2010***	10.00	5.06	3.94	5.00	14.00	24.00
	2009**	10.00	4.46	4.04	5.50	14.00	24.00
	2008	10.00	4.46	2.54	7.00	14.00	24.00
	2007*	9.50	4.10	3.75	6.00	13.85	23.35
	2006	9.00	5.57	3.63	4.50	13.70	22.70
	2005	8.50	5.66	3.89	4.00	13.55	22.05
	2004	8.50	5.92	3.63	4.00	13.55	22.05
	2003	8.50	6.14	2.41	5.00	13.55	22.05
Law Enforcement	2012	12.10%	8.16%	5.94%	4.00%	18.10%	30.20%
	2011	11.60	8.43	5.67	4.00	18.10	29.70
	2010***	11.10	8.95	3.92	5.00	17.87	28.97
	2009**	10.10	9.65	2.48	5.50	17.63	27.73
	2008	10.10	9.65	0.75	7.00	17.40	27.50
	2007*	10.10	7.62	3.55	6.00	17.17	27.27
	2006	10.10	8.63	3.80	4.50	16.93	27.03
	2005	10.10	8.65	4.05	4.00	16.70	26.80
	2004	10.10	8.77	3.93	4.00	16.70	26.80
	2003	10.10	8.88	2.82	5.00	16.70	26.80
Public Safety	2012	11.50%	7.77%	6.33%	4.00%	18.10%	29.60%
	2011	11.00	8.32	5.78	4.00	18.10	29.10
	2010***	10.50	8.55	4.32	5.00	17.87	28.37
	2009**	10.10	8.63	3.50	5.50	17.63	27.73
	2008	10.10	8.63	1.77	7.00	17.40	27.50
	2007*	9.75	7.16	4.01	6.00	17.17	26.92
	2006	9.00	9.04	3.39	4.50	16.93	25.93
	2005	9.00	8.65	4.05	4.00	16.70	25.70
	2004	9.00	8.77	3.93	4.00	16.70	25.70
	2003	9.00	8.88	2.82	5.00	16.70	25.70

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

continued on page 176

continued from page 175

Contribution Rates at December 31 — Combined Plan

	Year	Member Rates	Employer Rates: Normal Cost	Employer Rates: Unfunded Liability*	Employer Rates: Mitigation Rate	Employer Rates: Health	Total Employer Rates	Total Aggregate Employer and Member Rates
State	2012	10.00%	7.18%	0.00%	0.77%	6.05%	14.00%	24.00%
	2011	10.00	7.18	0.00	0.77	6.05	14.00	24.00
	2010****	10.00	7.18	1.82	0.77	4.23	14.00	24.00
	2009***	10.00	7.21	1.29	0.77	4.73	14.00	24.00
	2008	10.00	7.21	0.12	0.77	5.90	14.00	24.00
	2007**	9.50	7.23	N/A	0.54	6.00	13.77	23.27
	2006	9.00	8.50	N/A	0.54	4.50	13.54	22.54
	2005	8.50	9.31	N/A	0.00	4.00	13.31	21.81
	2004	8.50	9.31	N/A	0.00	4.00	13.31	21.81
	2003	8.50	8.31	N/A	0.00	5.00	13.31	21.81
Local	2012	10.00%	6.88%	0.30%	0.77%	6.05%	14.00%	24.00%
	2011	10.00	6.88	0.30	0.77	6.05	14.00	24.00
	2010****	10.00	6.87	2.13	0.77	4.23	14.00	24.00
	2009***	10.00	6.88	1.62	0.77	4.73	14.00	24.00
	2008	10.00	6.88	0.45	0.77	5.90	14.00	24.00
	2007**	9.50	7.15	N/A	0.70	6.00	13.85	23.35
	2006	9.00	8.50	N/A	0.70	4.50	13.70	22.70
	2005	8.50	9.55	N/A	0.00	4.00	13.55	22.05
	2004	8.50	9.55	N/A	0.00	4.00	13.55	22.05
	2003	8.50	8.55	N/A	0.00	5.00	13.55	22.05

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

Contribution Rates at December 31 — Member-Directed Plan

	Year	Member Rates	Employer Rates: Normal Cost	Employer Rates: Unfunded Liability	Employer Rates: Mitigation Rate	Employer Rates: VEBA	Total Employer Rates	Total Aggregate Employer and Member Rates
State	2012	10.00%	8.73%	N/A	0.77%	4.50%	14.00%	24.00%
	2011	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2010	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2009	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2008	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2007	9.50	8.73	N/A	0.54	4.50	13.77	23.27
	2006	9.00	8.50	N/A	0.54	4.50	13.54	22.54
	2005	8.50	8.50	N/A	0.00	4.81	13.31	21.81
	2004	8.50	8.50	N/A	0.00	4.81	13.31	21.81
	2003	8.50	8.50	N/A	0.00	4.81	13.31	21.81
Local	2012	10.00%	8.73%	N/A	0.77%	4.50%	14.00%	24.00%
	2011	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2010	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2009	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2008	10.00	8.73	N/A	0.77	4.50	14.00	24.00
	2007	9.50	8.65	N/A	0.70	4.50	13.85	23.35
	2006	9.00	8.50	N/A	0.70	4.50	13.70	22.70
	2005	8.50	8.50	N/A	0.00	5.05	13.55	22.05
	2004	8.50	8.50	N/A	0.00	5.05	13.55	22.05
	2003	8.50	8.50	N/A	0.00	5.05	13.55	22.05

Number of Employer Units — All Plans*

Calendar Year	State	County**	Law Enforcement	Municipalities	Villages	Miscellaneous	Libraries	Townships	Totals
2012	271	214	242	245	678	491	253	1,308	3,702
2011	271	211	241	246	675	490	253	1,308	3,695
2010	269	215	241	247	675	491	253	1,308	3,699
2009	270	238	237	248	671	489	253	1,308	3,714
2008	269	244	248	251	670	474	254	1,314	3,724
2007	273	241	245	251	671	465	254	1,314	3,714
2006	276	238	244	253	671	459	254	1,312	3,707
2005	277	239	247	255	671	454	257	1,312	3,712
2004	268	240	241	255	672	456	256	1,314	3,702
2003	268	239	247	255	673	450	257	1,313	3,702

* The number of employer units exceeds the number of reporting employers as some employers report multiple divisions or agencies. This count also includes private-sector employers that have assumed privatized functions from public employers for indeterminate periods. The number of employers reporting at December 31, 2012 was 3,264.

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

Principal Participating Employers

Participating Employer	2012 Covered Employees	2012 Rank	2012 Percentage of Total System	2005* Covered Employees	2005* Rank	2005* Percentage of Total System
The Ohio State University	35,948	1	10.33%	23,696	1	6.21%
Cuyahoga County	7,815	2	2.25	10,062	2	2.64
University of Cincinnati	6,355	3	1.83	5,083	9	1.33
Franklin County	6,154	4	1.78	6,551	4	1.72
MetroHealth Medical Center	6,153	5	1.77	5,988	6	1.57
City of Cleveland	5,914	6	1.70	6,569	3	1.73
Ohio Department of Transportation	5,619	7	1.61	6,297	5	1.65
City of Columbus	5,067	8	1.46	5,864	8	1.54
Kent State	4,756	9	1.37	3,407	17	0.89
Ohio University	4,381	10	1.26	3,934	16	1.03
All Other (see table below)	259,790	N/A	74.66	303,962	N/A	79.69
Total	347,952	N/A	100.00%	381,413	N/A	100.00%

* Information not available prior to 2005.

Principal Participating Employers — All Other Categories

Participating Employer	2012 Number	2012 Employees	2005 Number	2005 Employees
State	266	65,646	272	76,910
County	211	76,208	237	83,708
Municipalities	243	49,076	253	55,711
Miscellaneous	491	20,849	453	33,975
Libraries	253	12,571	257	15,405
Townships	1,308	12,622	1,312	15,108
Villages	678	15,145	671	15,222
Law Enforcement/Public Safety	242	7,673	247	7,923
Total	3,692	259,790	3,702	303,962

Plan Statement

Sixth key: Member education

Knowledge is a powerful asset. Because pensions may seem to be complex, education for members is important. OPERS works to provide just the right educational opportunities for members and employers. In addition to understanding the retirement benefits for which they work, members need to understand and take personal responsibility for retirement finances.

OPERS provides members, retirees and employers with numerous educational opportunities via retirement seminars, online webinars, and education fairs. In addition to helping stakeholders understand the business of pensions, OPERS-sponsored seminars highlight the importance of personal accountability in establishing financial security in retirement. Simple steps such as starting a savings account, reducing personal debt, and establishing specific goals can reap big benefits.

Plan Statement

The Ohio Public Employees Retirement System (OPERS) was created by the Ohio General Assembly to provide retirement, disability, and survivor benefit programs for the public employees of Ohio. This summary outlines the plan features; however, it is not a substitute for the state and federal laws that govern OPERS.

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

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

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

Plan Types

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

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

- **The Traditional Pension Plan**

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

- **The Member-Directed Plan**

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

- **The Combined Plan**

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

Contributions

Employers are required to make contributions to the System on the basis of a percentage of reportable payroll and at a rate based upon the recommendations of OPERS' actuary. Penalties and interest are assessed for late payments. The contribution rate for state and local employers in 2012 was 14.0%. Employers in the law enforcement and public safety divisions contributed 18.1%.

The 2012 employee contribution rate for state and local members was 10.0% of earnable salary. Members in the public safely division contributed 11.5% of earnable salary, while members in the law enforcement division contributed 12.1%. Individual accounts for each member of OPERS are maintained and funds contributed by members of the Traditional Pension Plan are fully refundable at service termination or death. The refund value of contributions made by members of the Combined Plan and the Member-Directed Plan are subject to changes (gains or losses) that occur as a result of the member's selected investment options.

Each year, by the end of April, members of the Traditional Pension Plan and the Combined Plan are sent a statement of their individual account and an estimate of their projected future retirement benefit, as of the previous December 31. Members in the Member-Directed Plan and the Combined Plan receive quarterly statements showing the value of contributions in their defined contribution account and the investment gains and losses on those contributions.

Additional Voluntary Contributions

- **The Traditional Pension Plan**

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

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

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

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

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

Benefits under the Traditional Pension Plan or the Combined Plan

Age-and-Service Retirement

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

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

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

The defined benefit formula for state and local members in the Combined Plan applies a factor of 1.0% to the member's FAS and the first 30 years of total eligible service credit. A factor of 1.25% is applied to years of service in excess of 30. These members may retire with a reduced benefit as early as age 55 with 25 years of eligible service.

For the defined contribution component of the Combined Plan, members may elect a refund of their account, elect to roll the entire account balance over to another financial institution, elect to convert their account to a retirement annuity through OPERS, or may elect a combination of these options. Public safety and law enforcement members are not permitted to participate in the Combined Plan.

Service credit allowed under Chapter 145 of the Ohio Revised Code for retirement eligibility and calculation of a formula benefit includes:

1) Service for the state of Ohio or an Ohio political subdivision for which contributions have been paid;
2) Certain military service which interrupted contributing public service;

3) Any out-of-public service period of three years or less during which the member was receiving an award under the Ohio Bureau of Workers' Compensation;

4) Previously unreported service in Ohio;

5) Service purchased by the member for:

   a) Other military service that is not being used for other retirement programs except Social Security;

   b) Prisoner-of-war service;

   c) An authorized leave of absence which did not exceed one year;

   d) Comparable public service that is not being used for other retirement programs except Social Security, performed outside Ohio or with the federal government, or for which contributions were made to an Ohio municipal retirement system;

   e) Restoration of previously refunded service;

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

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

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

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

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

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

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

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

Disability Benefits

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

A member who has at least five years of contributing service credit in either the Traditional Pension Plan or the Combined Plan and who becomes permanently disabled due to a mentally or physically disabling condition for the performance of duty may apply to OPERS for monthly disability benefits. Members in the law enforcement division may apply for disability at any time if the disabling condition was the result of an on-duty illness or injury.

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

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

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

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

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

Survivor Benefits

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

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

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

1) The member had 18 months of Ohio service credit with three of those months within the two and one-half years immediately before death, or
2) The member was receiving a disability benefit from OPERS, or
3) The member was eligible for retirement but did not retire and continued to work.

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

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

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

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

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

The eligible survivors of Combined Plan members may elect to receive monthly survivor benefits. The survivor benefit is calculated using the same formulas and criteria described above, and the member's defined contribution account is transferred to the Traditional Pension Plan to fund the benefit.

Additional Benefits and Health Care Coverage

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

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

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

  OPERS offers medical and pharmacy plans based on a participant's eligibility for Medicare, and the monthly allowances must be used for the purchase of medical and pharmacy coverage. The plan for participants who are eligible for Medicare includes one level of medical coverage through a fully insured Medicare Advantage plan and one level of pharmacy coverage through a Medicare Part D prescription drug plan. OPERS is self-insured for participants who are not eligible for Medicare, and the plan features a choice of three levels of coverage (enhanced, intermediate and basic) with varying costs, co-pays, deductibles, and out-of-pocket maximums.

  If the cost of coverage exceeds the retiree's monthly allowance, the difference is charged to the retiree. Monthly allowances that exceed the cost of the coverage plan selected by the retiree are deposited to a Retiree Medical Account (RMA). The retiree may use the funds in the RMA to pay for health care expenses not covered by the plan. Recipients with household income below 150% of the poverty level may apply for a 30% reduction in the cost of medical and pharmacy premiums.

Recipients also have access to dental, vision, and long-term care coverage. These are fully insured products with the retiree paying the total cost of coverage, including premiums, plan deductibles, and out of pocket expenses.

- ***Medicare Part B*** — Recipients and their covered dependents who are enrolled in the OPERS health care plan must enroll in Medicare Part B (medical) when they become eligible, even if they are covered by health care through their current employer. If retirees and/or their dependents are eligible for Medicare Part B and do not enroll in the plan or terminate their Medicare Part B coverage, the OPERS plan will estimate the amount Medicare Part B would have paid and deduct this amount from the OPERS-covered payment.
- ***Medicare Part B Reimbursement*** — OPERS provides for reimbursement of eligible retiree Medicare Part B premiums at an amount approved by the OPERS Board of Trustees. The Board has the authority to set the Medicare B premium reimbursement amount annually, at a value not less than $96.40 per month. Eligible retirees may receive reimbursement of the actual premiums paid up to a maximum of the Board-approved rate for as long as the retiree is enrolled in the program. (OPERS does not provide this reimbursement benefit to retiree spouses.) Proof of enrollment in Medicare Part B and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.
- ***Cost-of-Living Adjustment*** — When a benefit recipient has received benefits for 12 months, an annual 3% cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded.
- ***Death Benefit*** — Upon the death of an age-and-service or disability benefit recipient, a lump-sum death benefit is paid to the qualified beneficiary. The benefit ranges from $500 to $2,500 based on the recipient's years of service credit.
- ***Qualified Excess Benefit Arrangement (QEBA)*** — Total benefit payments to an individual are subject to the limitations identified in Section 415(b) of the Internal Revenue Code. In 2003, OPERS implemented a Qualified Excess Benefit Arrangement that allows OPERS recipients to receive the amount of their calculated benefit that exceeds the IRS limits.

Refunds

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

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

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

Benefits under the Member-Directed Plan

Retirement

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

Disability and Survivor Benefits

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

Health Care

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

Refunds

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

Years of Participation	Percent Vested
Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

Coverage and Benefits for Re-employed Retirees

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

An OPERS retiree who returns to work in an OPERS covered position must enroll in the employer's health care plan if the employer offers a plan to other employees in similar positions. After the two month forfeiture period, the retiree may continue their participation in the OPERS health care plan, however the coverage provided by the employer plan is primary and the OPERS plan provides secondary coverage.

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

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

Note:

The plans described above are based on the plan provisions in effect for the year ended December 31, 2012. Ohio Senate Bill 343 became effective January 7, 2013. This bill changed many of the plan provisions related to retirement eligibility and benefit amounts, subject to a transition plan.

The OPERS Board of Trustees also approved changes to the Health Care Plan in conjunction with these pension changes. The Health Care Preservation Plan 3.0 provisions become effective on January 1, 2014 subject to a transition plan.

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Mission

To provide secure retirement benefits for our members.

Vision

To be your trusted retirement partner delivering responsive high-quality service every time, all the time.

OPERS

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Independent Auditors' 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*

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

We have audited, in accordance with the 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, the financial statements of the Ohio Public Employees Retirement System (OPERS), which comprise the combining statement of fiduciary net position as of December 31, 2012, and the related combining statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the OPERS internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 OPERS internal control. Accordingly, we do not express an opinion on the effectiveness of the OPERS internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OPERS financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Toledo, Ohio
April 30, 2013

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OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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
JULY 18, 2013