Navigating the Future

2013

Comprehensive Annual Financial Report

For the years ended December 31, 2013 and 2012

OPERS

Ohio Public Employees Retirement System

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 LLP, for the audit period January 1, 2013 through December 31, 2013. 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 14, 2014

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Navigating the Future

2013

Comprehensive Annual Financial Report

For the years ended December 31, 2013 and 2012

Prepared by OPERS' Finance Division staff

OPERS

Ohio Public Employees Retirement System

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 198.

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 2013;
2. **Financial Section**—with the Independent Auditors' Report, Management's Discussion and Analysis, the financial statements of the System, and 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

From left to right: Jennifer Starr, Director of Finance; Karen Carraher, Executive Director; Blake Sherry, Chief Operating Officer

Working Together

Charting Success

In 2012, landmark pension legislation, designed to strengthen and preserve the fund, was signed into law. Just as all OPERS associates worked with stakeholder groups including employers, members, legislators and media to ensure this critical legislation passed, all OPERS associates worked to ensure smooth implementation.

Together, working with the facts necessary, OPERS associates educated members, sought feedback, met with employers and legislators, testified in legislative committees and open meetings, sponsored town halls, proactively sought media endorsement and used communication outreach vehicles such as social media, publications, website, and outreach mailings, all delivering a consistent message: The requested pension changes were necessary for the future strength of the System.

In 2013, just as all associates worked to ensure the necessary legislation was passed, we worked to ensure that our 1.03 million members were educated on the new provisions of their pension system.

As of year-end 2013, the promise of the legislation has already become a reality. The data in this annual report confirms the success of embarking on the chosen course. The vision and foresight of our Board of Trustees, deployed through OPERS management and staff, has enabled us to successfully navigate the choppy seas of change.

Board of Trustees members as of January 2014

From left to right: Robert C. Smith, Treasurer-Appointed Investment Expert; Heather Link, Representative for Non-teaching College/University Employees; James Tilling, General Assembly Appointed Investment Expert; Matthew Schulz, Representative for State Employees; Sharon Downs, Representative for Retirees; Sean Loftus, Representative for County Employees; Cinthia Sledz, Representative for Miscellaneous Employees; David Payne (designee for Robert Blair, Director of the Ohio Department of Administrative Services, statutory member); Ken Thomas, Representative for Municipal Employees; John W. Maurer, Representative for Retirees

Not shown in photo: Governor's Appointee

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.

The OPERS Board of Trustees

- **Karen E. Carraher** — *Executive Director*
  - **John Lane** — *Chief Investment Officer*
    - **Jennifer Starr** — *Director—Finance*
  - **Julie Becker** — *General Counsel*
  - **Blake W. Sherry** — *Chief Operating Officer*
    - **Allen Foster** — *Director—Benefits*
    - **Marianne Steger** — *Director—Health Care*
    - **Chuck Quinlan** — *Director—Information Technology*
  - **Shelley Wilson** — *Director—Human Resources*
  - **Carol Nolan Drake** — *Chief External Affairs Officer*
  - **Greg Januszewski** — *Director—Internal Audit*
  - **Walter Knox** — *Chief Enterprise Risk Officer*

Leadership Team

Front row (left to right): Shelley Wilson, Director of Human Resources; Blake Sherry, Chief Operating Officer; Karen Carraher, Executive Director; Jennifer Starr, Director of Finance; Allen Foster, Director of Benefits

Standing: Julie Becker, General Counsel; Marianne Steger, Director of Health Care; Walter Knox, Chief Enterprise Risk Officer; Chuck Quinlan, Director of Information Technology; Greg Januszewski, Director of Internal Audit; Carol Nolan Drake, Chief External Affairs Officer; John Lane, Chief Investment Officer

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 83 for a list of investment consultants and payments; page 101 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

May 8, 2014

Dear Chairman and Members of the Board of Trustees:

It's a pleasure to present to you the *2013 Comprehensive Annual Financial Report* (CAFR or annual report) of the Ohio Public Employees Retirement System (OPERS or System) for the fiscal years ended December 31, 2013 and 2012. Our theme, *Navigating the Future*, captures the essence of OPERS' 2013 voyage and our future path by providing an analysis of our 2013 activities designed to position us forward. Having just completed the planning of several major initiatives and the implementation of others, we want to communicate how we see the future of OPERS and emphasize our ongoing commitment to positively position this organization for the future as we continue the tradition of providing retirement security for our members. We believe that our continuous, forward-looking focus and ongoing planning are critical to our successfully navigating, and being prepared for the future.

OPERS made significant progress in 2013 on many major initiatives—all designed to strengthen the System. Major accomplishments, or significant progress on ongoing projects, included:

- The implementation of multiple provisions resulting from the passage of 2012 pension legislation.
- The design and launch of forecasting and educational tools so that members, active employees, could evaluate and navigate retirement options in light of the pension and health care changes being implemented.
- Preparation for and ongoing outreach to prepare OPERS and 3,700 contributing employers for the implementation of new financial reporting standards required by the Governmental Accounting Standards Board (GASB) effective in 2014 and 2015.
- Extensive, systematic outreach communications aligned with the pension and health care changes to ensure all stakeholders understand what the pension plan changes are, when the changes will occur, and the rationale for each and every change. (Member-specific communications are designed to help members evaluate the impact of changes, to further understand options, and to provide avenues to seek additional information and support. Stakeholder communication is designed to enhance understanding of the pension and health care changes, the business of pensions, and the economic importance of OPERS to the state.)
- Continuing work on the internal Our Way Forward initiative—a technology and business process redesign project that will enable OPERS to continue to deliver superior customer service to the expanding retiree population without adding significantly to staff.

We are proud of the accomplishments of the year—achieved through the dedicated teamwork of our staff and augmented by the abundant support and feedback from our members.

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 designed to provide reasonable assurance for 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 established internal accounting controls are adequate to meet the purpose for which they were intended.

We also believe the financial statements presented in this report, supporting schedules and statistical tables are presented fairly in all material aspects. These assertions can be made because OPERS has established a comprehensive internal control framework 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 effective internal controls 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, 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 by legislation in 1933, and began operations January 1, 1935, prior to Social Security. For nearly eight decades, OPERS has evolved by navigating through both robust and volatile economies to provide retirement security for our members. In 1974, OPERS added access to health care—an important element for retirees yet one that is neither mandated nor guaranteed. In 2003, OPERS increased the pension options offered from one to three. As economies changed and the face of our retiree population evolved, 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 starting on page 198.

As of year-end 2013, OPERS served more than 1 million members, including 196,594 retirees and beneficiaries. In addition, the System works with approximately 3,700 public employers. With an asset base of $89.0 billion, OPERS is the largest public pension system in Ohio and the 11th largest public pension system in the nation.

Overview of 2013 achievements

Our accomplishments were achieved through the ongoing dedication of the entire team—from Board members to management to all levels of staff—each focused on our established goal. Here are some highlights…

Implementation of pension change provisions

In September 2012, landmark pension legislation became law. This pension law was based on OPERS-recommended changes that were developed only after extensive analysis and widespread educational outreach to members. We are very proud that the extensive outreach communication and educational offerings were compelling enough to ensure the proposed legislation was supported by both OPERS members and legislators. This legislation was an important component of enabling the System to make adjustments to successfully navigate a rapidly changing future—meaning OPERS would be positioned to continue its history of providing members with secure retirement. One key component was that the legislation made moderate, incremental changes to strengthen the funded status of the System by acknowledging the changing demographics of our membership.

Although the pension legislation became law in 2012, many of the provisions had a phased-in timeline and did not become effective until 2013 and beyond. This phased-in timeline was important to help minimize the impact of the legislative changes on those closest to retirement. This timeline also allowed OPERS to prepare for and actively communicate to members and stakeholders the changes provided for within the legislation, and gave OPERS time needed to modify internal processes and operations. Most importantly, the changes allow OPERS to improve the System's funding and improve health care funding—all while remaining within the mandated requirement of being able to retire unfunded liabilities within a 30-year window. As a result, in 2013, OPERS can state that both the strength of the pension fund and solvency of the health care fund have been improved. This is especially important because the health care program is neither mandated nor guaranteed—yet we recognize the importance of access to health care for our retirees and worked diligently to ensure that access would continue into the foreseeable future. Some of the modifications provided for in the legislation began incremental implementation in 2013. The Plan Statement, found on page 198 of this CAFR, details the exact information on current benefits and requirements.

We know the importance of having an educated membership so that our members are informed and can make the right retirement decisions. Our dedication to delivering timely information to our members was especially important in 2013 as the System processed a significant increase in the number of members seeking retirement information and guidance—a trend anticipated to continue well into the coming years as the baby-boomer generation continues to retire.

We recognize our responsibility to educate our members and all stakeholders about the modifications to both the pension plan and the health care program so that members can learn all the facts and apply those facts to their particular situation. To that end, OPERS has introduced or continued multiple outreach and educational initiatives. We've garnered good results. In 2013, OPERS sponsored almost 600 informational events that attracted almost 37,000 attendees. Our educational online videos were viewed more than 40,000 times and retirement counselors met with more than 18,000 members. As more and more members are seeking access to data 24/7, our online retirement calculator was created to enable members to assess their situation at their convenience. The calculator aligns—but displays separately—what working members must accrue to receive both access to health care and the level of financial security they have earned. Via the calculator, members can assess the impact of various retirement dates on their pension benefit and health care coverage—and make important retirement decisions with all pertinent data.

Health Care Preservation Plan 3.0

We recognize access to health care is an important component to financial security in retirement. OPERS has provided access to health care for retirees since 1974. Over the ensuing four decades, we've worked to navigate through the ongoing national health care issues so that we could continue to provide a meaningful health care program. And, most importantly, OPERS has pre-funded health care since its inception; this pre-funding approach has allowed OPERS to accumulate assets to be used to pay health care expenses. This approach was substantially different from most other pension systems that provided health care and has contributed to our ability to navigate through health care challenges so that we could continue to provide health care.

While OPERS has the largest health care trust fund in the U.S., we recognized the need for change to ensure sufficient health care funds would be available for current retirees and future retirees. We charted a course to thoughtfully change the health care program to be both sustainable for the long term and to ensure a consistent level of coverage between generations. After careful review, and significant study, the OPERS Board of Trustees approved phased-in modifications to attain those dual goals. The Health Care Preservation Plan 3.0 (HCPP 3.0) was approved in 2012 and, thus, in 2013 outreach efforts have continued to educate members, retirees and stakeholders about the changes and the timeline for the changes.

The health care program and pension benefit changes were not introduced lightly, but only after significant study—and the realization that change must be made for OPERS to navigate the future. The changes in health care were announced continually throughout 2013. Virtually every avenue for outreach was explored as we worked to integrate the health care information into ongoing outreach vehicles. In addition, stand-alone, in-depth publications were created with the catch-phrase of *Learn, Plan, Act* to help members do just that regarding the health care program. We will continue to work to ensure members understand the impact of all health care changes, many of which will become effective as of January 1, 2015.

As of December 31, 2013, the health care fund totaled $13.1 billion; as of December 31, 2012, the health care fund totaled $12.8 billion. As a result of the changes to the health care program, current calculations indicate the health care fund has sufficient assets to provide coverage for a time period that matches the expected lives of all our members, which is a significant improvement over the 10-year solvency period for 2012.

Governmental Accounting Standards Board (GASB)

In 2012, GASB issued two standards (Statements No. 67 and No. 68) fundamentally changing the accounting and financial reporting requirements for pension benefits. Although the new standards will be implemented in 2014 for OPERS and starting with fiscal years beginning after June 15, 2014, for OPERS-reporting employers, the changes required by GASB are significant with extremely aggressive timelines.

GASB's intention with the new standards is to increase transparency in financial reporting. The new standards require pension systems to allocate the unfunded liability to all participating employers. Under Ohio law, the current employer liability is the statutorily required contributions. Thus, the employers will reflect an "accounting only" liability on their financial statements, but will be required to pay or fund a different amount.

Recognizing the impact of the new standards, OPERS began working closely with affected public employers to deploy a test implementation in 2013 to ensure readiness by the implementation date. We performed a test implementation with the twin goals of identifying all the key implementation issues for both OPERS and employers, and developing a comprehensive education program for our employers.

The test was successfully completed in 2013. By the fourth quarter of 2013, OPERS was able to develop educational and outreach materials for a broad-based implementation for all 3,700 employer entities—an initiative that will be ongoing throughout the implementation period for employers.

While OPERS did not create these standards, we worked hard to positively influence the standards by working directly with the GASB officials during our test implementation and sharing issues. We are proud of this pro-active approach and expect that it will help both OPERS and our participating employers navigate the implementation.

OPERS is committed to help ensure our partners, all OPERS-reporting and contributing employers, are well-positioned to implement these standards. We'll be using every outreach outlet available to us including employer-specific webinars, group meetings, self-help guides and an innovative online employer forum so that affected employers can reach out to OPERS and other employers to navigate as a team through these standards.

Navigating change: outreach and education

Members are the most important participants of our team. We recognize most members are neither pension nor financial services experts—and we work to ensure each member's account is accurate and that all members are knowledgeable about their pension and, to a certain degree, about the business of pensions.

Our ongoing goal is to provide all members with the best possible outreach, education and communication. This is quite a challenge considering our target audience is made up of more than one million vastly different individuals.

As previously noted, a strong outreach and educational component was included in each major initiative. However, targeted outreach to apprise members of major initiatives is just a single element of what we prepare for our members. OPERS has reached out to members, employers, the legislature and other stakeholders using many modes of communication. We work to build relationships and to educate—to make all involved members of our team. To do this, we use the Internet, call centers, blogs, tweets, videos and ongoing print publications. Only by employing every possible avenue can we ensure our team is moving together.

Our Way Forward—ongoing delivery of superior customer service

As prudent fiscal managers of public funds, the OPERS Board set a direction requiring management to work to contain administrative costs, while providing operational efficiencies and outstanding customer service. We have successfully delivered on that directive working as a team on the Our Way Forward initiative throughout 2013. This project was carefully designed to maximize the use of current technology so that OPERS can successfully navigate the growing number of retirees by providing individualized financial information and superior, personalized, customer service—without a commensurate increase in staff. The changes enable us to provide more than one million members with 24/7 account access, online tools and more self-service options than ever before.

The implementation of the completed components of Our Way Forward enabled OPERS to service the increase in member and retiree requests anticipated by the 2012 pension legislation—the volume of data requested spiked in 2012 and remained high throughout 2013. We were prepared. The technology allowed staff to provide improved information online and, equally important, freed up time so that our Member Services department could handle almost 400,000 individual calls and respond to more than 20,000 online queries. In addition, as noted, OPERS counselors were able to meet with more than 18,000 members.

Our ongoing goal is to ensure members have complete information on both the pension and health care changes, so that each individual can make the right retirement decision. Due to the incremental changes that will be implemented over the next five years—deployed across the wave of baby-boomers retiring—we anticipate ongoing high volumes of interaction with our members. Because this volume increase was anticipated, we are confident current staffing levels will continue to provide quality service to members, largely due to the information technology improvements implemented over the last several years.

Investment Results

The 2013 investment market gained momentum, enabling OPERS to generate strong returns. OPERS recorded a total return of 14.0%. These returns were excellent and exceeded the actuarial rate of return assumption of 8.0%, reflecting the strong market conditions. While outstanding returns are satisfying to report, it's important to note that OPERS, as a long-term institutional investor expects to report both strong and less-than-strong returns in any given year. We work to mitigate the risk inherent in the market and are diligent in funding and adhering to asset allocation strategies. Because of that diligence and focus on the long-term, we're able to steer our way through volatile conditions and capture the fair winds of opportunity in good conditions.

OPERS' total portfolio is made up of three underlying portfolios that fund pension benefits and the health care program. By portfolio, the returns were:

- Defined Benefit portfolio returned 14.4% compared to the benchmark return of 14.2% and compared to the actuarial rate of 8.0%.
- The Health Care portfolio returned 11.4% compared to the benchmark return of 10.7% and the actuarial rate of 5.0%.
- The Defined Contribution portfolio returned 20.5%, comparable to the benchmark.

As an institutional investor, OPERS has experienced both strong market years as well as multiple substantial drops in investment market performance. Yet, the System continues to average an 8.69% 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 84.

2013 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 were eroded when market conditions were poor. Throughout good and poor returns, OPERS continues to navigate the market and has remained in compliance with the 30-year funding window required by law.

OPERS' 2012 actuarial valuation (most recent valuation) shows a funded status of 81%, with the unfunded liability expected to be funded within 26 years. This is the first valuation to reflect the changes of the pension legislation. This is a positive sign that the phased-in modifications to the pension plan provided for by pension legislation are working as these results have improved from 2011 when OPERS funded status was 77.4% with the unfunded liability expected to be funded within 29 years on a GASB-reporting basis.

OPERS is not required by statute or GASB to pre-fund health care. However, OPERS has historically pre-funded this expense. The combined actions of our conservative approach to pre-funding and the changes to the health care plan design have yielded good results for OPERS and our members—OPERS has one of the largest health care funds in the country. As of the 2012 health care actuarial valuation, OPERS was 63.6% funded with an indefinite expected solvency period. The solvency period reflects the number of years the fund could fund health care based on the current level of expenditures. Although these health care changes will not take effect until 2014 and beyond, the expected impact of these changes increased the solvency period from 10 years to over 100 years (or indefinite).

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 position at the end of 2013 was $89.0, as compared to the 2012 net position of $81.4 billion, and 2011 net position of $74.0 billion.

Expenses: Expenses for fiscal year 2013 were $7.1 billion, an increase of 7.7% over 2012 expenses of $6.6 billion. The majority of this increase was a result of the growth in number of members receiving pension benefits as the related expense increased 7.4% from $4.6 billion in 2012 to $4.9 billion in 2013. The other significant component of the increase resulted from the 2.2% increase in health care expenses. In 2012, health care expenses totaled $1.6 billion. These increases reflect our dedication to providing a secure retirement for our members. All told, in 2013, OPERS paid $4.9 billion in pension benefits and $1.6 billion in health care to 197,000 retired Ohioans and their beneficiaries. As such, OPERS is an important economic driver for Ohio as approximately 90% of OPERS retirees remain in Ohio.

Administrative costs: OPERS works to keep administrative costs low and all administrative costs are funded by investment returns. Administrative costs in 2013 were $103.0 million, including investment expenses. This number represents a $0.4 million increase, or 0.4% over the 2012 administrative costs of $102.6 million. The 2012 costs reflected a 6.2% increase from fiscal 2011. The 2012 increase was 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, starting in 2012, these expenses were reported as administrative expenses of the System.

Complete details of administrative expenses can be found in the Financial Section, starting on page 20. In addition, the Management's Discussion and Analysis, beginning on page 24, has a more in-depth discussion of OPERS' funded status and also provides 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 Ohio Auditor of State.

Acknowledgments

This CAFR is the result of the teamwork 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.

Navigating the future

The accomplishments of 2013 were significant and could not have been achieved without the dedicated team of outstanding pension professionals OPERS has in place. We appreciate and acknowledge the efforts of all those involved.

Each year brings change and challenge and 2013 was not an exception. However, through planned and unexpected changes, the OPERS team was able to navigate the System with unwavering commitment—to our members, to our mission and to each other. Working together, dedicated to the System, the accomplishments of 2013 allowed us to continue to successfully navigate OPERS through the journey of 2013 and have helped us position this organization toward the future. Change will continue. We know that. As a team, ably led by our Board of Trustees, we embrace the concept of ongoing change because we are confident we are equipped to navigate those changes. We know we must continue to look to the future and adjust our work, our goals and our expectations so that this organization can continue its tradition of honoring our stated mission. Our members can expect the best from OPERS because this team expects the best from each other.

Respectfully Submitted,

Karen E. Carraher, CPA
Executive Director

Blake W. Sherry
Chief Operating Officer

Jennifer H. Starr, CPA
Chief Financial Officer

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:

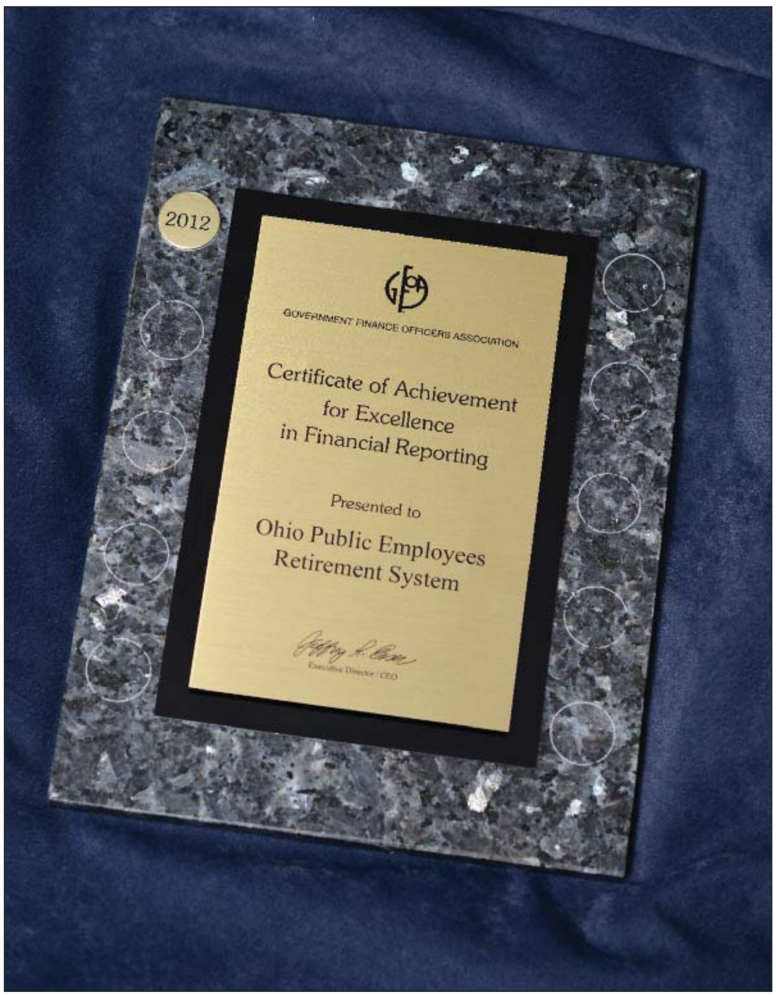
Ohio Public Employees Retirement System
Director—Finance
277 East Town Street
Columbus, Ohio 43215-4642

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:

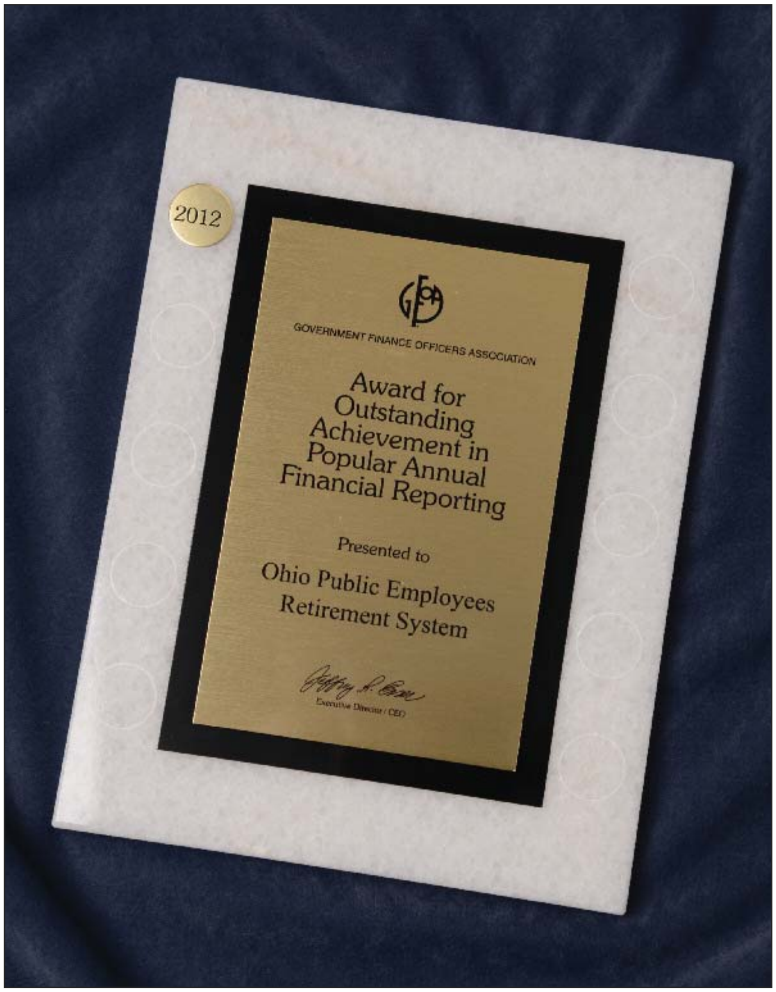
- ***2012 Certificate of Achievement***—For the 30th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded OPERS a Certificate of Achievement for Excellence in Financial Reporting for its *Comprehensive Annual Financial Report* for the fiscal year ended December 31, 2012. 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



- **2012 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 third *Popular Annual Financial Report* for the fiscal year ended December 31, 2012. 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



- ***2013 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.

2013 Public Pension Standards Award

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2013

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

Alan H. Winkle
Program Administrator

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Financial Section

From left to right: James Tilling, General Assembly Appointed Investment Expert, Chair of Budget and Planning Committee; Greg Januszewski, Director of Internal Audit; Jennifer Starr, Director of Finance

Gathering Detailed
Accurate Information

The business of pensions is complex. Accurate information matters because even small numbers add up over time to become big numbers. That's why we have processes to ensure each of our 1 million members have accurate retirement accounts reflecting the time and contributions reported monthly throughout their working careers.

A member contemplating retirement deserves to have accurate, detailed information regarding his or her individual account and years worked. OPERS can provide that information for each member so that our members can make retirement decisions based on exact financial data.

CliftonLarsonAllen

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, 2013 and 2012, and the related combining statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements, which collectively comprise OPERS' basic 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 fiduciary net position of the OPERS as of December 31, 2013 and 2012, and the respective changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the OPERS' basic financial statements. The additional information, including the administrative expenses, and schedules of investment expenses, payments to investment consultants, and external asset managers' fees, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 investment consultants, and external asset managers' fees, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic 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 basic 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 May 8, 2014 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

CliftonLarsonAllen LLP

Toledo, Ohio
May 8, 2014

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, 2013 and 2012. 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 44.

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. Schedules 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 198 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 and are summarized below:

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 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 of 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 to use for the purchase of health care coverage. Health care costs in excess of the monthly allowance are deducted from retiree pension payments or direct-billed to the retiree.

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. Health care costs in excess of the monthly allowance are deducted from retiree pension payments or direct-billed to the retiree.

Voluntary Employees' Beneficiary Association (VEBA)

The Voluntary Employees' 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 of 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 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, 2013 and 2012 on pages 44 – 45 of this report.)

Combining Statements of Changes in Fiduciary Net Position

The Combining Statements of Changes in Fiduciary Net Position displays 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 Net 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, 2013 and 2012 on pages 46 – 47 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, 2013 and 2012 on pages 48 – 75 of this report.)

The financial statements described above are prepared in compliance with Governmental Accounting Standards Board (GASB) Pronouncements, including GASB 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 No. 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 former term "Net Assets" to "Net Position" in the combining financial statements.

GASB Statement 64 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.

In June 2012, the GASB approved new accounting and reporting standards for pensions provided by state and local governments. The new statements are: GASB 67, *Financial Reporting for Pension Plans* and GASB 68, *Accounting and Financial Reporting for Pensions.* GASB 67 applies to OPERS and other state and local pension plans established as trusts, to be implemented in fiscal years beginning after June 15, 2013. GASB 68 applies to employers that participate in OPERS as well as other governmental employers that sponsor or contribute to pension plans, to be implemented in fiscal years beginning after June 15, 2014. The new accounting and reporting standards break the link between accounting and funding. While these changes will affect the accounting measures, they do not have an effect on the actuarial methods and assumptions used by OPERS to determine the employer contributions needed to fund the plan. The new standards will, however, impact the financial statement presentation for pension accounting and related disclosures for OPERS and participating employers.

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 of the following schedules includes historical trend information:

Schedules of Funding Progress

The Schedules of Funding Progress (pages 76 - 78) 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 21 years on a GASB-reporting basis, and 26 years on a valuation basis, as of the most recent valuation dated December 31, 2012. The difference in the amortization period on a GASB basis versus the valuation basis results from the limitation on the GASB calculation in considering the impact of future changes. The OPERS Board has adopted a schedule of increasing health care allocations which results in a lower allocation to funding from 2013 through 2016. The valuation amortization period of 26 years reflects this anticipated funding shift.

Similarly, the Schedule of Funding Progress for the Post-employment Health Care Plan (page 78) 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 future health care coverage costs. 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 79) 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 78) 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 a presented in accordance with GASB 43, which OPERS implemented in 2006.

Notes to Required Supplementary Information

The Notes to Required Supplementary Information (pages 80 – 82) 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 82).

Schedule of Investment Expenses

The Schedule of Investment Expenses summarizes the costs incurred in managing the investment assets of the System (page 83). 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 83).

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 83). These External Asset Management 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 14.00% for the year ended December 31, 2013, as compared to a return of 14.40% in 2012 and a return of 0.20% in 2011. 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 14.38% in 2013 compared to a return of 14.54% in 2012, and 0.36% in 2011. The Health Care portfolio experienced a gain of 11.37% in 2013 compared to a gain of 13.72% in 2012, and a loss of 0.52% in 2011. The Defined Contribution portfolio experienced a gain of 20.45% in 2013 compared to a gain of 13.37% in 2012, and a loss of 2.59% in 2011.
- Net position increased by more than $7.5 billion in 2013 compared to an increase of approximately $7.4 billion in 2012, due primarily to the continued strength of the investment markets. Net income from investing activities remained strong and totaled nearly $11.0 billion in 2013 compared to the market income of $10.4 billion in 2012, and the relatively flat market income of $180.0 million in 2011. OPERS has exceeded past System high net position of $83.6 billion for the year ended December 31, 2007 by ending December 31, 2013 with an all-time high net position of $89.0 billion. (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, 2013, 2012, and 2011) Table 1

	2013	2012	2011	Amount Increase/ (Decrease) from 2012 to 2013	Percent Increase/ (Decrease) from 2012 to 2013
Member and Employer Contributions	$3,252,125,177	$3,205,143,203	$3,244,226,260	$46,981,974	1.5%
Contract Receipts and Other Income	383,127,051	429,924,781	425,298,672	(46,797,730)	(10.9)
Net Income from Investing Activity	11,006,164,375	10,375,431,044	179,956,702	630,733,331	6.1
Total Additions	**14,641,416,603**	**14,010,499,028**	**3,849,481,634**	**630,917,575**	**4.5**
Benefits and Account Refunds	7,017,020,552	6,507,582,847	6,230,047,461	509,437,705	7.8
Administrative and Other Expenses	81,653,262	86,598,838	80,178,697	(4,945,576)	(5.7)
Total Deductions	**7,098,673,814**	**6,594,181,685**	**6,310,226,158**	**504,492,129**	**7.7**
Net Increase (Decrease) in Net Position	**7,542,742,789**	**7,416,317,343**	**(2,460,744,524)**	**126,425,446**	**1.7**
Net Position, Beginning of Year	81,447,193,509	74,030,876,166	76,491,620,690	7,416,317,343	10.0
Net Position, End of Year	**$88,989,936,298**	**$81,447,193,509**	**$74,030,876,166**	**$7,542,742,789**	**9.3%**

- OPERS continues its goal of ensuring the financial stability of both the pension and health care funds. In September 2012, the Legislature approved pension changes, which became effective January 7, 2013. These changes reduced the actuarial accrued liability for pension benefits by approximately $3.9 billion. Similarly, in September 2012, the OPERS Board approved changes to the OPERS Post-employment Health Care Plan, which became effective January 1, 2014. These changes reduced the actuarial accrued liability for health care by approximately $12.1 billion, with other changes being attributable to regular-experience gains and losses. Refer to the Plan Statement (page 198) for additional information. The impact of these changes can be seen in the improved funding levels discussed throughout this section, shown in Tables 2 and 3.
- As of December 31, 2012, the date of the most recent actuarial valuation, OPERS' unfunded actuarial liability for defined benefit pension plans was $16.0 billion, a decrease from $19.1 billion as of December 31, 2011. This unfunded actuarial liability reflects the defined benefit changes enacted into law with Senate Bill 343 (SB 343) and the positive investment returns. The past decade has represented one of the more volatile periods in OPERS' funding history, primarily due to the investment market. In 2007, OPERS' unfunded actuarial liability was $2.6 billion; however, the significant market losses 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 losses resulting from 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 recovery. OPERS experienced investment gains in 2012 and 2013; the 2013 gains will be reflected in the upcoming 2013 valuation. Refer to Table 2 for a comparative history of OPERS' actuarial liabilities and funding years for pension benefits, and to the funding status information beginning on page 40 for a discussion of actuarial smoothing.
- OPERS' funding objective is to meet long-term pension benefit obligation and, to the extent possible, fund post-employment health care. As of December 31, 2012, the date of the latest actuarial valuation, OPERS' funded ratio for defined benefit pensions was 80.9%, including the impact of the pension changes previously mentioned. In general, this means that for each dollar's worth of future pension liability, OPERS had accumulated approximately $0.81 to meet that

obligation. This is an improvement over December 31, 2011, when the funded ratio was 77.4%. The December 31, 2012 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 26 years on a valuation basis and 21 years on a GASB reporting basis, down from 30 years on a valuation basis, and 29 years on a GASB basis as of December 31, 2011.

The investment performance for 2012 of 14.4% exceeded the actuarially assumed rate of return of 8.0%, and represents an actuarial gain. As a result, the December 31, 2012 valuation reflects a decrease in the unfunded accrued actuarial liability and an increase in the funding ratio to 80.9%. Similarly, OPERS' investment performance for 2013 of 14.0% exceeded the actuarially assumed rate of return. Though the actuarial valuation for the year ended December 31, 2013 is not yet complete as of the date of this annual report, it is expected to reflect continued improvement in both the UAAL and funding years.

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Funding Years
2012*****	$83,878	$67,855	$16,023	80.9%	21
2012****	87,105	67,855	19,250	77.9	29
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.
****Results prior to the provisions of Senate Bill 343.
*****Results reflecting the provisions of Senate Bill 343.

- As noted previously, the OPERS Board approved significant changes to the Health Care Plan that become effective at various dates, beginning January 1, 2014. These plan changes reduced the accrued actuarial liability by $12.1 billion, with other changes being attributable to regular-experience gains and losses. As of December 31, 2012, the date of the latest actuarial valuation, OPERS' actuarial liability for health care was $19.2 billion and the System had accumulated assets of $12.2 billion for that obligation. OPERS had an unfunded actuarial accrued liability of $7.0 billion, representing a decrease of nearly $11.9 billion from the 2011 valuation, primarily due to plan changes. The funding ratio also increased—from 39.1% in 2011 to 63.6% in 2012. OPERS remains one of only a handful of retirement systems across the country that pre-funds any portion of health care (the accounting requirements do not mandate pre-funding of post-employment health care).

  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 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 losses 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 losses of 2011 resulted in a decline in the solvency years to 10 for the year ended December 31, 2011. The investment gains of 2012, in addition to implementation of HCPP 3.0 and changes in assumptions, resulted in an increase in the solvency years from 10 to an indefinite period as of the December 31, 2012 valuation. Refer to Table 3 for a comparative history of OPERS' actuarial liabilities and solvency years for health care.

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

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Solvency Years*
2012	$19,182	$12,193	$6,989	64%	Indefinitely
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.

- Revenues (additions to plan net position) for the year 2013 were $14.6 billion, and include member and employer contributions of $3.3 billion, net income from investment activities of $11.0 billion, and other income totaling approximately $383.6 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 2012 were $14.0 billion, comprised of $3.2 billion in contribution revenues, $10.4 billion in net income from investment activities, and more than $429.9 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 $6.6 billion during 2012 to nearly $7.1 billion in 2013, or 7.7%. The increase relates primarily to pension benefits and health care payments that comprise $6.6 billion of the 2013 expenditures. Refunds of member contributions, including interest and additional payments on withdrawal where required by statute, fluctuate each year, increasing by $133.8 million or 43.5% from 2012 to 2013. Non-investment related administrative expenses also decreased by 1.4% from the prior year, and represent 1.0% 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 (below) for relevant membership statistics.

Membership (as of December 31, 2013, 2012, 2011) **Table 4**

Member Counts	2013	2012	2011	Increase/ (Decrease) from 2012 to 2013
Active Contributing	347,727	348,235	349,189	(508)
Inactive Members	483,521	467,298	452,718	16,223
Benefit Recipients	196,594	190,621	184,965	5,973
Total Pension Plan Membership	**1,027,842**	**1,006,154**	**986,872**	**21,688**
Post-employment Health Care:				
Retired Members	165,967	163,940	161,315	2,027
Dependents and Beneficiaries	61,041	62,456	62,507	(1,415)
VEBA Recipients	3,112	2,589	2,073	523
Total Health Care Recipients	**230,120**	**228,985**	**225,895**	**1,135**

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, 2013, totaled $14.6 billion, of which $11.0 billion resulted from net earnings on investments. By comparison, revenues for 2012 totaled $14.0 billion, with net investment income of $10.4 billion. The net investment gains of 2009 through 2013 total $43.1 billion, compared to the 2008 net investment losses 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, 2013, 2012, and 2011) Table 5

	2013	2012	2011	Amount Increase/ (Decrease) from 2012 to 2013	Percent Increase/ (Decrease) from 2012 to 2013
Members' Contributions	$1,458,086,045	$1,426,415,134	$1,434,755,544	$31,670,911	2.2%
Employers' Contributions	1,794,039,132	1,778,728,069	1,809,470,716	15,311,063	0.9
Contract and Other Receipts	250,228,379	218,259,489	211,847,098	31,968,890	14.6
Federal Subsidies	105,965,762	182,579,917	192,118,407	(76,614,155)	(42.0)
Other Income, Net	13,898,739	12,103,692	11,255,503	1,795,047	14.8
Interplan Activity	13,034,171	16,981,683	10,077,664	(3,947,512)	(23.2)
Net Income from Investing Activities	11,006,164,375	10,375,431,044	179,956,702	630,733,331	6.1
Total Additions	**$14,641,416,603**	**$14,010,499,028**	**$3,849,481,634**	**$630,917,575**	**4.5%**

Total revenues for 2013 increased by $630.9 million compared to 2012, while 2012 increased by nearly $10.2 billion compared to 2011. 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 8.7% 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 2013 increased by $46.5 million, or 1.5%, compared to 2012. Member and employer contributions include amounts paid by active members and their employers for future retirement benefits, and amounts paid by retirees toward the cost of OPERS-provided health care. 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 and slightly decline in 2013. As wages start to rise, the retirement contributions from active members, and their employers, also increases.

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 and 0.2% in 2013. At the same time, the number of inactive members (those no longer employed but not retired) increased by an average of 3.8% each year for the four year period 2010 through 2013. The number of retired members also increased by an average of 4% per year for the same period.

The employment cost index for the region indicates average wage increases were 2.4% for 2011, 1.4% for 2012 and 1.7% for 2013. The annual salary increases for public employees nationwide continues to lag behind those of the private sector. Nationwide, public administration salaries for calendar year ends 2013, 2012, and 2011 were 1.4%, 1.1% and 0.9%, respectively. Relatively low wage increases in 2012, combined with the loss in the number of actively contributing members, resulted in a 1.6% decrease in 2012 revenues from both employee and employer contributions. However, wage increases trending up in 2013 made up for the slight decline in the number of actively contributing members, resulting in a 0.9% increase in 2013 revenues from both employee and employer contributions for those members still actively employed.

Member contributions also include amounts paid by retirees towards the cost of OPERS-provided health care. Retirees share in the cost of providing health care coverage for their spouse and dependents. In 2013 these contributions totaled $178.1 million, compared to $159.6 million in 2012 and $148.4 million in 2011. 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 health care in 2013 increased by 1.2% compared to 2012. However, the number of dependents and beneficiaries receiving health care coverage decreased by 2.3% compared to 2012. By comparison, the number of retirees eligible for health care in 2012 increased by 1.6% compared to 2011, and the number of dependents and beneficiaries receiving health care coverage in 2012 decreased by 0.1% over the 2011 population.

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 2012 and 2013, the self-supporting rates were frozen using 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. As of December 31, 2013, all ERRP funds were used.

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 changes to extend the number of years the health care fund would be available to provide coverage to current and future retirees. The plan features coverage levels, and 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 2013, 20.0% of the retirees in the health care plan were Groups 2 and 3 members receiving lower allowances and required to pay a portion of their health care premiums, compared to 16.9% in 2012. 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 $18.5 million in 2013 over the 2012 revenues. By comparison, member contributions for health care in 2012 were $11.2 million higher than 2011.

The 2012 plan design changes include provisions that become effective at various times beginning January 1, 2014. The impact of this set of changes is not reflected in the health care expenses yet, but can be seen in the reduction of the accrued actuarial liability.

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 $250.2 million in 2013, reflecting a 14.6% increase over the $218.3 million earned in 2012. 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. These revenues represent a premium adjustment based on actual experience. In 2013, gain-sharing revenues totaled $77.9 million compared to $52.2 million in 2012 and $46.8 million in 2011. Prescription drug rebates also increased from $35.0 million in 2011 to $37.6 million in 2012 and then to $43.7 million in 2013 as purchase volumes subject to the rebate program continued to increase.

Federal subsidies are comprised of reimbursements and direct subsidies OPERS received from the federal government for participation in Medicare prescription drug programs (PDP). In 2013, total federal subsidies decreased by $76.6 million, from $182.6 million in 2012 to $106.0 million in 2013, primarily due to mandatory payment reductions in Medicare Part D programs (referred to as Sequestration), part of a series of across-the-board reductions in Federal spending in accordance with the Balanced Budget and Emergency Deficit Act of 1985, as amended. This change was effective April 1, 2013 and has reduced OPERS' monthly direct subsidy income.

Employers offering 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). OPERS initially participated in the Medicare Part D program and, beginning in 2011, implemented a Medicare prescription drug plan (PDP). 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 2013, the PDP subsidies totaled $105.7 million, compared to $181.7 million in 2012. The Medicare D reimbursement in 2013 totaled $0.2 million and $0.9 million in 2012.

A minor component of Other Income represents the gains or losses on disposal of OPERS' fixed assets, cancellation of prior year's warrants and accruals, settlement activity, and tenant revenue. This activity fluctuates, and typically, represents approximately 1/10 of 1% of the System's total revenue. Receipts of this nature in 2013 totaled $0.4 million, compared to $1.4 million in 2012, and $0.6 million in 2011.

The majority of Other Income 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 and spouse reach age 65. 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 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 2013, 2012, and 2011 for the reversal of prior years' accruals are $13.5 million, $10.7 million and $10.7 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 2013 resulted in a net inflow of $13.0 million, compared to $17.0 million in 2012 and $10.1 million in 2011. 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, 2013 totaled $7.1 billion, an increase of 7.7% over 2012. Expenses for 2012 increased by 4.5% when compared to 2011; from $6.3 billion in 2011 to $6.6 billion in 2012. Pension benefits and post-employment health care paid on behalf of current retirees and their beneficiaries comprise more than 93% of the total expenses reported in each of these years.

Deductions from Fiduciary Net Position (Expenses) (for the years ended December 31, 2013, 2012 and 2011) **Table 6**

	2013	2012	2011	Amount Increase/ (Decrease) from 2012 to 2013	Percent Increase/ (Decrease) from 2012 to 2013
Benefits—Pension	$4,931,491,707	$4,590,938,871	$4,329,918,267	$340,552,836	7.4%
Benefits—Health Care	1,644,244,641	1,609,157,697	1,576,457,152	35,086,944	2.2
Refunds	441,284,204	307,486,279	323,672,042	133,797,925	43.5
Administrative Expenses	68,619,091	69,617,155	70,101,033	(998,064)	(1.4)
Interplan Activity	13,034,171	16,981,683	10,077,664	(3,947,512)	(23.2)
Total Deductions	**$7,098,673,814**	**$6,594,181,685**	**$6,310,226,158**	**$504,492,129**	**7.7%**

Pension benefits increased by $340.6 million over the 2012 level, or 7.4%. This increase reflects the combination of a net growth of 3.3% 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 for current retirees 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 subsequently. (Refer to the Schedule of Average Benefits on page 186 of the Statistical Section for details related to new retiree populations by year.)

The number of new retirees in 2013 declined by 2.8% from the number of members who retired in 2012, and the number of new retirees in 2012 represented a decline of 7.9% from the 2011 new retirees. The increase in the number of new retirees in 2011 of 15.3% over 2010 was likely due to a combination of factors: 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, which increased the number of years of service required for full retirement and the age at which members are eligible for full or early retirement, were actively debated by the legislature during 2012, culminating in passage of SB 343 in September 2012.

While the number of *new* retirees decreased relative to prior years, the overall number of retirees increased to 196,594 in 2013, up 3% from 190,621 in 2012. Additionally, current retirees receive an annual 3% cost-of-living adjustment based on their original benefit level—resulting in a $923.6 million increase in 2013.

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 2013 reported a 4.0% increase in health care costs, compared to a general inflation rate of 1.5%. Despite the increase in total health care recipients, OPERS' health care costs increased a modest 2.2%. OPERS has controlled the rate of increase of these expenses through a combination of plan design; cost-sharing changes; and extensive cost-containment efforts.

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 2011, 2012, and 2013, followed by prescription drug costs at approximately 34% and Medicare Part B premium reimbursements at approximately 7%. Total health care expenses increased by $35.1 million in 2013, compared to an increase of $32.7 million in 2012, and $8.4 million in 2011.

Medical, dental and vision expenses increased from $922.6 million in 2011 to $943.0 million in 2012 and to $973.8 million in 2013. Prescription drug costs rose from $530.4 million in 2011 to $541.6 million in 2012 and $551.4 million in 2013. 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 $0.3 million in 2013, compared to an increase of $3.5 million in 2012. 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. As of December 31, 2012 (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 the Health Care Preservation Plan 3.0 (HCPP 3.0), increasing the age and service required for eligibility in the Health Care Plan, and phasing out the Medicare Part B reimbursement. The plan design changes include a multi-year transition plan, but will ultimately result in the elimination of these Medicare B 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 2013, member-elected refunds totaled $441.3 million, compared to $307.5 million in 2012, and $323.7 million in 2011. 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 increased by 4.4% in 2013, compared to a 7.2% decrease in 2012 and a 22.3% increase in 2011. The spike in 2011 refunds likely reflects the impact of the weak Ohio economy and poor investment returns. The spike in 2013 refunds is mainly the result of a legislative change effective January 7, 2013, amending the calculation of funds transferred associated with pension liabilities between OPERS and other state retirement systems for joint retirements.

OPERS has consistently managed its Administrative Expense budget with no material variances between planned and actual expenditures in either 2013 or 2012. Total Administrative Expenses includes both investment administrative expenses and non-investment administrative expenses. Administrative expenses, including investment expenses, totaled $103.0 million in 2013 compared to $102.6 million in 2012, and $96.7 million in 2011. The slight increase in 2013 administrative expenses occurred in wages and included a 3% increase in employee wages. Additionally, beginning in 2012, commission-sharing agreements were reported as administrative expenses included in the investment expense line on the Statement of Changes in Net Position. In the past, these agreements were reported as a component of the broker commissions included in the cost of the investment asset.

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, 2013, 2012 and 2011) **Table 7**

	2013	2012	2011
Employees' Savings Fund	$12,828,423,536	$12,641,655,468	$12,300,117,438
Employers' Accumulation Fund—Pension/Health Care	22,852,975,720	19,074,270,351	15,959,261,830
Annuity and Pension Reserve Fund	50,525,254,541	47,232,908,883	43,513,048,458
Survivors' Benefit Fund	1,654,787,855	1,627,212,197	1,568,050,108
Defined Contribution Fund/VEBA—Retirement/Health Care	1,011,655,646	763,702,610	587,622,632
Income Fund	113,671,739	107,444,000	99,016,985
Expense Fund	3,167,261		3,758,715
Total Fund Balance	**$88,989,936,298**	**$81,447,193,509**	**$74,030,876,166**

Reserves By Plan (as of December 31, 2013, 2012, and 2011) Table 8

	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	2013 Total
Employees' Savings Fund	$12,826,142,567		$1,894,549	$386,420		$12,828,423,536
Employers' Accumulation Fund—Pension/Health Care	9,507,406,396	$13,111,684,807	233,588,347	296,170		22,852,975,720
Annuity and Pension Reserve Fund	50,513,356,451		5,481,510	6,416,580		50,525,254,541
Survivors' Benefit Fund	1,654,787,855					1,654,787,855
Defined Contribution Fund/VEBA—Retirement/Health Care			318,648,483	539,922,867	$153,084,296	1,011,655,646
Income Fund	113,671,739					113,671,739
Expense Fund	3,167,261					3,167,261
Total Fund Balance	**$74,618,532,269**	**$13,111,684,807**	**$559,612,889**	**$547,022,037**	**$153,084,296**	**$88,989,936,298**

	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**

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 2013, 2012 and 2011. 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 the fund to which investment income (or losses) in excess of the statutory funding requirements of the Annuity and Pension Reserve and Survivors' Benefit Funds are recorded. 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 VEBA.

As of December 31, 2012, 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 53% of the reserves necessary to fund pensions for active and inactive members based on service credit earned through year-end 2012.

Funding Status

As previously noted, OPERS' net investment income for the year ended December 31, 2013 totaled $11.0 billion, representing a return of 14.0% on the total OPERS portfolio. Net investment income for the defined benefit plans comprised $9.4 billion of this total, with a return of 14.38%. The Health Care and Defined Contribution portfolios experienced investment gains of $1.4 billion and $138.2 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.

To ensure that the funding value of assets and the market value of assets remain within 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 ensures that the funding value of assets is neither lower than 88% nor higher than 112% of the market value of the assets. At the end of 2012, OPERS' actuarial value of assets was approximately equal to the funding value.

At December 31, 2012, the date of the latest actuarial evaluation, the actuarial value of net assets set aside to pay defined benefit pension benefits (non-health care assets) was $67.9 billion. The fair value of these defined benefit assets at December 31, 2012, included in the pension plans on OPERS' financial statements was $67.9 billion. OPERS achieved positive returns of 13.73% in the 2012 Defined Benefit portfolio, more than the actuarial assumed rate of return resulting in actuarial gains. As of December 31, 2012, the actuarial value of assets was approximately the same as the fair value of assets, indicating that the remaining actuarial investment losses of 2011 essentially were offset by the actuarial gains of 2012.

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, 2012, the date of the latest actuarial valuation, OPERS has an estimated liability for future health care of $19.2 billion. OPERS is one of a relatively few retirement systems that has systematically set aside assets to fund health care. As of December 31, 2012, OPERS had $12.2 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 $7.0 billion. Simply put, OPERS had accumulated 63.6% of the assets necessary to pay these liabilities. The market value of the health care assets was $12.8 billion and was more than the actuarial or funding value of assets of $12.2 billion. By comparison, the health care liability as of December 31, 2011, was $31.0 billion compared to the actuarial value of assets of $12.1 billion, leaving an unfunded liability of $18.9 billion and a funded ratio of 39.1%. As previously noted, OPERS has made significant changes to the health care plan design. OPERS proactively pursued plan design changes to extend the solvency period of the fund to indefinite 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 2013 and 2012, the net positions of OPERS totaled $89.0 billion and $81.4 billion, respectively, compared to the last 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 benefits.

Net Position (as of December 31, 2013, 2012 and 2011) **Table 9**

	2013	2012	2011	Amount Increase/ (Decrease) from 2012 to 2013	Percent Increase/ (Decrease) from 2012 to 2013
Current and Other Assets	$1,095,758,699	$2,215,845,748	$1,555,132,426	($1,120,087,049)	(50.5)%
Cash and Investments at Fair Value	95,429,957,806	87,225,720,113	84,398,079,891	8,204,237,693	9.4
Capital Assets	131,389,851	121,172,935	112,092,861	10,216,916	8.4
Total Assets	**96,657,106,356**	**89,562,738,796**	**86,065,305,178**	**7,094,367,560**	**7.9**
Total Liabilities	**7,667,170,058**	**8,115,545,287**	**12,034,429,012**	**(448,375,229)**	**(5.5)**
Net Position, End of Year	**88,989,936,298**	**81,447,193,509**	**74,030,876,166**	**7,542,742,789**	**9.3**
Net Position, Beginning of Year	81,447,193,509	74,030,876,166	76,491,620,690	7,416,317,343	10.0
Net Increase (Decrease) in Net Position	**$7,542,742,789**	**$7,416,317,343**	**($2,460,744,524)**	**$126,425,446**	**1.7%**

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, 2013, OPERS' investment in capital assets totaled $131.4 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 $18.3 million in capital assets during 2013, compared to an investment of $17.5 million in 2012. 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 six-year implementation period, with capital expenditures in 2013 totaling $13.6 million.

Other significant projects included modifications to legacy systems to support the pension plan changes of SB 343, $1.2 million; information technology storage upgrades and expansion, $1.1 million; ongoing enhancements to the health care system, $0.8 million; and an upgrade to an information technology mainframe, $0.4 million.

Refer to Note 2c (page 57) 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, 2013 and 2012)

	2013				
	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association
Assets:					
Cash and Short-Term Investments	$2,826,596,339	$491,371,340	$9,425,463	$282,346	$5,707,117
Receivables:					
Members' and Employers'	199,117,715	19,417,032	15,375,220	15,534,367	7,953,038
Early Retirement Incentive Plan	1,497,085	64,600			
Vendor and Other	195,743	147,929,032			
Investment Sales Proceeds	314,511,377	75,148,940	1,018,897	31,281	610,262
Accrued Interest and Dividends	209,032,295	47,924,681	677,184	20,790	405,596
Due From Other Plans	36,380,855				
Total Receivables	**760,735,070**	**290,484,285**	**17,071,301**	**15,586,438**	**8,968,896**
Investments, at fair value:					
Fixed Income	17,198,343,183	4,313,177,166	115,944,940	123,972,116	33,339,330
Domestic Equities	14,531,824,200	3,594,242,223	202,808,795	277,851,775	28,196,827
Real Estate	7,622,862,955		24,695,161	758,155	14,791,023
Private Equity	8,115,075,253	110,263,964	26,289,740	807,109	15,746,087
International Equities	16,973,601,330	3,333,565,455	142,410,163	156,853,288	32,934,729
Other Investments	6,951,335,127	1,159,221,629	22,519,668	691,366	13,488,024
Total Investments	**71,393,042,048**	**12,510,470,437**	**534,668,467**	**560,933,809**	**138,496,020**
Collateral on Loaned Securities	**6,924,316,299**		**20,966,014**	**482,373**	**13,199,734**
Capital Assets:					
Land	2,815,764	729,981	90,951	78,386	19,731
Building and Building Improvements	84,932,609	21,476,205	2,192,499	1,907,078	617,485
Furniture and Equipment	80,874,325	26,907,290	3,707,356	3,171,620	2,148,108
Total Capital Assets	168,622,698	49,113,476	5,990,806	5,157,084	2,785,324
Accumulated Depreciation	(69,673,878)	(24,246,817)	(2,069,076)	(2,300,435)	(1,989,331)
Net Capital Assets	**98,948,820**	**24,866,659**	**3,921,730**	**2,856,649**	**795,993**
Prepaid Expenses and Other Assets	**2,912,709**				
TOTAL ASSETS	**82,006,551,285**	**13,317,192,721**	**586,052,975**	**580,141,615**	**167,167,760**
Liabilities:					
Undistributed Deposits	3,424,913	146,606			
Benefits Payable	78,477	90,019,865			16,688
Investment Commitments Payable	451,977,660	99,797,215	1,549,789	196,803	876,994
Accounts Payable and Other Liabilities	13,442,080				
Accounts Payable RMA Claims		15,544,228			
Due To Other Plans			3,940,089	32,440,766	
Obligations Under Securities Lending	6,919,095,886		20,950,208	482,009	13,189,782
TOTAL LIABILITIES	**7,388,019,016**	**205,507,914**	**26,440,086**	**33,119,578**	**14,083,464**
Net Positions Held in Trust for Pension Benefits and Post-employment Health Care	**$74,618,532,269**	**$13,111,684,807**	**$559,612,889**	**$547,022,037**	**$153,084,296**

See Notes to Combining Financial Statements, beginning on page 48.

Combining Statements of Fiduciary Net Position (continued)

	2012					
Total All Plans	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	Total All Plans
$3,333,382,605	$2,324,824,614	$446,851,345	$6,574,926	$91,299	$2,355,351	$2,780,697,535
257,397,372	245,608,667	43,429,976	5,365,708	6,765,650	1,573,325	302,743,326
1,561,685	3,956,707	177,884				4,134,591
148,124,775	344,304	147,616,824				147,961,128
391,320,757	1,190,527,416	261,962,739	3,401,390	47,880	2,104,651	1,458,044,076
258,060,546	204,317,813	47,650,966	583,745	8,218	361,199	252,921,941
36,380,855	46,198,708					46,198,708
1,092,845,990	**1,690,953,615**	**500,838,389**	**9,350,843**	**6,821,748**	**4,039,175**	**2,212,003,770**
21,784,776,735	18,079,720,522	4,731,050,357	101,002,934	108,403,612	31,937,847	23,052,115,272
18,634,923,820	13,338,290,054	3,293,138,146	148,916,365	196,322,490	23,579,831	17,000,246,886
7,663,107,294	6,947,408,136		19,849,054	279,409	12,281,837	6,979,818,436
8,268,182,153	6,949,707,018	73,443,686	19,855,622	279,501	12,285,901	7,055,571,728
20,639,364,965	15,955,056,320	3,506,799,272	117,346,200	127,437,059	28,205,829	19,734,844,680
8,147,255,814	3,217,150,133	563,094,682	9,191,541	129,387	5,687,375	3,795,253,118
85,137,610,781	**64,487,332,183**	**12,167,526,143**	**416,161,716**	**432,851,458**	**113,978,620**	**77,617,850,120**
6,958,964,420	**6,797,920,566**		**18,059,949**	**205,837**	**10,986,106**	**6,827,172,458**
3,734,813	2,815,765	729,981	90,951	78,386	19,731	3,734,814
111,125,876	83,848,601	21,737,564	2,708,365	2,334,184	587,546	111,216,260
116,808,699	70,253,185	24,688,709	2,786,287	2,812,794	2,020,876	102,561,851
231,669,388	156,917,551	47,156,254	5,585,603	5,225,364	2,628,153	217,512,925
(100,279,537)	(71,256,411)	(20,530,484)	(1,227,838)	(1,557,390)	(1,767,867)	(96,339,990)
131,389,851	**85,661,140**	**26,625,770**	**4,357,765**	**3,667,974**	**860,286**	**121,172,935**
2,912,709	**3,841,978**					**3,841,978**
96,657,106,356	**75,390,534,096**	**13,141,841,647**	**454,505,199**	**443,638,316**	**132,219,538**	**89,562,738,796**
3,571,519	2,753,444	69,659				2,823,103
90,115,030	682,136	100,495,333			11,171	101,188,640
554,398,461	918,234,060	194,165,994	2,690,744	155,855	1,623,282	1,116,869,935
13,442,080	13,306,796					13,306,796
15,544,228		18,485,339				18,485,339
36,380,855			13,584,735	32,613,973		46,198,708
6,953,717,885	6,787,465,861		18,032,174	205,521	10,969,210	6,816,672,766
7,667,170,058	**7,722,442,297**	**313,216,325**	**34,307,653**	**32,975,349**	**12,603,663**	**8,115,545,287**
$88,989,936,298	**$67,668,091,799**	**$12,828,625,322**	**$420,197,546**	**$410,662,967**	**$119,615,875**	**$81,447,193,509**

Combining Statements of Changes in Fiduciary Net Position (for the years ended December 31, 2013 and 2012)

	2013				
	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association
Additions:					
Members' Contributions	$1,206,808,750	$178,140,822	$32,535,565	$40,600,908	
Employers' Contributions	1,571,758,150	120,056,440	45,427,520	38,540,851	$18,256,171
Contract and Other Receipts	121,818,099	126,941,889	680,258	785,072	3,061
Federal Subsidy		105,965,762			
Other Income, Net	414,878	13,483,861			
Interplan Activity	13,034,171				
Total Non-investment Income	**2,913,834,048**	**544,588,774**	**78,643,343**	**79,926,831**	**18,259,232**
Income from Investing Activities:					
Net Appreciation/(Depreciation) in Fair Value	5,584,626,328	1,106,685,064	66,748,612	88,360,865	10,641,920
Bond Interest	858,074,939	116,748,678	2,929,124	643,893	1,635,744
Dividends	1,081,840,870	206,180,289	3,275,699	75,365	2,062,309
Real Estate Operating Income, net	1,064,157,624		3,222,158	74,133	2,028,598
International Income/(Loss)	(22,790)	(4,659)	(69)	(2)	(43)
Other Investment Income	1,159,796,292	13,183,549	3,511,742	80,795	2,210,914
External Asset Management Fees	(338,739,266)	(40,036,389)	(1,223,419)	(376,652)	(645,737)
Net Investment Income/(Loss)	**9,409,733,997**	**1,402,756,532**	**78,463,847**	**88,858,397**	**17,933,705**
From Securities Lending Activity:					
Security Lending Income	43,641,020		132,140	3,040	83,192
Security Lending Expenses	(6,232,696)		(18,872)	(434)	(11,881)
Net Security Lending Income	37,408,324		113,268	2,606	71,311
Unrealized Gains/(Losses)	5,220,412		15,807	364	9,952
Net Income from Securities Lending	**42,628,736**		**129,075**	**2,970**	**81,263**
Investment Administrative Expenses	(28,514,793)	(5,407,709)	(213,782)	(227,576)	(60,287)
Net Income/(Loss) from Investing Activity	**9,423,847,940**	**1,397,348,823**	**78,379,140**	**88,633,791**	**17,954,681**
TOTAL ADDITIONS	**12,337,681,988**	**1,941,937,597**	**157,022,483**	**168,560,622**	**36,213,913**
Deductions:					
Benefits	4,928,972,847	1,642,525,598	1,526,005	992,855	1,719,043
Refunds of Contributions	411,321,700		7,731,155	22,231,349	
Administrative Expenses	46,946,971	16,352,514	2,264,293	2,028,864	1,026,449
Interplan Activity			6,085,687	6,948,484	
TOTAL DEDUCTIONS	**5,387,241,518**	**1,658,878,112**	**17,607,140**	**32,201,552**	**2,745,492**
Net Increase/(Decrease)	6,950,440,470	283,059,485	139,415,343	136,359,070	33,468,421
Net Positions Held in Trust for Pension Benefits and Post-employment Health Care					
Balance, Beginning of Year	67,668,091,799	12,828,625,322	420,197,546	410,662,967	119,615,875
Balance, End of Year	**$74,618,532,269**	**$13,111,684,807**	**$559,612,889**	**$547,022,037**	**$153,084,296**

See Notes to Combining Financial Statements, beginning on page 48.

Combining Statements of Changes in Fiduciary Net Position (continued)

	2012						
Total All Plans	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	Voluntary Employees' Beneficiary Association	Total All Plans
$1,458,086,045	$1,199,073,380	$159,614,898	$30,193,165	$37,533,691		$1,426,415,134
1,794,039,132	1,208,150,727	494,048,415	23,998,486	35,646,573	$16,883,868	1,778,728,069
250,228,379	122,281,629	94,730,390	745,347	492,890	9,233	218,259,489
105,965,762		182,579,917				182,579,917
13,898,739	329,493	11,774,199				12,103,692
13,034,171	16,918,042				63,641	16,981,683
3,635,252,228	**2,546,753,271**	**942,747,819**	**54,936,998**	**73,673,154**	**16,956,742**	**3,635,067,984**
6,857,062,789	5,400,033,973	1,183,656,950	41,799,510	46,595,897	8,718,790	6,680,805,120
980,032,378	786,852,157	201,317,018	2,483,698	688,661	1,271,636	992,613,170
1,293,434,532	836,008,491	183,422,898	2,221,009	25,307	1,351,077	1,023,028,782
1,069,482,513	797,139,498		2,117,746 132	24,130	1,288,261	800,569,635
(27,563)	49,813	10,894	2,934,639	2	81	60,922
1,178,783,292	1,104,625,677	10,861,876	(765,820)	33,438	1,785,191	1,120,240,821
(381,021,463)	(239,365,152)	(24,118,062)		(239,203)	(386,839)	(264,875,076)
10,997,746,478	**8,685,344,457**	**1,555,151,574**	**50,790,914**	**47,128,232**	**14,028,197**	**10,352,443,374**
43,859,392	61,202,325		162,595	1,853	98,909	61,465,682
(6,263,883)	(15,924,131)		(42,305)	(482)	(25,735)	(15,992,653)
37,595,509	45,278,194		120,290	1,371	73,174	45,473,029
5,246,535	10,454,705		27,775	316	16,896	10,499,692
42,842,044	**55,732,899**		**148,065**	**1,687**	**90,070**	**55,972,721**
(34,424,147)	(27,259,945)	(5,180,680)	(206,371)	(269,575)	(68,480)	(32,985,051)
11,006,164,375	**8,713,817,411**	**1,549,970,894**	**50,732,608**	**46,860,344**	**14,049,787**	**10,375,431,044**
14,641,416,603	**11,260,570,682**	**2,492,718,713**	**105,669,606**	**120,533,498**	**31,006,529**	**14,010,499,028**
6,575,736,348	4,589,973,216	1,607,921,528	610,545	355,110	1,236,169	6,200,096,568
441,284,204	284,217,216		6,173,714	17,095,349		307,486,279
68,619,091	49,179,821	15,172,174	2,295,688	2,118,855	850,617	69,617,155
13,034,171			9,487,128	7,494,555		16,981,683
7,098,673,814	**4,923,370,253**	**1,623,093,702**	**18,567,075**	**27,063,869**	**2,086,786**	**6,594,181,685**
7,542,742,789	6,337,200,429	869,625,011	87,102,531	93,469,629	28,919,743	7,416,317,343
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
$88,989,936,298	**$67,668,091,799**	**$12,828,625,322**	**$420,197,546**	**$410,662,967**	**$119,615,875**	**$81,447,193,509**

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 type health care plan and a Voluntary Employees' Beneficiary Association (VEBA). The cost-sharing plan provides health care coverage to eligible 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. Generally, 10 or more years of service were required to qualify for coverage under this plan, however, changes to eligibility will be implemented in 2015. Please see the Plan Statement for complete plan details. The OPEB plan coverage is neither guaranteed nor statutorily required. The VEBA 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-An Amendment of GASB Statement No. 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.

Beginning in 2013, individual audited financial statements, as of and for the year ended December 31, 2013, for each of the following plans as presented in the OPERS Combining Statements of Fiduciary Net Position and Changes in Fiduciary Net Position, were issued:

- Post-employment Health Care Plan
- Combined Plan
- Member-Directed Plan
- Voluntary Employees' Beneficiary Association Plan

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. Of the Board, 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, 2013 and 2012 follows:

Employer, Employee and Retiree Data (as of December 31, 2013 and 2012)

Year	2013	2012
Employer Units		
State Group	277	271
Local Group	3,187	3,189
Law Enforcement and Public Safety Group	244	242
Employees, members and retirees — pension		
Traditional Pension Plan retirees and beneficiaries currently receiving benefits	196,349	190,488
Combined Plan and Member-Directed Plan retirees and beneficiaries currently receiving benefits	245	133
Traditional Pension Plan and Combined Plan terminated employees not yet receiving benefits	32,366	32,526
Employees, members and retirees — post-employment health care		
Retirees and beneficiaries currently receiving benefits — OPEB (Traditional Pension and Combined plans)	165,967	163,940
Dependent and Other Beneficiaries currently receiving benefits — OPEB (Traditional Pension and Combined plans)	61,041	62,456
Retirees and beneficiaries currently receiving benefits — VEBA (Member-Directed Plan)	3,112	2,589
Traditional Pension Plan and Combined Plan terminated employees not yet receiving benefits	14,236	14,562
Active employees (all plans)		
State Group	124,051	123,910
Local Group	218,752	216,730
Law Enforcement Group	7,573	7,508
Public Safety Group	86	87

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 they begin 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 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.

- ***New Legislation*** — Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013 comprise transition group A. Members who have 20 years of service credit prior to January 7, 2013 or will be eligible to retire not later than 10 years after January 7, 2013 are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. Please see the Plan Statement for additional details.

- ***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. State and Local members in transition groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, 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. For Group C the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. Final average salary represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Refer to the age-and-service tables located in the Plan Statement section page 212 for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit 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 annual cost-of-living adjustment.

  Effective January 1, 2001, House Bill 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. Public Safety Group members may file an application for full retirement benefits at age 48 or older with 25 or more years of credited service or 52 or older with 15 or more years of credited service for Groups A and B. Public Safety Group C is eligible for benefits at age 52 or older with 25 years or at age 56 or older with 15 years. Those members classified as Law Enforcement officers are eligible for full retirement at age 52 or older with 15 or more years of credited service for Group A. Law Enforcement Group B is eligible at age 48 or older with 25 years or at age 52 or older with 15 years of service. Law Enforcement Group C is eligible at age 48 or older with 25 years of service or at age 56 with 15 years of service. Annual benefits under both divisions are calculated by multiplying 2.5% of final average salary (FAS) 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. In the Combined Plan, the benefit formula for the defined benefit component of the plan for state and local members in transition Groups A and B applies a factor of 1.0% to the member's FAS and the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. 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. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. 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 the vested account balance to another financial institution, receipt of 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 Plan and Combined Plan. 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. Beginning January 1, 2015, the service eligibility criteria for health care coverage will increase from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. 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. If the cost of coverage exceeds the retiree's monthly allowance, the difference is billed to the retiree. In September 2012 the Board adopted additional changes to the Health Care Plan. These changes have staggered effective dates beginning January 1, 2014. Additional details on changes to the Health Care Plan can be found on pages 212 – 213 of the Plan Statement.

  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 are 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 Plan and Combined Plan. 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 towards 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 gains 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) 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 were 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, 2013. 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 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 2013 and 2012 were $1,571,758,150 and $1,208,150,727, respectively. Employer contributions for the Combined Plan for 2013 and 2012 were $45,427,520 and $23,998,486, 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 2013, 2012, and 2011. 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 1.0% for 2013 and 4% for 2012. The portion of Combined Plan employer contributions allocated to health care was 1.0% for 2013 and 6.05% for 2012. The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for both 2013 and 2012 was 4.5%.

Board of Trustees–Approved Contribution Rates–All Plans

	Employee Rate			Employer Rate		
	2013	2012	2011	2013	2012	2011
State division	10.00%	10.00%	10.00%	14.00%	14.00%	14.00%
Local division	10.00	10.00	10.00	14.00	14.00	14.00
Law Enforcement division	12.60	12.10	11.60	18.10	18.10	18.10
Public Safety division	12.00	11.50	11.00	18.10	18.10	18.10

The 2013 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, 2013 and 2012, the Board of Trustees adopted the contribution rates that were recommended by the actuary. The contribution rates were included in a new funding policy adopted by the Board in October 2013.

As of December 31, 2012, the date of the last actuarial study, the funding period for all defined benefits of the System was 26 years. The funding period for the actuarial study performed for the year ended December 31, 2011, was 30 years for all defined benefits of the System.

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.

The following table summarizes the various federal subsidies received by OPERS for the years ended December 31, 2013 and 2012:

Federal Subsidies Received (For the Years ending December 31, 2013 and 2012)		
	2013	2012
Medicare Part D Retiree Drug Subsidy	$246,139	$926,931
Medicare Prescription Drug Plan	105,719,623	181,652,986
Total Federal Subsidy	**$105,965,762**	**$182,579,917**

e. Commitments and Contingencies — OPERS has committed to fund various private equity and closed-end real estate investments totaling approximately $7.9 billion and $6.7 billion at December 31, 2013 and December 31, 2012, respectively. The expected funding dates for these commitments extend through 2019. 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.

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, 2013 and 2012 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 to disclose 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 they each are 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 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 Position Held in Trust for Pension Benefits 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.

In June 2012, GASB approved new accounting and reporting standards for pensions provided by state and local governments. The new standards are GASB Statement 67, *Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25*, and GASB Statement 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27.* OPERS is a cost-sharing multiple employer pension plan as defined by GASB 67. The requirements for GASB Statement 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information of state and local pension plans established as trusts. GASB 67 is effective for pension plans for fiscal years beginning after June 15, 2013 and GASB 68 is effective for employers that sponsor or contribute to pension plans for fiscal years beginning after June 15, 2014. Accordingly, the changes mandated by GASB Statement 67 will be reflected in the OPERS' financial statements for the year ended December 31, 2014. The new accounting and reporting standards break the link between accounting and funding. While these changes will affect the accounting measures, they do not have an effect on the actuarial methods and assumptions used by OPERS to determine the employer contributions needed to fund the plan. The new standards will, however, impact the financial statement presentation for pension accounting and related disclosures for OPERS and participating employers.

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, private equity, and hedge funds 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 equity is 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. The fair value of hedge funds is based on a net asset value, which is struck by the fund or by the fund's third party administrator.

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 2013 and 2012 were $16,807,196 and $29,070,884, 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 table below is a schedule of the capital asset account balances as of December 31, 2012, and changes to those account balances during the year ended December 31, 2013:

Capital Asset Account Balances

	Land	Building and Building Improvements	Furniture and Equipment	Total Capital Assets
Cost:				
Balances December 31, 2012	$3,734,813	$111,216,260	$102,561,852	$217,512,925
Additions		77,819	18,203,166	18,280,985
Write-offs		(168,203)	(3,956,319)	(4,124,522)
Balances December 31, 2013	3,734,813	111,125,876	116,808,699	231,669,388
Accumulated Depreciation:				
Balances December 31, 2012		24,907,968	71,432,022	96,339,990
Depreciation Expense		2,330,672	5,544,370	7,875,042
Write-offs		(33,714)	(3,901,781)	(3,935,495)
Balances December 31, 2013		27,204,926	73,074,611	100,279,537
Net Capital Assets December 31, 2013	**$3,734,813**	**$83,920,950**	**$43,734,088**	**$131,389,851**

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, 2012.

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, 2012.
- ***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%.

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, 2012.
- ***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 (page xx) are presented based on IRC requirements. The following schedule 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, 2013 and 2012 are as follows:

Statutory and IRC Fund Balances (as of December 31, 2013 and 2012)

For Year Ended December 31, 2013	Traditional Pension Plan	Post-employment Health Care	Combined Plan	Member-Directed Plan	VEBA	Total
Employees' Savings Fund	$12,826,142,567		$1,894,549	$386,420		$12,828,423,536
Employers' Accumulation Fund	9,507,406,396	$13,111,684,807	233,588,347	296,170		22,852,975,720
Annuity & Pension Reserve Fund	50,513,356,451		5,481,510	6,416,580		50,525,254,541
Survivors' Benefit Fund	1,654,787,855					1,654,787,855
Defined Contribution Fund			318,648,483	539,922,867	$153,084,296	1,011,655,646
Income Fund	113,671,739					113,671,739
Expense Fund	3,167,261					3,167,261
Total	**$74,618,532,269**	**$13,111,684,807**	**$559,612,889**	**$547,022,037**	**$153,084,296**	**$88,989,936,298**

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**

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 2013 and 2012 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, 2013 and 2012 is as follows:

Summary of Cash and Short-Term Securities and Investments (as of December 31, 2013 and 2012)

	2013 Fair Value	2012 Fair Value
Cash and Short-Term Investments:		
Cash	$422,096,377	$113,700,065
Short-Term Securities:		
Commercial Paper	411,701,600	190,440,517
U.S. Treasury Obligations	111,974,939	161,906,381
Agency Discount Notes	39,795,052	-
Repurchase Agreements	640,000,000	615,000,000
Yankee Certificate	156,116,462	19,998,271
Short-Term Investment Funds (STIF)	1,551,698,175	1,679,652,301
Subtotal Short-Term Securities	2,911,286,228	2,666,997,470
Total Cash and Short-Term Investments	**$3,333,382,605**	**$ 2,780,697,535**

Investments:		
Fixed Income:		
U.S. Corporate Bonds	$8,199,027,148	$8,646,543,171
Non-U.S. Notes/Bonds	4,839,356,188	5,077,192,005
U.S. Government and Agencies	5,133,062,161	5,089,634,019
U.S. Mortgage Backed	3,613,331,238	4,238,746,077
Subtotal Fixed Income	21,784,776,735	23,052,115,272
Domestic Equities	18,634,923,820	17,000,246,886
Real Estate	7,663,107,294	6,979,818,436
Private Equity	8,268,182,153	7,055,571,728
International Equities	20,639,364,965	19,734,844,680
Hedge Funds	8,132,098,714	3,793,040,144
Derivatives	15,157,100	2,212,974
Total Investments Before Collateral on Loaned Securities	**85,137,610,781**	**77,617,850,120**
Collateral on Loaned Securities:		
Cash	6,958,964,420	6,827,172,458
Total Collateral on Loaned Securities	**6,958,964,420**	**6,827,172,458**
Total Investments Including Collateral on Loaned Securities	**$92,096,575,201**	**$84,445,022,578**

Total Cash and Investments	**$95,429,957,806**	**$87,225,720,113**

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 $420,674,720 and $133,346,909 at December 31, 2013 and 2012, 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' Public Fixed Income Policy includes limiting non-investment grade securities to 35% 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 tables present the credit quality ratings and effective durations of OPERS' fixed income assets, including short-term investments as of December 31, 2013 and 2012:

2013 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	$411,701,600	1.7%	0.04	$252,588,900	$ 141,113,100
Money Market/STIF	1,551,698,175	6.3	0.08	1,551,698,175	
Repurchase Agreements	640,000,000	2.6	0.00	200,000,000	440,000,000
Agency Discount Notes	39,795,052	0.2	0.26		39,795,052
Short Term Other	156,116,462	0.6	3.18	30,291,620	50,000,000
Corporate Bonds	6,319,359,095	25.6	5.39	2,020,673	163,590,560
Municipal Bonds	122,408,400	0.5	17.26	5,269,710	76,339,408
Asset-Backed Securities	836,076,043	3.4	3.77	246,070,243	104,852,635
Mortages	677,317,552	2.7	2.90	118,566,792	50,904,210
Agency Mortgages	2,836,461,816	11.5	5.13		2,836,461,816
Non-U.S. Corporate Bonds	2,459,871,585	10.0	4.35	432,640,820	197,752,574
Non-U.S. MBS and ABS	254,342,540	1.0	3.62	79,546,096	
Non-U.S. Government	2,125,142,063	8.6	6.18	7,667,841	69,560,727
Agency Bonds	690,574,166	2.8	1.36		690,574,166
Commingled Long Term Global Funds	1,037,270,940	4.2	2.40		
Total Non-Government Guaranteed	**20,158,135,489**	**81.6**		**2,926,360,870**	**4,860,944,248**
U.S. Treasury Notes	2,869,207,619	11.6	2.48		2,869,207,619
U.S. Treasury Bonds	260,119,751	1.1	14.75		260,119,751
U.S. Treasury Inflation Protected	1,296,625,165	5.2	6.63		1,296,625,165
U.S. Treasury Discount Notes	111,974,939	0.5	0.22		111,974,939
Total Fixed Income and Short-Term Securities	**$24,696,062,963**	**100.0%**	**4.24**	**$2,926,360,870**	**$9,398,871,722**

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

A	BBB	BB	B	CCC	CC	C	D	Not Rated
$17,999,600								
75,824,842								
933,594,092	$1,364,180,712	$1,402,180,003	$1,633,007,485	$779,263,452	$5,883,570		$19,035,816	$16,602,732
40,799,282								
142,802,037	19,964,408	38,626,112	38,050,484	119,073,993	56,982,812	$7,422,807	11,002,425	51,228,087
50,740,544	47,438,198	175,147,124	135,955,775	28,228,485	505,476	87,697	36,884,447	32,858,804
220,466,794	390,994,553	527,826,019	534,233,646	109,475,559				46,481,620
26,440,708	39,031,451	27,443,959	38,272,655	39,328,496	4,276,218	841		2,116
596,528,035	759,744,791	338,729,505	241,921,495	26,014,770			4,257,000	80,717,899
								1,037,270,940
2,105,195,934	**2,621,354,113**	**2,509,952,722**	**2,621,441,540**	**1,101,384,755**	**67,648,076**	**7,511,345**	**71,179,688**	**1,265,162,198**
$2,105,195,934	**$2,621,354,113**	**$2,509,952,722**	**$2,621,441,540**	**$1,101,384,755**	**$67,648,076**	**$7,511,345**	**$71,179,688**	**$1,265,162,198**

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, 2013 and 2012, OPERS' portfolio has no single issuer exposure that comprises 5% or more of the overall portfolio, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. 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 for foreign currency detail.

2013 Exposure to Foreign Currency Risk in U.S. Dollars (as of December 31, 2013)

Currency	Cash	Forwards	Fixed Income	International Equities	Real Estate	Private Equity
Argentine Peso	$57,916					
Australian Dollar	2,296,299			$444,483,589		
Brazilian Real	2,888,094	($20,908,886)	$174,722,039	389,307,705		
British Pound Sterling	(10,985,150)	(5,117,359)	52,238,994	2,295,205,444	($15,397,304)	$295,587,101
Canadian Dollar	1,558,972	(1,587,257)	1,669,116	683,565,323		
Chilean Peso	23,479		11,515,063	3,975,548		
Chinese Yuan Renminbi	33,488					
Colombian Peso	(18,086)	(2,915,815)	52,467,369	6,956,689		
Costa Rican Colon			13,104,190			
Czech Koruna	113,287			2,127,951		
Danish Krone	168,691	(256,806)		160,121,619		
Dominican Peso			12,136,765			
Egyptian Pound	723,786			4,063,252		
Euro Currency	27,571,390	(11,698,741)	238,942,840	3,169,664,373	224,813,014	794,414,239
Ghanian Cedi			4,995,349			
Hong Kong Dollar	2,006,257	(239,872)		1,203,002,284		
Hungarian Forint	305,459		22,155,170	2,374,848		
Indian Rupee	1,048,000		11,283,950	389,416,183		
Indonesian Rupiah	904,556		51,327,546	111,381,571		
Israeli Shekel	383,536			42,240,168		
Japanese Yen	10,850,601	(39,217,035)		2,184,380,099		
Kenyan Shilling			6,595,468			
Kuwaiti Dinar	(278)					
Malaysian Ringgit	1,141,993		56,317,950	122,877,016		
Mexican Peso	2,303,495	1,536,398	148,819,939	191,334,613		
Moroccan Dirham	5					
New Zealand Dollar	1,213,976			18,929,223		
Nigerian Naira	1,435,427		57,726,248			
Norwegian Krone	3,145,148	(1,151,333)		130,133,857		
Peruvian Nuevo Sol	(7,784)	2,352,986	14,051,020	1,713,591		
Philippine Peso	162,685	(890,492)	30,432,951	39,415,916		
Polish Zolty	1,574,541	(14,325,326)	108,683,994	30,214,037		
Qatari Rial				22,010,386		
Romanian New Leu	185,663		4,302,066			
Russian Ruble	1,304,239		115,878,384			
Singapore Dollar	2,060,792	12,391,773		165,404,831		
South African Rand	1,624,473	(5,963,192)	116,481,297	300,725,455		
South Korean Won	882,464	(2,921,536)	2,980,353	753,417,480		
Swedish Krona	903,790	516,234		312,809,667		
Swiss Franc	2,921,766	1,303,977		866,747,053		
Taiwan Dollar	8,575,376			315,292,234		
Thailand Baht	1,134,629		31,258,271	178,373,330		
Turkish Lira	414,107	(9,437,843)	89,177,153	109,302,278		
Uganda Shilling	93,143		7,002,875			
Uruguay Peso			20,887,447			
Total	**$71,000,225**	**($98,530,125)**	**$1,457,153,807**	**$14,650,967,613**	**$209,415,710**	**$1,090,001,340**

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

Currency	Cash	Forwards	Fixed Income	International Equities	Real Estate	Private Equity
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, 2013, the fair value of securities on loan was $6,737,550,263. Associated collateral totaling $6,953,717,885 was received. The fair market value of reinvested collateral was $6,958,964,420 at December 31, 2013, which includes unrealized gains on securities lending income totaling $5,246,535.

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 received. The fair market value of reinvested collateral was $6,827,172,458 at December 31, 2012, which includes unrealized losses on securities lending income totaling $10,499,692.

Net security lending income/(loss) is composed of four components: gross income, broker rebates, agent fees and unrealized gains/(losses) 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 gains/(losses) result 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 losses on collateral. Security lending income for 2013 and 2012 was recorded on a cash basis, which approximated the 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 gains or losses on forward-currency contracts represent 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 gains on forward-currency contracts for the years 2013 and 2012, were $5,646,991 and $17,467,807, 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, 2013 and 2012)

	2013	2012
Forward-currency purchases	$96,088,201	$453,211,125
Forward-currency sales	194,618,326	73,736,402
Unrealized gains/(losses)	3,439,081	2,143,915

- ***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, 2013 and 2012. The net realized and unrealized gains on futures contracts for the years 2013 and 2012 were $296,473,824 and $224,670,577, respectively.

Futures Positions Held (as of December 31, 2013 and 2012)

	2013		2012	
Futures Contracts	Number of Contracts	Contract Principal	Number of Contracts	Contract Principal
U.S. Equity Index Futures purchased long	4,268	$479,623,720	15,734	$1,223,821,695
U.S. Treasury Futures purchased long	4,937	749,082,000		
U.S. Treasury Futures purchased short	(475)	(104,410,937)	(978)	(157,463,485)
Currency Futures purchased long	162	27,920,700	139	17,606,500
Currency Futures purchased short	(3)	(310,463)		
Non-U.S. Equity Index Futures purchased long	15	1,706,924		
Non-U.S. Equity Index Futures purchased short	(4,856)	(361,486,240)	(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 $1,311,571,602 and $872,841,339 as of December 31, 2013 and December 31, 2012, respectively. The unrealized gains at December 31, 2013 and December 31, 2012 were $11,718,020 and $69,059, respectively. The net realized and unrealized gains in total return swaps for the years 2013 and 2012 were $162,533,952 and $96,527,422, 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. While OPERS invested in options during 2012, there were no outstanding options at December 31, 2013 or December 31, 2012. Net realized losses in options for 2013 and 2012 were zero and $247,540, respectively.

4. Vacation and Sick Leave

As of December 31, 2013 and 2012, $6,073,801 and $5,847,413, 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 Internal Revenue Code 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, 2013, 2012 and 2011 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
2013	$5,595,005	100%	$430,385	100%
2012	4,179,866	100	1,671,947	100
2011	3,905,106	100	1,551,657	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 2013 annual required contribution included in fixed assets was $418,820 for pension and $32,217 for health care. The portion of the 2012 annual required contribution included in fixed assets was $265,788 for pension and $106,315 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 2013 and 2012. Employees share in the cost of coverage by payroll deductions, which are netted against the claims cost. Employee deductions and vendor rebates totaled $903,044 in 2013 and $773,679 in 2012. The summary of changes in incurred but not reported claims for the years ended December 31, 2013 and 2012 follows:

Employee Health Insurance

	2013	2012
Balance January 1	$89,522	$62,577
Claims Incurred	5,083,942	5,091,268
Claims Paid	(5,159,371)	(5,064,323)
Balance December 31	**$14,093**	**$89,522**

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, 2012, 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:	$83,878,130	$67,854,787	$16,023,343	81%	$12,194,000	131%
Traditional Pension Plan	83,663,706	67,669,640	15,994,066	81	11,885,000	135
Combined Plan	211,759	182,623	29,136	86	309,000	9
Member-Directed Plan	2,666	2,524	142	95	N/A	N/A
Health Care	19,182,305	12,193,325	6,988,980	64	12,194,000	57

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 76 – 78 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 on next page.

Key Methods and Assumptions Used in Pension and Health Care Actuarial Valuations		
Actuarial Information	Pension	Health Care
Valuation date	December 31, 2012	December 31, 2012
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, closed	
Member-Directed Plan	Level dollar, closed	
Amortization period:		30 years
Traditional Pension Plan	21 years	
Combined Plan	0 years	
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	8.0%	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 amortization period calculated under the GASB requirements of 21 years for 2012 differs from the reported valuation amortization period of 26 years. The GASB requirements limit the consideration of future rate changes. Since OPERS has adopted a schedule of increasing health care contributions, thereby reducing the pension contributions from 2014 through 2016, the GASB results do not reflect this change.

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
2012	$83,878	$67,855	$16,023	81%	$12,194	131%
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

* 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
2012	$83,664	$67,670	$15,994	81%	$11,885	135%
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

* 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 80.

See accompanying Independent Auditors' Report, beginning on page 22.

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
2012	$212	$183	$29	86%	$309	9%
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

* 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
2012	$2,666	$2,524	$142	95%	N/A	N/A
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 80.

See accompanying Independent Auditors’ Report, beginning on page 22.

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
2012	$19,182	$12,193	$6,989	64%	$12,194	57%
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 Subsidies	Total % Contributed
2013	$1,555,931,467	9.35%	$105,719,624	$246,139	$105,965,762	14.53%
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 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 80.

See accompanying Independent Auditors' Report, beginning on page 22.

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
2013	$1,617,185,670	100%
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

Schedule of Employer Contributions* — Traditional Pension Plan

Year Ended December 31	Annual Required Contributions	% Contributed
2013	$1,571,758,150	100%
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

Schedule of Employer Contributions* — Combined Plan

Year Ended December 31	Annual Required Contributions	% Contributed
2013	$45,427,520	100%
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

* 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 80.

See accompanying Independent Auditors' Report, beginning on page 22.

1. Description of Schedule of Funding Progress

Each time a new benefit is added which applies to service already rendered, 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. 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. 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.

2. Actuarial Assumptions and Methods

The actuarial assumptions and methods described below are based on the actuarial valuation study for the years ended December 31, 2012 and December 31, 2011.

Defined Benefit Pension Plans:

- ***Funding Method*** — An entry age normal 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 a closed amortization period.

  As of December 31, 2012, the date of the last actuarial study, the funding period was 21 years for the Traditional Pension Plan and no amortization period 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, 2012, the date of the latest actuarial study, and 2011 include:

  - ***Investment Return*** — An investment return rate of 8% compounded annually, for all members, retirees, and beneficiaries was assumed for the years 2012 and 2011.

  - ***Salary Scale*** — The active member payroll was assumed to increase 3.75% annually for 2012 and 2011, 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 2012 and 2011.

- ***Benefit Payments*** — Benefit payments are assumed to increase by 3% of the original retirement benefit per year after retirement for current retirees. For future retirees, benefit payments are assumed to increase by 3% of the original retirement benefit per year for the next five years and then assumed to increase by 2.8% per year thereafter.

Multiple Decrement Tables:

- ***Mortality*** — The rates used for retiree allowances 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 disability allowances 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.

- ***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 five 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 based on an open amortization period.

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 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, 2012, the date of the latest actuarial study, and for 2011, include:

- ***Investment Return*** — An investment return rate of 5.0% compounded annually, for all members, retirees, and beneficiaries for the years 2012 and 2011.

- ***Salary Scale*** — The active-member payroll was assumed to increase 3.75% annually for 2012 and 2011, 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 .50% to 6.30% per year depending on age, attributable to seniority and merit for 2012 and 2011.

- ***Benefit Payments*** — For the 2012 valuation, health care expenses are assumed to increase initially at 8% before leveling off to 3.75% in 2023. For the 2011 valuation, health care expenses are assumed to increase initially at 8% before leveling off to 3.75% in 2022.

Multiple Decrement Tables:

- ***Mortality*** — The rates used for retiree allowances 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 disability allowances in the 2012 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.

Additional Information

Administrative Expenses (for the years ended December 31, 2013 and 2012)

	2013	2012
Personnel Expenses:		
Wages and Salaries	$42,104,768	$41,744,831
Retirement Contributions—OPERS	5,574,353	5,479,710
Retirement Contributions—Medicare	582,205	575,358
Employee Insurance	5,996,212	6,017,187
Other Personnel Expense	327,785	308,246
Purchased Services and Supplies:		
Professional expenses:		
Audit Services	512,885	361,486
Actuarial Services	767,963	991,891
Consulting Services	674,200	686,736
Investment & Financial Services	11,939,267	10,618,532
Legal & Investigation Services	2,742,258	3,268,124
Medical Examinations	1,446,387	3,662,044
Retirement Study Council	304,296	288,526
Custodial & Banking Fees	3,405,343	2,790,178
Information Technology	9,903,269	8,628,791
Communications	2,362,070	2,559,354
Office Supplies, Equipment & Other Miscellaneous	877,659	824,269
Education—Member & Staff	1,135,165	1,206,681
Facility Expenses	4,480,461	4,429,718
Subtotal Operating Expenses	**95,136,546**	**94,441,662**
Depreciation Expense:		
Building	2,332,282	2,341,347
Furniture & Equipment	5,574,410	5,819,197
Subtotal Depreciation	**7,906,692**	**8,160,544**
Total Administrative Expenses	**103,043,238**	**102,602,206**
Investment Expenses	(34,424,147)	(32,985,051)
Net Administrative Expenses	**$68,619,091**	**$69,617,155**

Schedule of Investment Expenses* (for the years ended December 31, 2013 and 2012)

	2013	2012
Investment Staff Expense	$14,434,047	$14,155,509
Investment Services	16,891,477	14,059,280
Investment Legal Services	1,535,459	2,849,106
Allocation of Administrative Expenses (See Note 2b to Financial Statements)	1,563,164	1,921,156
Total Investment Expenses	**$34,424,147**	**$32,985,051**

* Excludes fees and commissions, please see Schedule of Brokerage Commissions Paid beginning on page 98.

OPERS incurred expenses with the following investment consultants during 2013:

Schedule of Payments to Consultants

Cliffwater LLC	$50,000
Hewitt EnnisKnupp Inc.	321,970
Morningstar Inc.	48,500
NEPC LLC	716,690
Total	**$1,137,160**

Schedule of External Asset Managers' Fees (for the years ended December 31, 2013 and 2012)

	2013	2012
Fixed Income	$30,124,588	$20,695,160
Domestic Equities	20,225,178	18,738,336
International Equities	67,938,827	61,333,017
Real Estate	52,162,170	51,730,242
Private Equity	75,958,932	72,880,054
Hedge Funds	134,611,768	39,498,267
Total	**$381,021,463**	**$264,875,076**

Investment Section

From left to right: Robert C. Smith, Treasurer Appointed Investment Expert, Chair of Investment Committee; John Lane, Chief Investment Officer; Matthew Schulz, Representative for State Employees, Vice-Chair of Investment Committee; James Tilling, General-Assembly Appointed Investment Expert, Chair of Budget and Planning Committee

From left to right: Heather Link, Representative for Non-teaching College/University Employees, Chair of Enterprise Risk Committee; Walter Knox, Chief Enterprise Risk Officer

Targeting Growth

Limiting Risk

Risk is inherent in any investment. As an institutional investor, OPERS works to limit risk while providing strong returns. Strong returns are important so that OPERS can fulfill our promise to our members—traditionally almost two-thirds of each retirement is generated through investment returns (generated by investing member and employer contributions throughout a member's career).

As prudent stewards of contributed funds, we reduce risk by diligently adhering to Board-established policies of diversification and asset allocation. As institutional investors, the extent of our time line for returns is very long—we anticipate volatile markets and can navigate the System through turbulent markets and enjoy the benefits when markets provide smooth sailing.

In 2013, we worked to further reduce risk by instituting an Office of Enterprise Risk Management to establish processes and controls to monitor and minimize organization-wide risks including financial, strategic, operational, and investment risks.

Dear Members of the OPERS Board of Trustees:

It is a pleasure to share the 2013 accomplishments of the Investment Division with you. Overall, 2013 was a good year. The U.S. stock market posted strong gains and reached an all-time high. In fact, the market had a 26.5 percent increase, the second-best since 1995.

SUMMARY OF RESULTS*

As with all years, 2013 had defining moments domestically and internationally. The ongoing domestic economic recovery and overall continuation of high corporate profits helped drive the positive results posted by the stock market. Mirroring that rise, OPERS' portfolios posted strong returns.

OPERS' total portfolio is made up of the Defined Benefit, Health Care and Defined Contribution portfolios. The combined Defined Benefit and Health Care portfolios delivered a one-year return of 14.00%, net of fees, exceeding the custom benchmark of 13.78%.

That investment performance, coupled with the implementation of changes in the pension plan and changes to the health care program, combined to improve OPERS' overall fiscal strength. At year end, OPERS' assets were $88.5 billion—a high-water mark with $8.1 billion added to assets.

The Defined Benefit Portfolio

The Defined Benefit portfolio holds assets from the Traditional Pension Plan, Voluntary Employees' Beneficiary Association (VEBA), the defined benefit portion of the Combined Plan, and annuitized Member-Directed accounts. The primary objective of the Defined Benefit portfolio is to generate the funds necessary to pay statutory benefits provided by OPERS. OPERS investment professionals manage the investments of member and employer contributions for Traditional Pension Plan members. They also manage the investment of employer contributions for Combined Plan members and VEBA Plan, as well as annuitized Member-Directed accounts.

The Defined Benefit portfolio assets grew from $67.1 billion at December 31, 2012 to $74.6 billion by the end of 2013. In 2013, the Defined Benefit portfolio had an overall investment return of 14.38%, net of fees, but this return was slightly less than the return of 14.54% achieved in 2012. However, this return exceeds the established benchmark of 14.24% and the actuarial rate of return of 8.0%.

The Health Care Portfolio

The primary objective of the Health Care portfolio is to generate funds to provide health care coverage (a discretionary benefit) for eligible Traditional Pension and Combined Plan retirees. The assets of the Health Care portfolio are invested with the objectives of preservation of capital and maintaining a reasonable solvency period as defined by the OPERS Board of Trustees.

The Health Care portfolio's assets grew from $12.6 billion at December 31, 2012 to $13.0 billion by the end of 2013. The Health Care portfolio had a return of 11.37%, net of fees, exceeding its actuarial rate of return of 6.50%, and its benchmark of 10.70%. This compares to the 2012 return of 13.72%, which exceeded both target return and the actuarial return assumptions in 2012.

The Defined Contribution Portfolio

The Defined Contribution portfolio includes assets from the Member-Directed Plan and the defined contribution portion of the Combined Plan. The Defined Contribution portfolio Investment Options are intended to be primary retirement savings vehicles for members who have chosen this pension option. Members have investment discretion for their accounts and may select among an array of investment options designed for retirement savings.

Of the 16 investment options available in the Defined Contribution portfolio, nine investment options equaled or outperformed established benchmarks.

KEY ACCOMPLISHMENTS IN 2013

The key accomplishments in 2013 that enabled the Investment Division to achieve the investment returns mentioned above include:

- Implementation of the internally managed U.S. equity small cap tilt portfolio;
- Completion of the implementation of the risk management system;
- Completion of the funding of the externally managed active Floating Rate Debt mandate;
- Completion of the funding of both the risk parity and global tactical asset allocation (GTAA) asset classes through externally managed portfolios; and
- Completion of the hedge funds sub-asset class allocation through the hiring of direct hedge funds, identified with the assistance of a due-diligence consultant.

NAVIGATING THE FUTURE

Five years after the 2008 financial crisis, the U.S. and world economies continue to recover and thrive. OPERS did well in 2013. As an investor, that is rewarding to report. However, as an institutional investor with an extremely long time horizon, we know that not all years will post the returns of 2013. We manage our portfolios to minimize risk, reap gains and guard as much as possible from losses. As such, OPERS' strongly diversified portfolios generally have less to gain from stronger economic growth—but we also lose less when the economy is less robust.

In October 2013, OPERS completed an asset-liability study that established the capital market framework within which we will operate over the long term. In conjunction with this framework, we have adopted a dynamic asset-allocation process that will allow us to identify and invest in short-term opportunities and meet future uncertainty with decisive actions that maximize return while minimizing risk. We are confident the total portfolio is well-diversified and constructed in a risk-balanced manner.

As with all institutional investors, OPERS must be positioned to function within a global arena—and we are. We do this by assessing long-term growth in a global economy, working to manage costs so that profits are not diminished, and by applying prudent standards to all investments.

In 2014, we will continue to work to identify and act upon market opportunities while remaining within acceptable risk parameters. We have the agility to capture global opportunities, combined with the expertise to assess risk. We intend to continue to rely on our established strategies of diversification, asset allocation, stringent analysis and ongoing research so that OPERS can be further positioned positively within the complex marketplace of the future.

The Investment Division relies upon the vision, leadership, and support provided by the OPERS Board of Trustees and the dedication and hard work of all the staff. We appreciate the Board's support and ongoing confidence during the challenging times of the last several years. We look forward to providing the results of future years as we chart our course through both calm and turbulent markets ahead. As always, this is my opportunity to thank all stakeholders as we continue to strive to fulfill OPERS' mission.

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, generally fair market value.

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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NEPC, LLC

255 State Street
Boston, MA 02109
617 374 1300 FAX 617 374 1313
csvendsen@nepc.com
nepc.com

April 15, 2014

Board of Trustees
Ohio Public Employees 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, 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; and Part III: Investment-Wide 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.

255 State Street | Boston, MA 02109 | TEL: 617.374.1300 | www.nepc.com
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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, CFA
Partner

NEPC, LLC

Introduction

OPERS' total investment portfolio, as reflected in the Combining Statements of Fiduciary Net Positions, pages 44 – 45, is comprised of 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 Plan and Combined Plan. 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 primarily limited to investment options approved by the Board of Trustees.

The Investment Summary

OPERS' Total Investment Summary (page 93), 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 103 – 107) relating exclusively to the Defined Benefit investments; OPERS' Health Care portfolio investments (pages 109 – 113) relating exclusively to the Health Care investments; and OPERS' Defined Contribution portfolio investments (pages 115 – 117) relating exclusively to the Defined Contribution investments. The Investment Objectives and Policies and Asset Class Policies (pages 119 – 129) provide information on System-wide investment policies and performance objectives.

A complete listing of assets held at December 31, 2013, 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 equity 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 44 – 45.

Total Investment Summary (as of December 31, 2013 and 2012)

	2013		2012	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
Cash and Short-Term Investments:				
Cash	$422,096,377	0.48%	$113,700,065	0.14%
Short-Term Securities:				
Commercial Paper	411,701,600	0.47	190,440,517	0.24
U.S.Treasury Obligations	111,974,939	0.13	161,906,381	0.20
Agency Discount Notes	39,795,052	0.04		
Repurchase Agreements	640,000,000	0.72	615,000,000	0.76
Yankee Certificate of Deposit	156,116,462	0.18	19,998,271	0.02
Short-Term Investment Funds (STIF)	1,551,698,175	1.75	1,679,652,301	2.09
Total Cash and Short-Term Investments	**3,333,382,605**	**3.77**	**2,780,697,535**	**3.45**
Investments:				
Fixed Income:				
U.S. Corporate Bonds	8,199,027,148	9.27	8,646,543,171	10.76
Non-U.S. Notes Bonds	4,839,356,188	5.47	5,077,192,005	6.32
U.S. Government and Agencies	5,133,062,161	5.80	5,089,634,019	6.33
U.S. Mortgage Backed	3,613,331,238	4.08	4,238,746,077	5.27
Subtotal Fixed Income	21,784,776,735	24.62	23,052,115,272	28.68
Domestic Equities	18,634,923,820	21.06	17,000,246,886	21.14
Real Estate	7,663,107,294	8.66	6,979,818,436	8.68
Private Equity	8,268,182,153	9.35	7,055,571,728	8.77
International Equities	20,639,364,965	23.33	19,734,844,680	24.55
Derivatives	15,157,100	0.02	2,212,974	0.00
Hedge Funds	8,132,098,714	9.19	3,793,040,144	4.72
Total Long-Term Investments	**85,137,610,781**	**96.23**	**77,617,850,120**	**96.55**
Total Cash and Investments	**$88,470,993,386**	**100.00%**	**$80,398,547,655**	**100.00%**

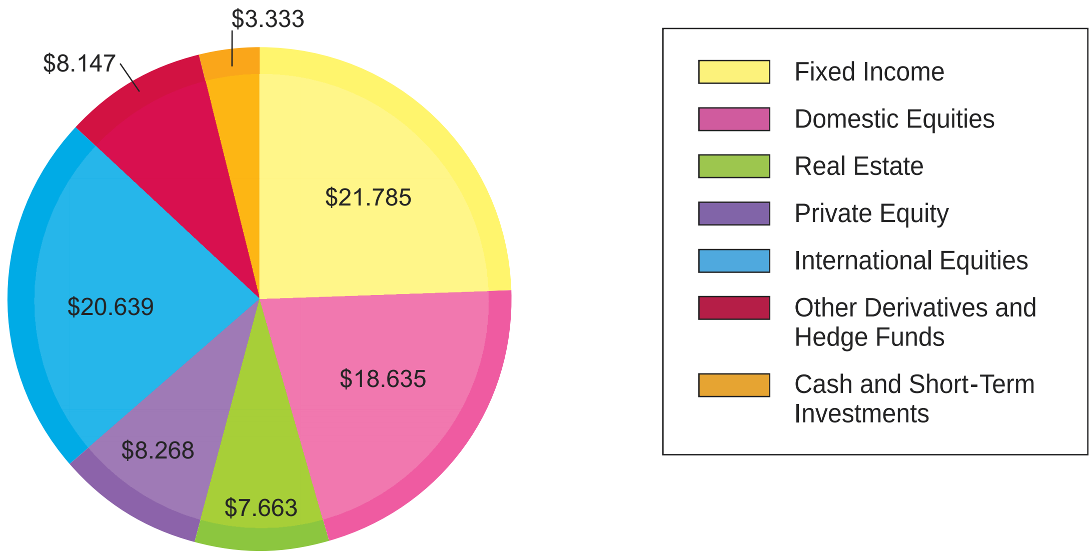
The following table reflects the breakdown of the total investment portfolio into the three component portfolios—the Defined Benefit, Health Care, and the Defined Contribution portfolios.

Total Investment Summary by Portfolio* (as of December 31, 2013)

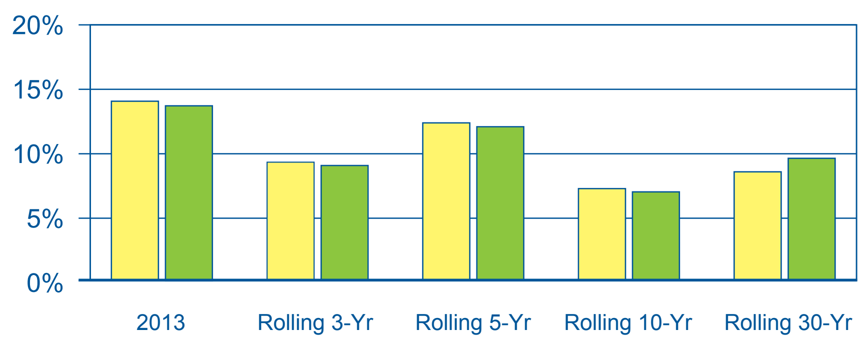
	Defined Benefit	Health Care	Defined Contribution	Total
Fixed Income	$17,276,175,445	$4,313,177,165	$195,424,125	$21,784,776,735
Domestic Equities	14,608,543,887	3,594,242,223	432,137,710	18,634,923,820
Real Estate	7,663,107,294			7,663,107,294
Private Equity	8,157,918,189	110,263,964		8,268,182,153
International Equities	17,063,212,197	3,333,565,455	242,587,313	20,639,364,965
Derivatives	12,668,223	2,488,877		15,157,100
Hedge Funds	6,975,365,961	1,156,732,753		8,132,098,714
Cash and Short-Term Investments	2,842,011,265	491,371,340		3,333,382,605
Total	**$74,599,002,461**	**$13,001,841,777**	**$870,149,148**	**$88,470,993,386**

* Assets summarized on performance basis.

Total Investment Summary (as of December 31, 2013) ($ in billions)



Total Investment Returns—Annual Rates of Return*



	2013	Rolling 3-Yr	Rolling 5-Yr	Rolling 10-Yr	Rolling 30-Yr
OPERS' Return	14.00%	9.33%	12.31%	7.14%	8.69%
Policy Benchmark Return	13.78%	9.07%	12.11%	7.00%	9.86%

* 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, 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**
2013	14.00%	14.38%	11.37%	20.45%
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, 2013)

Description	Shares	Fair Value
Apple Incorporated	813,893	$456,683,501
Exxon Mobil Corporation	3,802,266	384,789,319
Microsoft Corporation	7,118,029	266,427,825
Google Inc.	228,296	255,853,610
General Electric Company	9,056,292	253,847,865
Samsung Electronics Company, LTD	178,042	231,462,205
Johnson & Johnson Company	2,390,878	218,980,516
Chevron Corporation	1,661,085	207,486,127
JPMorgan Chase & Co.	3,327,228	194,576,293
Procter & Gamble Company	2,331,089	189,773,955
Total	**30,907,098**	**$2,659,881,216**

Largest Bond Holdings (by fair value)* (as of December 31, 2013)

Description	Coupon	Maturity	Rating	Par Value	Fair Value
U.S. Treasury Note	0.625%	12/15/2016	AAA	$230,780,000	$229,833,793
U.S. Treasury Note	0.625	11/15/2016	AAA	177,981,000	177,434,600
U.S. Treasury Note	1.500	12/31/2018	AAA	167,715,000	165,814,784
U.S. Treasury Note	1.875	2/28/2014	AAA	145,000,000	145,407,447
U.S. Treasury Note	0.250	12/31/2015	AAA	137,560,000	137,188,592
U.S. Treasury Note	1.250	10/31/2018	AAA	132,738,000	130,135,009
U.S. Treasury Note	1.250	11/30/2018	AAA	127,535,000	124,798,094
U.S. Treasury Note	0.875	9/15/2016	AAA	122,945,000	123,680,211
Freddie Mac Gold Pool	4.500	2/1/2041	AAA	104,027,331	110,296,943
U.S. Treasury Note	0.250	11/30/2015	AAA	95,100,000	94,910,754
Total				**$1,441,381,331**	**$1,439,500,227**

*A complete list of assets held at December 31, 2013, is available from OPERS upon request.

U.S. Equity Commissions (for the year ended December 31, 2013)

Brokerage Firm	U.S. Equity Commissions Paid	Shares Traded	Average Commission Per Share
UBS Securities LLC	$1,426,985	106,011,060	$0.013
Credit Suisse Securities (USA) LLC	1,339,799	86,258,687	0.016
Barclays Capital Inc.	733,900	57,900,459	0.013
J.P. Morgan Securities, LLC	597,759	32,944,115	0.018
Liquidnet Holdings, Inc.	427,997	21,450,064	0.020
Investment Technology Group Inc.	244,563	16,353,078	0.015
Citigroup Global Markets Inc.	177,211	11,416,319	0.016
Morgan Stanley & Co., Inc.	175,545	5,820,907	0.030
RBC Capital Markets, LLC	125,672	4,285,707	0.029
Merrill Lynch, Pierce, Fenner & Smith Inc.	124,964	4,463,331	0.028
Raymond James & Assoc. Inc.	117,343	3,939,725	0.030
Deutsche Bank Securities Inc.	116,057	11,148,140	0.010
Cantor Fitzgerald & Co., Inc.	71,149	3,616,482	0.020
JonesTrading Institutional Services, LLC	67,871	4,541,378	0.015
Sanford C. Bernstein Co., LLC	57,033	3,111,810	0.018
Robert W. Baird & Co., Inc.	53,654	1,788,459	0.030
BTIG, LLC	44,294	2,833,117	0.016
Keybanc Capital Markets Inc.	43,065	1,435,518	0.030
Goldman Sachs & Co.	42,936	1,395,242	0.031
Jefferies & Co., Inc.	39,991	1,670,214	0.024
Oppenheimer & Co., Inc.	37,574	1,313,806	0.029
ISI Group, Inc.	35,368	1,178,946	0.030
Weeden & Co.	33,431	2,489,747	0.013
Stifel Nicolaus & Company, Inc.	28,522	948,898	0.030
Other Commissions less than $20,000	130,835	3,904,804	0.034
Total U.S. Equity Commissions	**$6,293,518**	**392,220,013**	**$0.016**

Non-U.S. Equity Commissions (for the year ended December 31, 2013)

Brokerage Firm	Non-U.S. Equity Commissions Paid	Shares Traded	Average Commission Per Share
UBS Securities LLC	$743,711	172,767,268	$0.004
J. P. Morgan Securities LLC	709,681	114,736,377	0.006
Merrill Lynch & Co., Inc.	660,662	192,435,487	0.003
Morgan Stanley & Co. International Ltd.	650,068	302,065,866	0.002
Instinet	564,931	168,985,196	0.003
Credit Suisse Asset Management Securities, Inc.	532,815	395,019,926	0.001
Deutsche Bank Securities Inc.	521,526	359,242,307	0.001
Citigroup Global Markets Inc.	471,587	93,832,227	0.005
Credit Lyonnais Bank	398,448	96,093,744	0.004
Goldman Sachs & Co.	382,889	105,079,173	0.004
S.G. Securities	349,609	94,397,697	0.004
G-Trade Services Ltd.	325,461	21,297,553	0.015
Barclays Bank PLC	316,030	73,570,819	0.004
HSBC Bank	293,570	64,773,042	0.005
ITG, Inc.	243,533	58,283,615	0.004
Kepler Cheuvreux	212,825	9,160,866	0.023
Macquarie Bank Limited	188,167	46,523,932	0.004
Sanford C. Bernstein & Co., LLC	187,676	93,270,129	0.002
Pershing Securities Ltd.	136,938	11,693,546	0.012
Bank of New York Mellon Corp.	103,217	7,910,621	0.013
Nomura Securities International, Inc.	102,839	9,224,279	0.011
Credit Agricole	101,260	33,262,923	0.003
Standard Chartered Bank Limited	85,400	15,059,986	0.006
Banque BNP Paribas	84,479	8,475,824	0.010
Daiwa Capital Markets Inc.	83,544	41,437,138	0.002
Royal Bank Of Canada	79,122	3,174,770	0.025
Banco ITAÚ SA	52,360	2,026,714	0.026
Exane, Inc.	51,075	1,155,270	0.044
Jefferies & Company, Inc.	47,289	1,808,218	0.026
CLSA Global	45,534	4,943,499	0.009
Parel S.A.	40,979	715,198	0.057
Banco BTG Pactual S.A.	33,334	9,641,510	0.003
Goodmorning Shinhan Securities Co. Ltd	31,352	540,726	0.058
Cantor Fitzgerald & Co., Inc.	30,573	2,599,067	0.012
Royal Trust Corporation of Canada	30,340	2,108,834	0.014
Stifel Nicolaus & Company, Inc.	30,006	458,129	0.065
Numis Securities Inc.	29,766	3,407,512	0.009
Cormark Securities Inc.	29,110	912,029	0.032
Davy Stockbrokers	28,486	1,099,717	0.026

continued on page 100

Schedules of Brokerage Commissions Paid

continued from page 99

Non-U.S. Equity Commissions (continued)

Brokerage Firm	Non-U.S. Equity Commissions Paid	Shares Traded	Average Commission Per Share
Brockhouse & Cooper Inc.	$28,140	7,679,323	$0.004
Raymond James Ltd.	28,116	629,420	0.045
Banco Santander, SA	25,544	2,228,955	0.011
Samsung Securities Co., Ltd.	23,647	164,236	0.144
Cowen and Company, LLC	23,583	860,340	0.027
Investec Securities	22,751	2,337,045	0.010
UOB Kay Hian Private Ltd.	22,153	3,092,036	0.007
Knight Securities	21,100	5,376,979	0.006
Other Commissions Less Than $20,000	573,035	102,072,522	0.004
Total Non-U.S. Equity Commissions	**$9,778,261**	**2,747,631,590**	**$0.004**

Futures Commissions (for the year ended December 31, 2013)

Brokerage Firm	Futures Commissions Paid	Contracts	Average Commission Per Contract
Credit Suisse Securities (USA) LLC	$369,142	164,238	$2.25
Goldman, Sachs & Co.	351,027	150,320	2.34
J.P. Morgan Securities, LLC	9,570	3,480	2.75
Barclays Bank PLC	5,678	1,487	3.82
Total Futures Commissions	**$735,417**	**319,525**	**$2.30**

Total U.S. Equity, Non-U.S. Equity and Futures Commissions	**$16,807,196**	**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 record-keeping services for the commission recapture program.

The total commissions schedule includes $2,111,777 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 2013, $2,634,227 in investment research services were purchased using CSA dollars.

Schedule of Fees to External Asset Managers (for the year ended December 31, 2013)

	Defined Benefit	Health Care	Defined Contribution	Total
Fixed Income	$25,186,852	$4,804,464	$133,272	$30,124,588
Domestic Equities	16,770,031	3,241,813	213,335	20,225,179
International Equities	56,285,050	11,449,577	204,200	67,938,827
Real Estate	52,162,170			52,162,170
Private Equity	74,966,741	992,191		75,958,932
Hedge Funds	115,063,423	19,548,344		134,611,767
Total Fees	**$340,434,267**	**$40,036,389**	**$550,807**	**$381,021,463**

Schedule of External Asset Managers (for the year ended December 31, 2013)

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
Dean Investment Associates	Los Angeles Capital	Systematic Financial Management
Decatur Capital Management	New South	The Boston Company
Disciplined Growth Investors	Nicholas Investment Partners	Wasatch Advisors
Elessar Investment Management	Oberweis Asset Management	Winslow Asset Management
First Feduciary Investment	Opus Capital Management	
Geneva Capital Management	Penn Capital Management	

Non-U.S. Equity Managers:

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

Bond Managers:

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

Hedge Fund Managers:

AQR Capital Management	First Quadrant	Prisma Capital Partners
Arrowgrass Partnership	GMO	Saba Capital Partners
Ascend Partners	Gracie Capital	Scopia Capital
Beach Point Capital Management	Graham Capital	Taconic Investment Partners
BlackRock	Highline Capital Partners	Third Point Partners
BlueCrest Capital	Jana Partners	Tiger Consumer Partners
Brigade Capital	K2 Advisors	Wellington Management
Bridgewater Asscociates	KLS Diversified Asset Management	Windhaven Investment Management
Canyon Capital	Kynikos Associates	Winton Capital
Chatham Asset Partners	Lakewood Capital Partners	Visium Asset Management
CQS	Och Ziff Capital Management	York Capital Management
Davidson Kemper	Panagora Asset Management	
Discovery Capital Management	Pimco	

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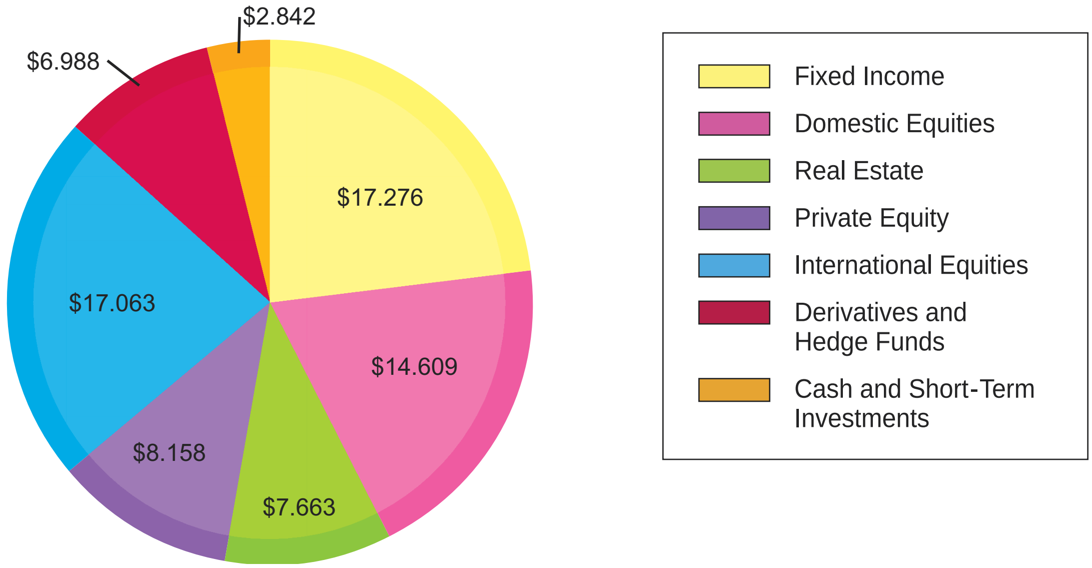
As noted previously, the Investment Division manages the OPERS total investment portfolio by dividing it into three sub-portfolios. These portfolios are: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. All information prior to this point has been reported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

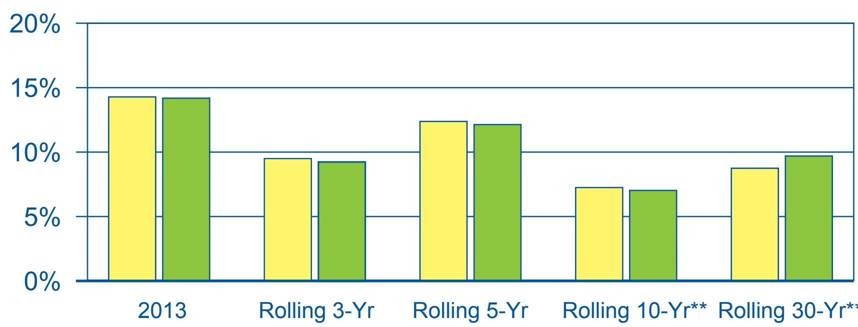
Defined Benefit Portfolio Asset Allocation (as of December 31, 2013) ($ in billions)



Investment Returns

The OPERS Defined Benefit portfolio returned 14.38% in 2013. 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 2013 was 14.24%.

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



	2013	Rolling 3-Yr	Rolling 5-Yr	Rolling 10-Yr**	Rolling 30-Yr**
OPERS' Defined Benefit Portfolio	14.38%	9.55%	12.28%	7.19%	8.71%
Policy Benchmark Return	14.24%	9.31%	12.13%	7.01%	9.86%

* 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, 2013)

	2013	Rolling 3-Year	Rolling 5-Year
Total Defined Benefit Portfolio	**14.38%**	**9.55%**	**12.28%**
Total Defined Benefit Portfolio Benchmark[1]	**14.24**	**9.31**	**12.13**
U.S. Equity Composite	33.73	16.34	18.78
U.S. Equity Composite Benchmark	33.55	16.24	18.71
Non-U.S. Equity Composite	15.23	5.47	13.15
Non-U.S. Equity Composite Benchmark	12.92	4.33	12.29
Core Fixed Composite	(1.04)	3.76	N/A
Core Fixed Composite Benchmark	(1.94)	3.33	N/A
TIPS Composite	(7.94)	N/A	N/A
TIPS Composite Benchmark	(7.99)	N/A	N/A
High Yield Composite	7.62	9.18	N/A
High Yield Composite Benchmark	7.44	9.32	N/A
Emerging Market Debt Composite	(6.73)	N/A	N/A
Emerging Market Debt Composite Benchmark	(7.76)	N/A	N/A
Securitized Debt Composite	21.25	N/A	N/A
Securitized Debt Composite Benchmark	2.23	N/A	N/A
Floating Rate Debt Composite	6.69	N/A	N/A
Floating Rate Debt Composite Benchmark	6.15	N/A	N/A
Global High Yield Debt Composite	7.20	N/A	N/A
Global High Yield Debt Composite Benchmark	7.33	N/A	N/A
Liquidity Composite	0.16	0.21	N/A
Liquidity Composite Benchmark	0.07	0.10	N/A
Private Equity Composite	16.29	16.91	11.96
Private Equity Composite Benchmark	22.81	19.21	13.28
Real Estate Composite	15.18	13.45	4.88
Real Estate Composite Benchmark	12.82	13.29	3.69
Hedge Fund Composite	9.63	4.38	N/A
Hedge Fund Composite Benchmark	7.00	7.00	N/A
Opportunistic Composite	(3.06)	1.94	N/A
Opportunistic Composite Benchmark	(1.34)	3.00	N/A
Commodities Composite	(4.81)	N/A	N/A
Commodities Composite Benchmark	(5.34)	N/A	N/A
Cash Composite	0.35	0.38	-1.09
Cash Composite Benchmark	0.07	0.10	0.12
Additional Annuity	1.50	1.81	2.44
Additional Annuity Composite Benchmark	0.07	0.10	0.12
Risk Parity Composite	(2.32)	N/A	N/A
Risk Parity Composite Benchmark	8.10	N/A	N/A
Global Tactical Asset Allocation Composite	3.61	N/A	N/A
Global Tactical Asset Allocation Composite Benchmark	8.73	N/A	N/A

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 105, the historical asset class target allocations listed on the next page, and the asset class composite benchmark indices listed in the table on page 106.

Historical Asset Class Target Allocations—Defined Benefit Portfolio

Asset Class	2013	2012	2011	2010	2009
U.S. Equity	22.0%	23.6%	29.1%	35.5%	42.4%
Opportunistic	0.5	0.7	1.6	1.3	0.6
Core Bonds (Universal Bonds pre-2010)	10.0	13.3	17.9	12.4	14.0
Corporate Credit	0.0	0.5	N/A	N/A	N/A
Floating Rate Debt	1.0	0.7	N/A	N/A	N/A
Global High Yield	1.5	1.5	N/A	N/A	N/A
Securitized Debt	1.0	1.0	N/A	N/A	N/A
Long Duration Bond	0.0	0.0	0.0	5.6	10.0
Non-U.S. Equity	22.0	24.0	24.6	24.5	20.0
Private Real Estate/REITS	10.0	10.0	9.7	8.5	8.0
Private Equity	10.0	10.0	8.8	5.2	5.0
Cash Equivalents	2.0	2.0	2.0	2.0	0.0
High Yield	5.0	5.0	5.0	5.0	N/A
Emerging Market Debt	3.0	3.0	0.1	N/A	N/A
Hedge Funds	6.0	4.7	1.2	N/A	N/A
Commodities	1.0	N/A	N/A	N/A	N/A
Risk Parity	2.0	N/A	N/A	N/A	N/A
Global Tactical Asset Allocation	2.0	N/A	N/A	N/A	N/A
TIPS	1.0	N/A	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	12/31/2013	12/31/2012	12/31/2011	12/31/2010-12/31/2009
U.S. Equity	Russell 3000 [2]	Russell 3000	Russell 3000	Russell 3000
Opportunistic	Custom Opportunistic Benchmark [3]	Custom Opportunistic Benchmark	Custom Opportunistic Benchmark	LIBOR (2 month lag) + 4%
Core Bond (formerly Universal)	Custom Core Fixed [4]	Barclays U.S. Aggregate Bond Index	Barclays U.S. Aggregate Bond Index	Barclays U.S. Aggregate Bond Index
Corporate Credit	N/A	Barclays U.S. Corporate Investment Grade	N/A	N/A
Floating Rate Debt	Credit Suisse Leveraged Loan Index [5]	Credit Suisse Leveraged Loan Index	N/A	N/A
Global High Yield	Barclays Global High Yield [6]	Barclays Global High Yield	N/A	N/A
Securitized Debt	Barclays Commercial Mortgage Backed Securities [CMBS] Index + 2% [7]	Barclays Commercial Mortgage Backed Securities [CMBS] Index + 2%	N/A	N/A
Long Duration Bond	N/A	N/A	N/A	Barclays U.S. Long Government/Credit Bond
Non-U.S. Equity	Custom Non-U.S. Equity Benchmark (net) [8]	Custom Non-U.S. Equity Benchmark (net)	Custom Non-U.S. Equity Benchmark (net)	MSCI ACWI x U.S. (net)
Private Real Estate	Custom Private Real Estate [9]	NCREIF Property Index (quarter lag)	NCRIEF Property Index (quarter lag)	NCRIEF Property Index (quarter lag)
REITS	DJ U.S. Select REIT TR [10]	DJ U.S. Select REIT TR	DJ U.S. Select REIT TR	DJ U.S. Select REIT TR
Private Equity	Custom Private Equity [11]	Russell 3000 (quarter lag) + 3%	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	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. 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	Custom Emerging Market Debt Benchmark	N/A
Hedge Funds	Custom Hedge Fund Benchmark [15]	Custom Hedge Market Debt Benchmark	Custom Hedge Fund Benchmark	N/A
Commodities	S&P Goldman Sachs Commodity Index [16]	N/A	N/A	N/A
Risk Parity	Custom Risk Parity Benchmark [17]	N/A	N/A	N/A
Global Tactical Asset Allocation (GTAA)	Custom GTAA Benchmark [18]	N/A	N/A	N/A
TIPS	Barclays U.S. TIPS [19]	N/A	N/A	N/A

The footnotes below provide definitions for the 12/31/2013 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 12/31/13 blend was 100% MSCI Emerging Market Currency [USD] index.

[4] **Custom Core Fixed**—Market value weight of the underlying portfolio benchmarks.

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

[6] **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.

[7] **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.

[8] **Custom Non-U.S. Equity Benchmark**—As of 12/31/13 blend was 55% MSCI World ex United States (net), 31% MSCI Emerging Markets (net), 10% MSCI World ex United States Small Cap (net), and 4% MSCI Emerging Market Small Cap (net).

[9] **Custom Private Real Estate**—NFI-ODCE short for NCREIF Fund Index-Open End Diversified Core Equity is an index of investment returns reporting on both a historical and current basis the results of 30 open-end commingled funds pursuing a core investment strategy. The NFI-ODCE Index is capitalization-weighted.

[10] **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.

[11] **Custom Private Equity**—As of 12/31/2013 60% Russell 300 Index and 40% MSCI ACWI ex U.S. IMI + 300 bps. Russell 300 Index and MSCI ACWI ex U.S. IM returns are one quarter lag.

[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 12/31/13 blend was 50% JPMorgan EMBI Global Index, 50% JPMorgan GBI-Emerging Markets Global Diversified USD Index.

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

[16] **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.

[17] **Custom Risk Parity Benchmark**—Market value weight of the underlying portfolio benchmarks.

[18] **Custom GTTA Benchmark**—Market value weight of the underlying portfolio benchmarks.

[19] **Barclays U.S. TIPS Index**—This index consists of Inflation-Protection securities issued by the U.S. Treasury.

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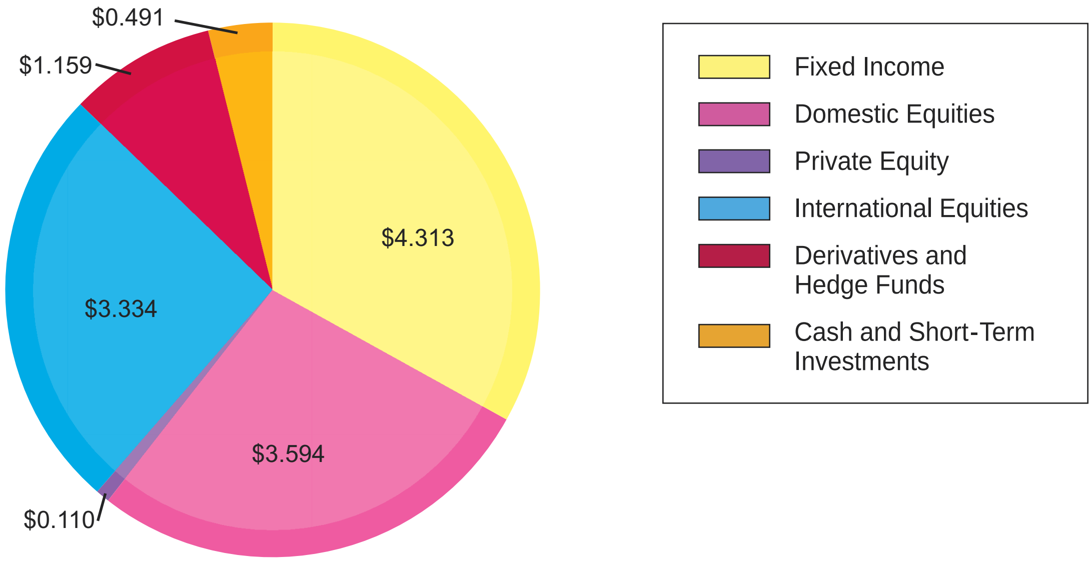
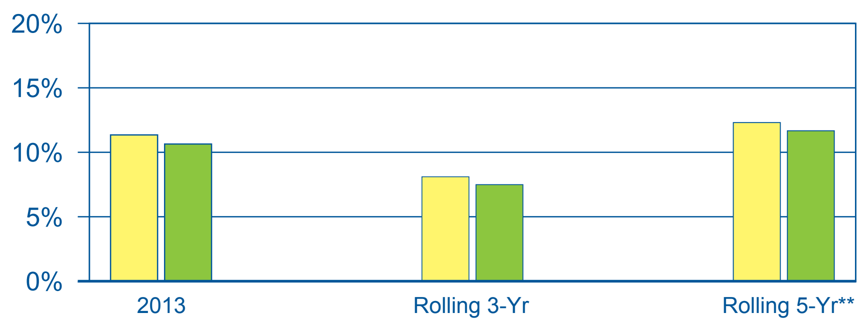
Health Care Portfolio Asset Allocation (as of December 31, 2013) ($ in billions)



Investment Returns

The OPERS Health Care portfolio returned 11.37% in 2013. 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 2013 was 10.70%.

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



	2013	Rolling 3-Yr	Rolling 5-Yr**
OPERS' Health Care Portfolio	11.37%	8.01%	12.29%
Policy Benchmark Return	10.70%	7.66%	11.82%

* 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, 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.

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, 2013)

	2013	Rolling 3-Year	Rolling 5-Year
Total Health Care Portfolio	**11.37%**	**8.01%**	**12.29%**
Total Health Care Portfolio Benchmark[1]	**10.70**	**7.66**	**11.82**
U.S. Equity Composite	33.73	16.34	18.78
U.S. Equity Composite Benchmark	33.55	16.24	18.71
Non-U.S. Equity Composite	15.23	5.47	13.16
Non-U.S. Equity Composite Benchmark	12.92	4.33	12.29
Core Fixed Composite	(1.04)	3.76	N/A
Core Fixed Composite Benchmark	(1.94)	3.33	N/A
TIPS Composite	(8.55)	3.57	5.75
TIPS Composite Benchmark	(8.61)	3.55	5.63
High Yield Composite	7.62	9.18	N/A
High Yield Composite Benchmark	7.44	9.32	N/A
Emerging Market Debt Composite	(6.73)	N/A	N/A
Emerging Market Debt Composite Benchmark	(7.76)	N/A	N/A
Securitized Debt Composite	21.25	N/A	N/A
Securitized Debt Composite Benchmark	2.23	N/A	N/A
Floating Rate Debt Composite	6.69	N/A	N/A
Floating Rate Debt Composite Benchmark	6.15	N/A	N/A
Global High Yield Debt Composite	7.20	N/A	N/A
Global High Yield Debt Composite Benchmark	7.33	N/A	N/A
Liquidity Composite	0.17	0.21	N/A
Liquidity Composite Benchmark	0.07	0.10	N/A
Private Equity Composite	16.95	12.00	(2.23)
Private Equity Composite Benchmark	22.81	19.21	13.28
REIT Composite	1.38	9.20	16.86
REIT Composite Benchmark	1.31	8.90	16.44
Hedge Fund Composite	9.63	4.38	N/A
Hedge Fund Composite Benchmark	7.00	7.00	N/A
Opportunistic Composite	(3.06)	1.94	N/A
Opportunistic Composite Benchmark	(1.34)	3.00	N/A
Commodities Composite	(0.68)	0.26	N/A
Commodities Composite Benchmark	(1.22)	(0.77)	N/A
Cash Composite	0.39	0.42	0.57
Cash Composite Benchmark	0.07	0.10	0.12
Risk Parity Composite	(2.32)	N/A	N/A
Risk Parity Composite Benchmark	8.10	N/A	N/A
Global Tactical Asset Allocation Composite	3.61	N/A	N/A
Global Tactical Asset Allocation Composite Benchmark	8.73	N/A	N/A

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 pages 109, the historical asset class target allocations listed in the following table and the asset class composite benchmark indices listed in the tables on pages 105 and 106.

Historical Asset Class Target Allocations—Health Care Portfolio

Asset Class	2013	2012	2011	2010	2009
U.S. Equity	23.5%	24.6%	28.7%	30.2%	28.4%
Commodities	2.0	1.0	1.0	1.0	N/A
Opportunistic	0.5	0.7	1.7	1.3	1.0
Core Bond (formerly Universal)	17.0	18.8	21.5	21.5	10.0
Corporate Credit	0.0	1.0	N/A	N/A	N/A
Floating Rate Debt	1.0	0.7	N/A	N/A	N/A
Global High Yield	2.0	2.0	N/A	N/A	N/A
Securitized Debt	1.0	1.0	N/A	N/A	N/A
TIPS	3.5	3.5	3.5	3.5	20.0
Short Duration Bond	0.0	0.0	0.0	0.0	10.0
High Yield	2.0	2.0	2.0	2.0	N/A
Non-U.S. Equity	24.6	27.0	27.3	27.3	24.5
Emerging Market Debt	5.0	5.0	5.0	5.0	N/A
REITS	6.0	6.0	6.0	6.0	6.0
Cash Equivalents	2.0	2.0	2.0	2.0	0.0
Private Equity	0.5	0.5	0.4	0.2	0.1
Hedge Fund	5.4	4.2	0.9	N/A	N/A
Risk Parity	2.0	N/A	N/A	N/A	N/A
GTAA	2.0	N/A	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	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
U.S. Equity	Russell 3000 [2]	Russell 3000	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	S&P Goldman Sachs Commodity Index	N/A
Opportunistic	Custom Opportunistic Benchmark [4]	Custom Opportunistic Benchmark	Custom Opportunistic Benchmark	LIBOR (2 month lag) + 4%	LIBOR (2 month lag) + 4%
Core Bonds (formerly Universal)	Custom Core Fixed [5]	Barclays U.S. Aggregate Bond Index	Barclays U.S. Aggregate Bond Index	Barclays U.S. Aggregate Bond Index	Barclays U.S. Aggregate Bond Index
Corporate Credit	N/A	Barclays U.S. Corporate Investment Grade	N/A	N/A	N/A
Floating Rate Debt	Credit Suisse Leveraged Loan Index [6]	Credit Suisse Leveraged Loan Index	N/A	N/A	N/A
Global High Yield	Barclays Global High Yield [7]	Barclays Global High Yield	N/A	N/A	N/A
Securitized Debt	Barclays Commercial Mortgage Backed Securities [CMBS] Index + 2% [8]	Barclays Commercial Mortgage Backed Securities [CMBS] Index + 2%	N/A	N/A	N/A
TIPS	Barclays U.S. TIPS [9]	Barclays U.S. TIPS	Barclays U.S. TIPS	Barclays U.S. TIPS	Barclays U.S. TIPS
High Yield	Barclays Capital U.S. Corporate High Yield [10]	Barclays Capital U.S. Corporate High Yield	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) [11]	Custom Non-U.S. Equity Benchmark (net)	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 [12]	Custom Emerging Market Debt Benchmark	Custom Emerging Market Debt Benchmark	Custom Emerging Market Debt Benchmark	N/A
REITS	DJ U.S. Select REIT TR [13]	DJ U.S. Select REIT TR	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 [14]	90-day U.S. Treasury Bill	90-day U.S. Treasury Bill	90-day U.S. Treasury Bill	90-day U.S. Treasury Bill
Private Equity	Custom Private Equity [15]	Russell 3000 (quarter lag) + 3%	Russell 3000 (quarter lag) + 3%	Russell 3000 (quarter lag) + 3%	Russell 3000 (quarter lag) + 3%
Hedge Funds	Custom Hedge Fund Benchmark [16]	Custom Hedge Fund Benchmark	Custom Hedge Fund Benchmark	N/A	N/A
Risk Parity	Custom Risk Parity Benchmark [17]	N/A	N/A	N/A	N/A
GTAA	Custom GTAA Benchmark [18]	N/A	N/A	N/A	N/A

The footnotes below provide definitions for the 12/31/2013 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 12/31/13 was 100% MSCI Emerging Market Currency [USD] index.

5 **Custom Core Fixed**—Market value weight of the underlying portfolio benchmarks.

6 **Credit Suisse Leveraged Loan Index**—This 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 **Barclays U.S. TIPS Index**—This index consists of Inflation-Protection securities issued by the U.S. Treasury.

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

11 **Custom Non-U.S. Equity Benchmark**—As of 12/31/13 blend was 55% MSCI World ex United States (net), 31% MSCI Emerging Markets (net), 10% MSCI World ex United States Small Cap (net), and 4% MSCI Emerging Market Small Cap (net).

12 **Custom Emerging Market Debt Benchmark**—As of 12/31/13 blend was 50% JPMorgan EMBI Global Index, 50% JPMorgan GBI-Emerging Markets Global Diversified USD Index.

13 **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.

14 **90-day U.S. Treasury Bill Index**—The 90-day Treasury Bill return as measured by Bank of America Merrill Lynch.

15 **Custom Private Equity**—As of 12/31/2013 60% Russell 300 Index and 40% MSCI ACWI ex U.S. IMI + 300 bps. Russell 300 Index and MSCI ACWI ex U.S. IM returns are one quarter lag.

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

17 **Custom Risk Parity Benchmark**—Market value weight of the underlying portfolio benchmarks.

18 **Custom GTAA Benchmark**—Market value weight of the underlying portfolio benchmarks.

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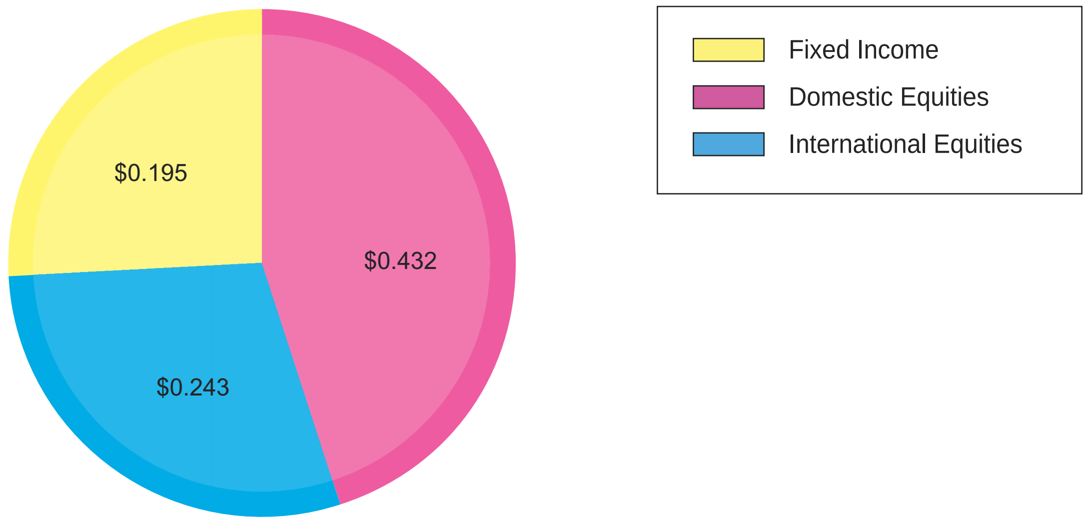
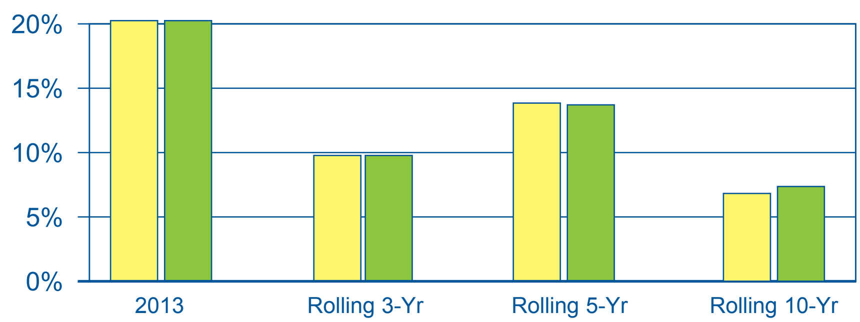
Defined Contribution Portfolio Asset Allocation (as of December 31, 2013) ($ in billions)



Investment Returns

The OPERS Defined Contribution portfolio returned 20.45% in 2013. 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*



	2013	Rolling 3-Yr	Rolling 5-Yr	Rolling 10-Yr
OPERS' Defined Contribution Portfolio	20.45%	9.98%	13.85%	6.82%
Policy Benchmark Return	20.46%	9.98%	13.82%	7.29%

* 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 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, 2013)

	2013	Rolling 3-Year	Rolling 5-Year	Rolling 10-Year
Target Payout Fund	5.36%	5.22%	8.00%	5.20%
Target Payout Fund Index [1]	5.20	5.27	7.12	5.05
Target 2015 Fund	7.90	6.23	9.94	5.55
Target 2015 Fund Index [2]	7.54	6.10	9.54	6.29
Target 2020 Fund	12.35	7.35	11.87	6.12
Target 2020 Fund Index [3]	12.03	7.19	11.62	6.92
Target 2025 Fund	16.98	8.56	13.45	6.58
Target 2025 Fund Index [4]	16.81	8.42	13.51	7.35
Target 2030 Fund	19.57	9.37	14.08	6.82
Target 2030 Fund Index [5]	19.35	9.25	14.21	7.60
Target 2035 Fund	20.50	9.65	14.34	6.91
Target 2035 Fund Index [6]	20.10	9.46	14.48	7.69
Target 2040 Fund	21.03	9.76	14.50	6.96
Target 2040 Fund Index [7]	21.08	9.70	14.76	7.79
Target 2045 Fund	22.38	10.10	14.82	7.03
Target 2045 Fund Index [8]	22.02	9.88	15.04	7.81
Target 2050 Fund	22.49	10.15	14.85	7.05
Target 2050 Fund Index [9]	22.21	9.96	15.09	7.83
Target 2055 Fund	22.28	10.12	14.83	7.04
Target 2055 Fund Index [10]	22.21	9.96	15.09	7.83
Stable Value Index Portfolio	1.50	1.82	2.47	3.36
Stable Value Index Benchmark [11]	2.81	2.48	1.55	2.40
Bond Index Portfolio	(2.06)	3.23	7.00	4.60
Bond Index Benchmark [12]	(2.02)	3.26	4.44	4.55
Stock Index Portfolio	33.47	16.19	18.69	7.91
Stock Index Portfolio Benchmark [13]	33.55	16.24	18.71	7.88
Large Cap Index Portfolio	33.02	16.22	18.70	6.94
Large Cap Index Portfolio Benchmark [14]	33.11	16.30	18.59	7.78
Small Cap Index Portfolio	38.77	15.57	20.05	8.47
Small Cap Index Portfolio Benchmark [15]	38.82	15.67	20.08	9.07
Non-U.S. Stock Index Portfolio	14.59	5.32	11.96	6.02
Non-U.S. Stock Index Portfolio Benchmark [16]	15.29	5.14	12.81	7.57

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**—17% Barclays Government 1-3 Year Index, 35% Barclays U.S. Aggregate, 11% Russell 1000, 7% Russell 2000, 18% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 12% Barclays U.S. TIPS.

[3] **Target 2020 Fund Index**—3% Barclays Government 1-3 Year Index, 38% Barclays U.S. Aggregate, 14% Russell 1000, 12% Russell 2000, 26% MSCI All Country World Ex-U.S. Index (MSCI ACWI x US), 7% Barclays U.S. TIPS.

[4] **Target 2025 Fund Index**—28% Barclays U.S. Aggregate, 18% Russell 1000, 16% Russell 2000, 35% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 2% Barclays U.S. Government/Credit, 1% Barclays U.S. TIPS.

[5] **Target 2030 Fund Index**—14% Barclays US Aggregate, 21% Russell 1000, 19% Russell 2000, 40% MSCI All Country World Ex-U.S. Index (MSCI ACWI x U.S.), 6% 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 Benchmark**—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 Benchmark**—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 Benchmark**—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 Benchmark**—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 Benchmark**—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 Benchmark**—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 $0.9 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 approximately 201,500 people in Ohio.

Top Ohio Holdings (for the year ended December 31, 2013)

Direct		Indirect		
Largest Firms Headquartered In Ohio	Fair Value	Firms With Largest Employment Presence	Ohio Employment Estimated Headcount	Fair Value
Procter & Gamble Co.	$189,773,956	Wal-Mart Stores, Inc.	48,630	$107,956,306
Fifth Third Bancorp	24,321,973	Kroger Co.	39,000	10,253,331
Keycorp	21,254,086	JPMorgan Chase & Co.	23,200	194,576,293
Cardinal Health Inc.	17,053,921	General Electric Co.	15,275	253,847,865
Parker Hannifin Corp.	16,503,997	Honda Motor Co., Ltd.	13,500	41,241,061
JM Smucker Co.	12,154,108	Procter and Gamble Co.	13,300	189,773,955
DSW Inc.	10,512,648	United Parcel Service, Inc.	13,100	67,978,879
Kroger Co.	10,253,331	Bob Evans Farms Inc.	12,250	373,101
Big Lots Inc.	9,593,940	Target Corp.	12,250	35,491,243
GenCorp Inc.	8,269,180	Sears Holdings Corp.	11,000	630,703
Total	**$319,691,140**	**Total**	**201,505**	**$902,122,737**

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 the 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 2013 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 124 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 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 42.5% and 24.5%, respectively, with the remaining 29.0%, 2.0% and 2.0% allocated to Alternatives, Risk Parity and Global Tactical Asset Allocation, respectively. 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:	**42.5%**	**34 to 51%**	
U.S. Equity	Custom Allocation*	+/- 5%	Russell 3000 Index
Non-U.S. Equity	Custom Allocation*	+/- 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:	**24.5%**	**17 to 32%**	
Core Fixed	10.0	7 to 13	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	5.0	2 to 8	Barclays U.S. High Yield Index
Emerging Market Debt	3.0	0 to 5	Custom benchmark of the following indices: 50% JPMorgan Emerging Markets Bond Index Global 50% JPMorgan Government Bond Index-Emerging Markets Global Diversified
Liquidity	2.0	0 to 4	Merrill Lynch 3-month U.S. Treasury Bill Index
Global High Yield	1.5	0 to 3	Barclays Global High Yield Index
Floating Rate Debt	1.0	0 to 2	Credit Suisse Leveraged Loan Index
Securitized Debt	1.0	0 to 2	CMBS component of Barclays U.S. Aggregate Index plus 200 basis points
TIPS	1.0	0 to 2	Barclays U.S. TIPS Index
Alternatives:	**29.0%**	**11 to 33%**	
Private Equity	10.0	0 to 14	60% Russell 3000 Index and 40% MSCI ACWI ex U.S. IMI plus 300 basis points
Real Estate	10.0	0 to 14	Net NFI-ODCE plus 85 basis points
Hedge Funds	6.0	0 to 10	Minimum of 700 basis points or 3-month LIBOR plus 400 basis points
Opportunistic	2.0	0 to 4	Market Weight of underlying portfolio benchmarks
Commodities	1.0	0 to 2	Standard & Poor's-Goldman Sachs Commodity Index Total Return
Risk Parity:	**2.0%**	**0 to 4%**	Market value weight of underlying portfolio benchmarks
Global Tactical Asset Allocation:	**2.0%**	**0 to 4%**	Market value weight of underlying portfolio benchmarks
Operating Cash:	**0.0%**	**0 to 3%**	N/A
Total	**100.0%**		

* The Custom Allocation is reset quarterly based on the U.S. to Non-U.S. equity ratio as measured by the market capitalization of the MSCI All Country World Index (ACWI)—Investable Market Index (IMI).

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. The most recent comprehensive strategic asset allocation review was completed in 2013 and portfolio adjustments made accordingly.

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 are invested with the objectives of a) preservation of capital and b) earning a reasonable return.

Asset Allocation and Performance Objectives

The approved OPERS asset allocation policy 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. 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:	**47.5%**	**38 to 57%**	
U.S. Equity	Custom Allocation*	+/- 5%	Russell 3000 Stock Index
Non-U.S. Equity	Custom Allocation*	+/- 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:	**33.5%**	**23 to 44%**	
Core Fixed	17.0	12 to 22	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 Markets Debt	5.0	2 to 10	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	3.5	2 to 5	Barclays U.S. TIPS Index
High Yield	2.0	0 to 4	Barclays U.S. High Yield Index
Global High Yield	2.0	0 to 4	Barclays Global High Yield Index
Liquidity	2.0	0 to 4	Merrill Lynch 3-month U.S. Treasury Bill Index
Floating Rate Debt	1.0	0 to 2	Credit Suisse Leveraged Loan Index
Securitized Debt	1.0	0 to 2	CMBS component of Barclays U.S. Aggregate Index plus 200 basis points
Alternatives:	**15.0%**	**4 to 16%**	
REITS	6.0	2 to 10	Dow Jones U.S. Select Real Estate Securities Index Total Return
Hedge Funds	5.4	1 to 9	Minimum of 700 basis points or 3-month LIBOR plus 400 basis points
Commodities	2.0	0 to 4	Standard & Poor's-Goldman Sachs Commodity Index Total Return
Opportunistic	1.6	0 to 3	Market Weight of underlying portfolio benchmarks
Risk Parity:	**2.0%**	**0 to 4%**	Market value weight of underlying portfolio benchmarks
Global Tactical Asset Allocation:	**2.0%**	**0 to 4%**	Market value weight of underlying portfolio benchmarks
Operating Cash	**N/A**	**0 to 3%**	N/A
Total	**100.00%**		

* The Custom Allocation is reset quarterly based on the U.S. to Non-U.S. equity ratio as measured by the market capitalization of the MSCI All Country World Index (ACWI)—Investable Market Index (IMI).

Rebalancing

The staff ensures 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. The most recent comprehensive strategic asset allocation review was completed in 2013 and portfolio adjustments made accordingly.

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 who 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**

  The OPERS Target Date Funds make up 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 accumulated capital. 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
Bond	32%	+/-4.0%	36%	+/-4.1%	37%	+/-2.7%	24%	+/-2.4%	13%	+/-2.4%
Short Term Bond	25	+/-3.7	13	+/-2.1	2	+/-0.5	0	+/-0.0	0	+/-0.0
Non-U.S. Stock	15	+/-2.2	20	+/-2.4	28	+/-2.6	36	+/-2.8	40	+/-2.8
TIPS	13	+/-3.4	11	+/-3.5	5	+/-0.5	1	+/-0.5	0	+/-0.0
Large Cap	10	+/-1.3	12	+/-1.4	15	+/-1.7	19	+/-1.9	21	+/-2.1
Small Cap	5	+/-1.7	8	+/-1.8	13	+/-2.1	17	+/-2.4	19	+/-2.6
Long-Duration Bond	0	+/-0.0	0	+/-0.0	0	+/-0.0	3	+/-1.5	7	+/-1.4

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
Bond	9%	+/-2.3%	7%	+/-2.2%	6%	+/-2.1%	5%	+/-2.1%	5%	+/-2.1%
Short Term Bond	0	+/-0.0	0	+/-0.0	0	+/-0.0	0	+/-0.0	0	+/-0.0
Non-U.S. Stock	42	+/-2.9	43	+/-3.0	44	+/-3.1	45	+/-3.1	45	+/-3.1
TIPS	0	+/-0.0	0	+/-0.0	0	+/-0.0	0	+/-0.0	0	+/-0.0
Large Cap	22	+/-2.1	23	+/-2.2	25	+/-2.3	25	+/-2.3	25	+/-2.3
Small Cap	19	+/-2.7	20	+/-2.7	20	+/-2.8	20	+/-2.8	20	+/-2.8
Long-Duration Bond	8	+/-1.3	7	+/-1.3	5	+/-1.2	5	+/-1.2	5	+/-1.2

- **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 Net Dividend Return 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 are 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 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 offer diversification to minimize the impact of loss from individual positions. In addition to diversification, the program is passively managed for the OPERS Target Date and OPERS Funds. The OPERS Self-Directed Brokerage Account offers participants a broad range of mutual fund choices, which are 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 markets debt, floating rate debt, securitized debt, Treasury inflation-protected securities (TIPS), high yield, global high yield, and liquidity.

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.

Public Equities (Domestic and International)

The Public Equities program seeks to diversify assets by obtaining broad exposure to global publicly-traded equity markets. Considering that security, sector and market return opportunities occur, the Public Equity Asset Class is structured to include managers that seek to exploit those opportunities with the expectation that the overall asset class produces risk-adjusted return, net of fees, that will exceed the benchmark.

The Public Equities program contains both actively traded and passive or indexed components. The investment staff's decision to allocate across passive and active styles is designed, in aggregate, to outperform the respective U.S. Equity and Non-U.S. Equity benchmarks while operating within established risk parameters.

Tracking error is a statistical measure of the potential variability of the portfolio's return relative to that of the assigned benchmark. The benchmark and tracking error range for the Defined Benefit and Health Care funds are displayed in the following table:

Asset Class	Benchmark	Tracking Error Range
U.S. Equity	Russell 3000 Index	0 to 100 basis points
Non-U.S. Equity	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	0 to 300 basis points

Real Estate

The Private Market Real Estate program uses active management strategies implemented through external managers. The public market Real Estate portfolio may engage in active and passive management strategies through internal and external managers. Both strategies may use a component of non-U.S. real estate investments.

The performance benchmark for the Defined Benefit Fund Real Estate sub-asset class is the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open End Diversified Core Equity (ODCE) net of fees plus 85 basis points to reflect long-term portfolio weightings to Core and Non-Core real estate. The Defined Benefit Fund Real Estate portfolio is expected to meet or exceed the net ODCE plus 85 bps over rolling five-year periods. The performance benchmark for the Health Care Fund REIT sub-asset class is the Dow Jones U.S. Select Real Estate Securities Index Total Return.

The Private Market Real Estate program has a single-manager exposure limited to 20% of the Private Market Real Estate program. The long-term goal is to have at least 80% of the Private Market Real Estate portfolio invested in apartment, industrial, office and retail assets. Investments outside the United States will be limited to no more than 25% of the Private Market Real Estate portfolio. OPERS limits the amount of equity in any single direct investment to 15% of the Private Market Real Estate target allocation. Single closed-end commingled funds are limited to the greater of $400 million or 5% 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.

Private Equity

The Private Equity sub-asset class seeks superior equity returns plus a liquidity premium by investing with managers who have a consistent record of producing top quartile returns. Private equity investments also allow the opportunity to invest in the very significant portion of the global economy which is not publicly-traded as well as to access strategies which benefit from longer holding or workout periods. Accessing these strategies leads not only to superior returns but also to additional diversification of assets and strategies within the Defined Benefit Portfolio.

The Private Equity program exclusively uses active management strategies and is 100% externally managed with single partnership exposure limited to the lesser of 24.99% of a fund-raise, or $400 million. 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.

Private Equity performance is benchmarked against a custom benchmark that equals 60% of the Russell 3000 index return and 40% of the MSCI ACWI ex US IMI index return plus 300 basis points calculated using the time-weighted total return method. In addition, computed internal rate of return (IRR) results are compared to peer rankings using the Venture Economics data whose performance is also based on the IRR methodology.

Cash Management

Cash management activity seeks to preserve principal, provide adequate liquidity and achieve market returns in excess of the benchmark, net of fees. Cash management involves actively investing cash and securities, and lending cash collateral relative 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 can be used to assist in achieving investment goals within a particular investment strategy such as managing the overall asset allocation of a Fund or portfolio, including rebalancing activities, transitioning assets between managers, and equitizing or bondizing cash balances. In addition, they can be used to hedge or manage exposure to equity markets, commodities, currencies, duration, total return, yield or credit, interest rates, sectors, sub-sectors and/or countries, risk/return profiles 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 (OTC). 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:	
Core Fixed	25
TIPS	25
High Yield	25
Global 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 Funds 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 Funds asset class. Hedge fund allocations are limited to $400 million for multi-strategy managers and direct hedge fund managers are limited to $200 million or 6% of the sub-asset class market value, whichever is greater.

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.

Commodities

Commodity investments are to provide exposure to global commodities and to achieve returns comparable to or in excess of the benchmark return, net of fees. Commodity portfolios shall be governed by manager portfolio guidelines that establish management parameters to achieve commodity-based returns. Commodity investments may be in any of the commodities that comprise the Standard and Poor's-Goldman Sachs Commodity Index and/or the Dow Jones-UBS Commodity Index at the time they are purchased. Risk is managed through a combination of quantitative and qualitative constraints.

Opportunistic

Investments in the Opportunistic sub-asset class include investment strategies or assets that are not currently used in the respective Defined Benefit or Health Care Portfolios but which have the potential to improve investment results over time. Assets and strategies used in the opportunistic program must have the potential to be mainstreamed into OPERS investment program over time, or be opportunistic based on either valuation or circumstances.

Every strategy within the Opportunistic sub-asset class will have a specific performance benchmark. The overall benchmark for the Opportunistic sub-asset class is the market value weight of the underlying benchmarks. Long-term returns from the Opportunistic sub-asset class should match or exceed OPERS total fund benchmark, which is a measure of the opportunity cost of investing in this category.

The primary risk control mechanisms are the limited size of the opportunistic allocation and the limits on the size of single assets and strategies. No single investment strategy or portfolio assigned to the same benchmark within the Opportunistic sub-asset class may exceed 0.5% of the sum of Defined Benefit and Health Care portfolios' assets at the time of funding.

Global Tactical Asset Allocation

Global Tactical Asset Allocation (GTAA) seeks to exploit short-term opportunities among global capital market assets. The strategy focuses on general movements in the market rather than on performance of individual securities. This requires investing in multiple asset types and may employ leverage to obtain the desired mix. GTAA investments are expected to provide Fund level diversification and an additional source of excess return.

GTAA assets may be invested in all types of instruments intended to obtain exposure to a wide variety of asset types including equities, fixed income (both sovereign and credit based exposures), inflation-linked bonds, commodities and other asset types. Instruments used may be exchange-traded or non-exchange traded and may be physical securities or derivatives, and some degree of leverage may be employed.

The overall benchmark for GTAA is the market value weight of the underlying managers' benchmarks. Risk is managed through a combination of quantitative and qualitative constraints. By allocating to multiple GTAA managers, concentration to any one manager is limited. Investment Advisors will help to identify managers, using a process approved by the Chief Investment Officer (CIO). In addition to the investment due-diligence process, each manager will undergo an operational due diligence review prior to funding to evaluate non-investment related risk factors.

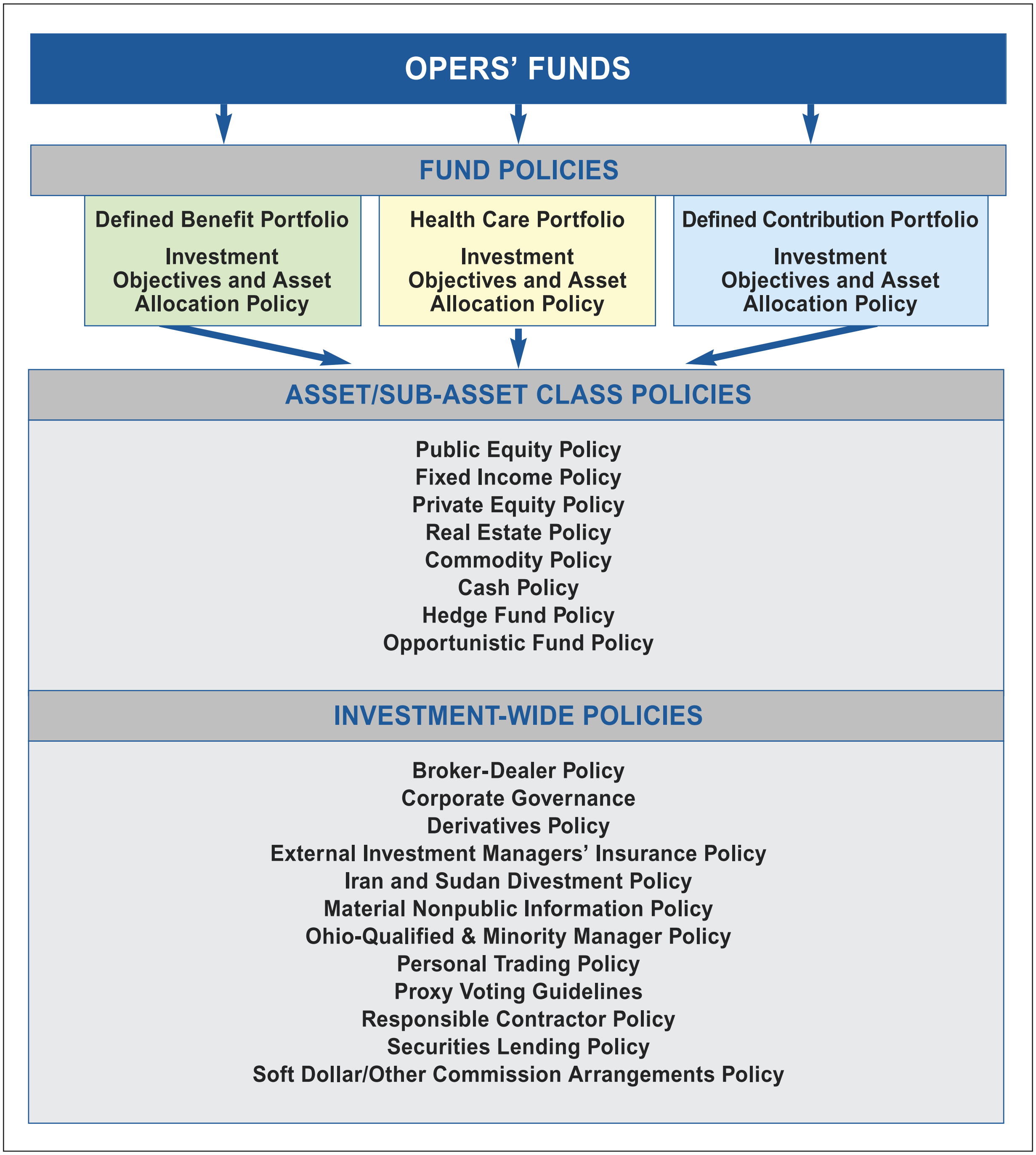
Risk Parity

Risk parity seeks to diversify assets by obtaining exposure to global capital market assets in a risk-aware manner. This requires investing in multiple asset types and leveraging exposures to global markets in order to obtain the desired risk-aware mix. The Risk Parity allocation is structured to achieve roughly balanced risk exposure across equities, nominal fixed income, and inflation sensitive assets, targeting a total volatility level comparable to that of the Defined Benefit portfolio and Health Care portfolio.

The overall benchmark for Risk Parity is the market value weight of the underlying managers' benchmarks. The OPERS Board will set performance expectation for Risk Parity through their approval of the Annual Investment Plan. Risk is managed through a combination of quantitative and qualitative constraints. By allocating to multiple Risk Parity managers, concentration to any one manager is limited.

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.



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Actuarial Section

From left to right: Marianne Steger, Director of Health Care; Karen Carraher, Executive Director; Ken Thomas, Representative for Municipal Employees, Chair of Health Care Committee; Sharon Downs, Representative for Retirees, Vice-Chair of Health Care Committee

Analyzing Past Experience
to Forecast the Future

As the results of 2013 are analyzed, the initial positive impact of the 2012 pension legislation is clear—an impact that will continue into the foreseeable future.

Through constant assessment of actual past experience, OPERS forecasts future trends in expenses. By analyzing member and employer demographics, we can validate trends and propose solutions. This allows us to propose modest changes, to be implemented incrementally, that will keep the System strong by strengthening the funded status.

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

April 21, 2014

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, 2012 and actuarial valuation reports were issued as of that date.

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 21, 2014
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, 2012 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, 2012 annual valuation decreased from the prior year. This reduction is primarily attributed to the implementation of Senate Bill 343. The overall plan experience during the calendar year 2012 was reasonably close to actuarial expectations. 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. Recently adopted changes, resulting from the Health Care Preservation Plan (HCPP) 3.0, helped assist in the long-term viability of the retiree health program by increasing the expected solvency period from 10 years to an indefinite period according to the December 31, 2012 retiree health plan valuation.

Based upon the results of the December 31, 2012 valuations, we are pleased to report to the Board that the Public Employees Retirement System of Ohio is meeting its basic financial objective and continues to operate in accordance with the actuarial principles of level percent of payroll financing.

Brian B. Murphy, Mita D. Drazilov and Randall J. Dziubek 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:sc

Gabriel Roeder Smith & Company

The actuarial information presented in the 2013 *Comprehensive Annual Financial Report* is based on the System's most current actuarial valuation data of December 31, 2012.

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.

In September 2012, the Legislature approved charges to the pension plans. These changes are summarized on pages 198 through 214 in the Plan Statement section. These changes, while subject to transition, modified the age-and-service eligibility requirements, final average salary, formula benefit components, cost-of-living increases, age reduction factors, as well as other plan components. The impact of these changes are included in the 2012 actuarial valuation results presented in this document.

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 assumed total wage growth 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

Age	Merit and Seniority: State	Local	Public Safety	Law	Wage Inflation	Total Increase Next Year: 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 Men	State Women	Local Men	Local Women	Public Safety Men	Public Safety Women	Law Enforcement Men	Law Enforcement 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: All Divisions Men	All Divisions Women	Disability: State Men	State Women	Local Men	Local Women	Public Safety & Law Enforcement Men	Public Safety & Law Enforcement Women
25	5 & over	0.03%	0.01%	0.12%	0.12%	0.11%	0.10%	0.21%	0.34%
35	5 & over	0.07	0.03	0.26	0.26	0.23	0.17	0.65	0.88
45	5 & over	0.14	0.06	0.58	0.58	0.50	0.36	1.01	1.60
55	5 & over	0.33	0.17	1.10	1.10	1.08	0.79	2.37	2.92
60	5 & over	0.61	0.34	1.78	1.78	1.24	1.09	3.01	3.44

The turnover probabilities in the above tables 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:

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 Public Safety and Law Enforcement 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%. Both the Traditional Pension Plan and Combined Plan retiree post-employment health care funding value of assets are 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 139 – 143.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under the law in effect prior to SB 343, or who will be eligible to retire no later than five years after January 7, 2013 comprise transition group A. Members who have 20 years of service credit prior to January 7, 2013 or will be eligible to retire not later than 10 years after January 7, 2013 are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. See page 203 of the Plan Statement for additional information.

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:

Transition Group A

- ***State and Local***—30 years of service at any age; five years of service at age 65;
  - > 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; 15 years of service at age 62;
- ***Law Enforcement***—25 years of service and attained the age of 48; 15 years of service at age 62.

	State		Local	
Service	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

	State		Local	
Retirement Age	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

Transition Group B

- ***State and Local***—31 years of service at age 52; 32 years of service at any age; and five years of service at age 66;
  - > A service-based probability is used for members who attain 32 years of service at any age
  - > An age-based probability is used for members who attain five years of service on or after age 66
- ***Public Safety***—25 years of service and attained the age of 54; and 15 years of service and attained the age of 64;
- ***Law Enforcement***—25 years of service and attained the age of 50; and 15 years of service and attained the age of 64.

	State		Local	
Service	Men	Women	Men	Women
32	37%	40%	35%	35%
33	28	33	26	30
34-41	24	26	23	24
42-44	35	33	32	24
45-46	35	33	32	20
47	25	25	32	20
48-51	25	25	25	20
52 & Over	100	100	100	100

	State		Local	
Retirement Age	Men	Women	Men	Women
66-67	22%	22%	20%	20%
68	20	20	15	20
69-72	20	20	15	17
73-77	15	20	15	17
78-79	15	25	15	17
80	15	25	15	22
81-84	25	25	20	22
85 & Over	100	100	100	100

Retirement Age	Public Safety	Law Enforcement
50-53	N/A	20%
54-57	25%	20
58-59	20	23
60-61	35	25
62	35	30
63-69	35	25
70	100	25
71	100	25
72 & Over	100	100

Transition Group C

- ***State and Local***—32 years of service at age 55 (55 & 32 Condition); or five years of service at age 67 (67 & 5 Condition)
  - > A service-based probability is used for members who attain 32 years of service at age 55
  - > An age-based probability is used for members who attain five years of service on or after age 67
- ***Public Safety***—25 years of service and attained the age of 56; or 15 years of service and attained the age of 64;
- ***Law Enforcement***—25 years of service and attained the age of 52; or 15 years of service and attained the age of 64.

55 & 32 Condition Year of Eligibility	State		Local	
	Men	Women	Men	Women
1	37%	40%	35%	35%
2	28	33	26	30
3-10	24	26	23	24
11-13	35	33	32	24
14-15	35	33	32	20
16	25	25	32	20
17-20	25	25	25	20
21 & Over	100	100	100	100

67 & 5 Condition Retirement Age	State		Local	
	Men	Women	Men	Women
67-68	22%	22%	20%	20%
69	20	20	15	20
70-73	20	20	15	17
74-78	15	20	15	17
79-80	15	25	15	17
81	15	25	15	22
82-84	25	25	20	22
85 & Over	100	100	100	100

Retirement Age	Public Safety	Law Enforcement
52-55	N/A	20%
56-57	25%	20
58-59	20	20
60-61	35	23
62-63	35	25
64	35	30
65-69	35	25
70	100	25
71-73	100	25
74 & Over	100	100

Percent of Eligible Active Members Retiring Within Next Year

With Reduced Age-and-Service Retirement Benefits

Transition Group A

Members who have a minimum of 25 years of total service credit and who have attained the age of 55 or members with five years of service who have attained age 60 for State and Local divisions may retire with a reduced benefit. Members who have a minimum of 25 years of service and who have attained age 48 or members with 15 years of service and who have attained age 52 for Public Safety and Law Enforcement divisions may also retire with a reduced benefit.

	State		Local		
Retirement Age	Men	Women	Men	Women	Public Safety
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

Transition Group B

Members who have a minimum of 25 or five years of total service credit and who have attained the age of 55 or 60, respectively, for State and Local Divisions may retire with a reduced benefit; or members who have a minimum of 25 or 15 years of total service credit and who have attained the age of 48 or 52, respectively, in the Public Safety and Law Enforcement Divisions may retire with a reduced benefit.

	State		Local			
Retirement Age	Men	Women	Men	Women	Public Safety	Law Enforcement
48-49	N/A	N/A	N/A	N/A	8%	8%
50-53	N/A	N/A	N/A	N/A	8	N/A
55-58	10%	10%	9%	11%	N/A	N/A
59	10	11	9	11	N/A	N/A
60	10	12	9	11	N/A	N/A
61	10	13	9	12	N/A	N/A
62	15	15	13	13	N/A	N/A
63	15	15	14	14	N/A	N/A
64-65	15	15	12	15	N/A	N/A

Transition Group C

Members in State and Local Divisions who have a minimum of 25 or five years of total service credit and who have attained the age of 57 or 62, respectively; members in the Public Safety Division with 25 or 15 years of service credit and an attained age of 52 or 56, respectively, may retire with a reduced benefit; members in the Law Enforcement Division who have a minimum of 25 or 15 years of total service credit and who have attained the age of 48 or 56, respectively, may retire with a reduced benefit.

Retirement Age	State		Local		Public Safety	Law Enforcement
	Men	Women	Men	Women		
48-51	N/A	N/A	N/A	N/A	N/A	8%
52-55	N/A	N/A	N/A	N/A	8%	N/A
57-60	10%	10%	9%	11%	N/A	N/A
61	10	11	9	11	N/A	N/A
62	10	12	9	11	N/A	N/A
63	10	13	9	12	N/A	N/A
64	15	15	13	13	N/A	N/A
65	15	15	14	14	N/A	N/A
66	15	15	12	15	N/A	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
2012	57.4	22.7	$37,741	$18,832	69.3	$23,468
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

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
2012	64.2	8.5	$45,218	$2,785	66.2	$2,891
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

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

Valuation Year	Active Members: Number	Active Members: Annual Payroll ($ millions)	Active Members: Average Pay	Active Members: Percent Increase in Average Pay	Retired Lives: Number*	Retired Lives: Annual Allowance ($ millions)	Retired Lives: Average Allowance
2012	326,227	$11,885	$36,432	(1.08%)	195,622	$4,523	$23,121
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

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

Actuarial Valuation Data — Combined Plan

Valuation Year	Active Members: Number	Active Members: Annual Payroll ($ millions)	Active Members: Average Pay	Active Members: Percent Increase in Average Pay	Retired Lives: Number*	Retired Lives: Annual Allowance ($ millions)	Retired Lives: Average Allowance
2012	6,948	$309	$44,473	0.88%	57	$0	$2,891
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

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

Valuation Year	Member-Directed Plan: Number*	Member-Directed Plan: Annual Allowance ($ millions)	Member-Directed Plan: Average Allowance	Combined Plan: Number*	Combined Plan: Annual Allowance ($ millions)	Combined Plan: Average Allowance
2012	62	$0	$3,516	38	$0	$2,922
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

* 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 Plan and the Combined Plan. 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, 2013.

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 198 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: Number	Added to Rolls: Annual Allowances	Removed From Rolls: Number	Removed From Rolls: Annual Allowances	Rolls at End of Year: Number	Rolls at End of Year: Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowances
2013	10,946	$265,957,588	5,371	$83,764,472	194,932	$4,784,927,394	6.3%	$24,547
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

* 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: Number	Added to Rolls: Annual Allowances	Removed From Rolls: Number	Removed From Rolls: Annual Allowances	Rolls at End of Year: Number	Rolls at End of Year: Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowances
2013	45	$133,159	0	$0	100	$296,172	87.2%	$2,962
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

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 (Columns (1)) and the liabilities for future benefits payable to present retired lives (Columns (2)) will be fully covered by existing assets (except in rare circumstances). In addition, the liabilities for service already rendered by active/inactive members (Columns (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 (Columns (3)) will increase over time. Columns (3) are 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: (1) Member Contributions	(2) Retirees and Beneficiaries	(3) Active/Inactive Members (Employer-Financed Portion)	Valuation Assets*	Portions of Accrued Liabilities Covered by Reported Assets: (1)	(2)	(3)
2012	$12,640	$49,667	$21,357	$67,670	100%	100%	25%
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

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

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

Valuation Year	Aggregate Accrued Liabilities for: (1) Member Contributions	(2) Retirees and Beneficiaries	(3) Active/Inactive Members (Employer-Financed Portion)	Valuation Assets*	Portions of Accrued Liabilities Covered by Reported Assets: (1)	(2)	(3)
2012	$2	$3	$207	$183	100%	100%	86%
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

* Does not include assets set aside for the Post-employment Health Care Plan.
** Results restated based on experience study.
*** Results from original valuation prior to completion of 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	Gains (or Losses) For Year ($ in millions) 2012	2011	2010	2009	2008
Age-and-Service Retirements If members retire at older ages than assumed, there is a gain. If younger ages, a loss.	($113.2)	($179.0)	($20.5)	($27.5)	$10.1
Disability Retirements If Disability claims are less than assumed, there is a gain. If more claims, a loss.	71.6	88.1	59.2	74.0	39.1
Death-In-Service Annuities If survivor claims are less than assumed, there is a gain. If more claims, a loss.	42.0	36.1	32.0	34.6	31.7
Other Separations If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	8.9	15.9	99.8	(58.9)	(27.9)
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	1,261.7	359.5	773.7	1,141.8	220.2
Investment Return If there is greater investment return than assumed, there is a gain. If less return, a loss.	(398.4)	(1,193.8)	153.5	(620.5)	(15,813.5)
Gains (or Losses) During Year From Financial Experience	**$872.6**	**($873.2)**	**$1,097.7**	**$543.5**	**($15,540.3)**

Analysis of Financial Experience — Combined Plan

Type of Activity	Gains (or Losses) For Year ($ in millions) 2012	2011	2010	2009	2008
Age-and-Service Retirements If members retire at older ages than assumed, there is a gain. If younger ages, a loss.	($0.11)	($0.09)	($0.12)	($0.12)	($0.06)
Disability Retirements If Disability claims are less than assumed, there is a gain. If more claims, a loss.	4.86	4.52	2.78	2.07	1.94
Death-In-Service Annuities If survivor claims are less than assumed, there is a gain. If more claims, a loss.	0.59	(0.02)	0.04	0.53	0.05
Other Separations If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	0.44	0.55	(1.67)	7.56	1.98
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	7.55	3.00	(2.29)	(3.35)	(0.21)
Investment Return If there is greater investment return than assumed, there is a gain. If less return, a loss.	(0.38)	(2.69)	(3.44)	(3.25)	(23.83)
Gains (or Losses) During Year From Financial Experience	**$12.95**	**$5.27**	**($0.12)**	**$3.44**	**($20.13)**

Actual vs. Recommended Contribution Rates

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

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Statistical Section

From left to right: David Payne (designee for Robert Blair, Director of the Ohio Department of Administrative Services, statutory Board member); Blake Sherry, Chief Operating Officer

Accuracy Provides
Meticulous Records

First rule of navigation—to go forward you must know where you are. Without an exact point-in-time starting place, any navigator will miss the destination.

Statistics demonstrate what an important economic engine OPERS is because:

- The promise of a secure retirement enables employers to attract and retain quality employees.
- More than 90% of OPERS retirees remain in the state, meaning the almost $4.5 billion in pension benefits are also spent here.
- All Ohio residents benefit from the important work of the public sector employee—employees who provide transportation services, public health services, libraries, college and university administrative support and more.

Overview

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 153 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.

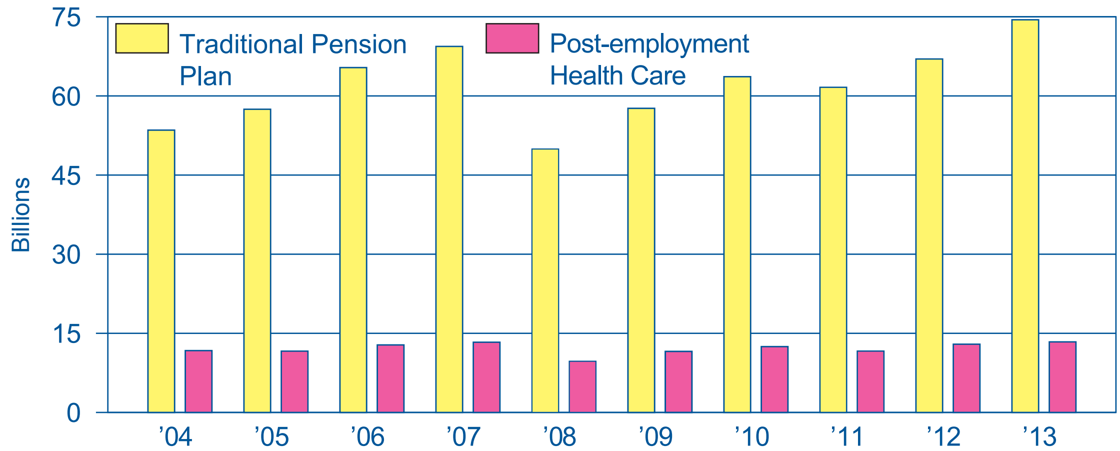
The schedules on page 178 compare the pension assets accumulated to cover the projected pension liabilities that are ultimately due at retirement for each of the defined benefit plans and the corresponding funded ratio. The schedule on page 179 displays similar information for OPERS' health care assets 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 an appropriate level of funds to meet future health care obligations. Refer to Schedules of Pension and Health Care Assets vs. Liabilities.

The schedules beginning on page 176 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:

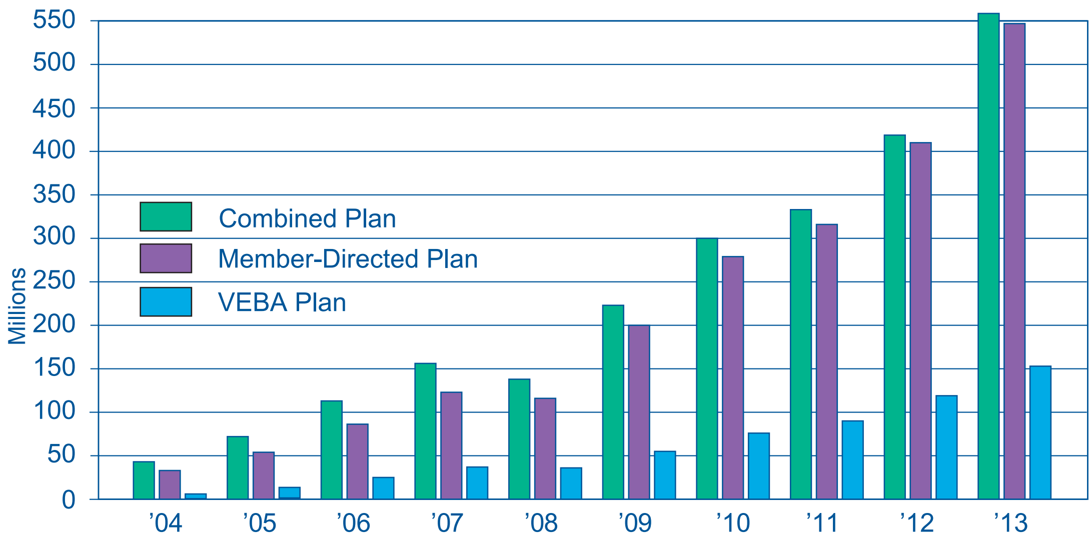
- Number of Refund Payments by Plan,
- Pension Assets vs. Pension Liabilities,
- Health Care Assets vs. Health Care Liabilities,
- Number of Retirees/Benefit Recipients by Category,
- Number of Covered Lives by Category,
- Schedule of Retirees by Benefit Type and Amount,
- Number of New Pension Retirees,
- Schedule of Average Benefits (Traditional Pension and Combined Plans),
- Member Counts by Plan,
- 2013 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
2013	$74,618,532,269	$13,111,684,807	$559,612,889	$547,022,037	$153,084,296	$88,989,936,298
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

* 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	2013	2012	2011*	2010*
All Plans				
Employees' Savings Fund	$12,828,423,536	$12,641,655,468	$12,300,117,438	$12,134,839,989
Employers' Accumulation Fund—Pension/Health Care	22,852,975,720	19,074,270,351	15,959,261,830	22,278,219,189
Annuity and Pension Reserve Fund	50,525,254,541	47,232,908,883	43,513,048,458	39,927,499,750
Survivors' Benefit Fund	1,654,787,855	1,627,212,197	1,568,050,108	1,527,374,797
Defined Contribution Fund—Retirement/Health Care	1,011,655,646	763,702,610	587,622,632	522,426,170
Income Fund	113,671,739	107,444,000	99,016,985	99,070,651
Expense Fund	3,167,261		3,758,715	2,190,144
Total Fund Balance	**$88,989,936,298**	**$81,447,193,509**	**$74,030,876,166**	**$76,491,620,690**
Traditional Pension Plan				
Employees' Savings Fund	$12,826,142,567	$12,639,906,042	$12,298,673,251	$12,133,856,642
Employers' Accumulation Fund—Pension	9,507,406,396	6,066,140,290	3,850,924,715	9,464,360,661
Annuity and Pension Reserve Fund	50,513,356,451	47,227,389,270	43,510,467,596	39,926,390,271
Survivors' Benefit Fund	1,654,787,855	1,627,212,197	1,568,050,108	1,527,374,797
Income Fund	113,671,739	107,444,000	99,016,985	99,070,651
Expense Fund	3,167,261		3,758,715	2,190,144
Total Fund Balance	**$74,618,532,269**	**$67,668,091,799**	**$61,330,891,370**	**$63,153,243,166**
Post-employment Health Care				
Employers' Accumulation Fund—Health Care	$13,111,684,807	$12,828,625,322	$11,959,000,311	$12,682,612,422
Total Fund Balance	**$13,111,684,807**	**$12,828,625,322**	**$11,959,000,311**	**$12,682,612,422**
Combined Plan				
Employees' Savings Fund	$1,894,549	$1,606,472	$1,362,904	$975,589
Employers' Accumulation Fund—Pension	233,588,347	179,466,995	149,374,928	131,266,975
Annuity and Pension Reserve Fund	5,481,510	3,114,881	1,514,253	644,239
Defined Contribution Fund—Retirement	318,648,483	236,009,198	180,842,930	167,550,828
Total Fund Balance	**$559,612,889**	**$420,197,546**	**$333,095,015**	**$300,437,631**
Member-Directed Plan				
Employees' Savings Fund	$386,420	$142,954	$81,283	$7,758
Employers' Accumulation Fund—Pension	296,170	37,744	(38,124)	(20,869)
Annuity and Pension Reserve Fund	6,416,580	2,404,732	1,066,609	465,240
Defined Contribution Fund—Retirement	539,922,867	408,077,537	316,083,570	278,644,313
Total Fund Balance	**$547,022,037**	**$410,662,967**	**$317,193,338**	**$279,096,442**
VEBA Plan				
Defined Contribution Fund—Health Care	$153,084,296	$119,615,875	$90,696,132	$76,231,029
Total Fund Balance	**$153,084,296**	**$119,615,875**	**$90,696,132**	**$76,231,029**

* 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)

2009	2008	2007	2006	2005	2004
$11,933,642,333	$11,546,208,967	$10,815,159,012	$10,374,480,725	$9,810,364,125	$9,339,927,737
20,026,006,552	13,503,733,507	40,336,757,059	38,641,822,117	33,061,020,982	30,921,433,439
35,616,195,176	32,410,382,036	30,699,027,425	27,770,522,547	25,377,301,101	23,663,435,434
1,472,264,995	1,418,388,692	1,373,512,884	1,313,109,826	1,209,472,794	1,171,933,656
376,419,373	216,885,601	234,047,349	165,336,652	102,223,154	62,970,790
95,184,666	100,226,117	99,627,634	95,995,910	87,484,700	84,749,285
5,663,134	5,693,883	2,496,366		2,439,720	4,000,515
$69,525,376,229	**$59,201,518,803**	**$83,560,627,729**	**$78,361,267,777**	**$69,650,306,576**	**$65,248,450,856**
$11,932,873,455	$11,545,651,011	$10,814,646,533	$10,374,152,385	$9,810,182,770	$9,339,889,114
8,508,596,858	3,832,714,973	26,970,418,583	25,743,571,669	21,175,333,656	19,290,307,206
35,615,840,849	32,410,136,478	30,698,939,078	27,770,523,103	25,377,301,101	23,663,435,434
1,472,264,995	1,418,388,692	1,373,512,884	1,313,109,826	1,209,472,794	1,171,933,656
95,184,666	100,226,117	99,627,634	95,995,910	87,484,700	84,749,285
5,663,134	5,693,883	2,496,366		2,439,720	4,000,515
$57,630,423,957	**$49,312,811,154**	**$69,959,641,078**	**$65,297,352,893**	**$57,662,214,741**	**$53,554,315,210**
$11,415,195,274	$9,596,082,077	$13,282,947,482	$12,838,059,079	$11,845,713,012	$11,609,113,358
$11,415,195,274	**$9,596,082,077**	**$13,282,947,482**	**$12,838,059,079**	**$11,845,713,012**	**$11,609,113,358**
$768,977	$557,956	$512,479	$328,340	$181,355	$38,623
102,108,811	74,976,136	83,391,067	60,191,369	39,974,314	22,012,875
251,905	73,758	60,804	(556)		
120,255,104	63,342,635	72,900,216	53,479,881	32,343,938	21,411,957
$223,384,797	**$138,950,485**	**$156,864,566**	**$113,999,034**	**$72,499,607**	**$43,463,455**
($99)					
105,609	($39,679)	($73)			
102,422	171,800	27,543			
200,380,138	117,209,900	123,919,448	$86,524,882	$54,502,026	$33,579,873
$200,588,070	**$117,342,021**	**$123,946,918**	**$86,524,882**	**$54,502,026**	**$33,579,873**
$55,784,131	$36,333,066	$37,227,685	$25,331,889	$15,377,190	$7,978,960
$55,784,131	**$36,333,066**	**$37,227,685**	**$25,331,889**	**$15,377,190**	**$7,978,960**

Fiduciary Net Position by Year (last 10 fiscal years)

Year	2013	2012	2011*	2010*
All Plans				
Assets:				
Cash and Short-Term Investments	$3,333,382,605	$2,780,697,535	$2,847,839,851	$3,654,805,279
Receivables	1,092,845,990	2,212,003,770	1,554,352,796	1,437,458,798
Investments	85,137,610,781	77,617,850,120	71,149,016,095	72,661,379,153
Collateral on Loaned Securities	6,958,964,420	6,827,172,458	10,401,223,945	9,250,107,607
Net Capital Assets	131,389,851	121,172,935	112,092,861	112,130,055
Prepaid Expenses and Other Assets	2,912,709	3,841,978	779,630	471,611
Total Assets	**96,657,106,356**	**89,562,738,796**	**86,065,305,178**	**87,116,352,503**
Liabilities and Net Position				
Benefits Payable	90,115,030	101,188,640	119,591,363	142,993,825
Investment Commitments Payable	554,398,461	1,116,869,935	1,423,836,318	1,155,469,120
Obligations Under Securities Lending	6,953,717,885	6,816,672,766	10,410,130,422	9,250,107,607
Other Liabilities	68,938,682	80,813,946	80,870,909	76,161,261
Net Position (Fund Balance)	88,989,936,298	81,447,193,509	74,030,876,166	76,491,620,690
Total Liabilities and Net Position	**$96,657,106,356**	**$89,562,738,796**	**$86,065,305,178**	**$87,116,352,503**
Traditional Pension Plan				
Assets:				
Cash and Short-Term Investments	$2,826,596,339	$2,324,824,614	$2,321,930,951	$2,969,362,112
Receivables	760,735,070	1,690,953,615	1,181,127,055	1,039,459,387
Investments	71,393,042,048	64,487,332,183	58,890,460,789	59,973,039,802
Collateral on Loaned Securities	6,924,316,299	6,797,920,566	10,363,838,801	7,708,958,738
Net Capital Assets	98,948,820	85,661,140	84,923,332	85,155,975
Prepaid Expenses and Other Assets	2,912,709	3,841,978	779,630	471,611
Total Assets	**82,006,551,285**	**75,390,534,096**	**72,843,060,558**	**71,776,447,625**
Liabilities and Net Position				
Benefits Payable	78,477	682,136	1,061,656	31,862
Investment Commitments Payable	451,977,660	918,234,060	1,124,645,829	899,118,485
Obligations Under Securities Lending	6,919,095,886	6,787,465,861	10,372,713,265	7,708,958,738
Other Liabilities	16,866,993	16,060,240	13,748,438	15,095,374
Net Position (Fund Balance)	74,618,532,269	67,668,091,799	61,330,891,370	63,153,243,166
Total Liabilities and Net Position	**$82,006,551,285**	**$75,390,534,096**	**$72,843,060,558**	**$71,776,447,625**
Post-employment Health Care				
Assets:				
Cash and Short-Term Investments	$491,371,340	$446,851,345	$516,841,401	$673,728,399
Receivables	290,484,285	500,838,389	355,160,439	383,127,242
Investments	12,510,470,437	12,167,526,143	11,492,400,597	12,011,299,168
Collateral on Loaned Securities				1,517,578,594
Net Capital Assets	24,866,659	26,625,770	26,945,871	26,862,896
Total Assets	**13,317,192,721**	**13,141,841,647**	**12,391,348,308**	**14,612,596,299**
Liabilities and Net Position				
Benefits Payable	90,019,865	100,495,333	118,529,285	142,952,643
Investment Commitments Payable	99,797,215	194,165,994	294,572,622	253,257,695
Obligations Under Securities Lending				1,517,578,594
Other Liabilities	15,690,834	18,554,998	19,246,090	16,194,945
Net Position (Fund Balance)	13,111,684,807	12,828,625,322	11,959,000,311	12,682,612,422
Total Liabilities and Net Position	**$13,317,192,721**	**$13,141,841,647**	**$12,391,348,308**	**$14,612,596,299**

* 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)

2009	2008	2007	2006	2005	2004
$1,742,538,072	$1,429,632,493	$1,030,943,608	$1,395,818,610	$965,982,241	$1,084,770,226
1,976,201,742	1,016,153,104	1,029,220,765	1,214,050,676	641,652,467	587,965,294
66,819,524,257	57,289,210,006	82,001,128,270	76,452,836,443	68,225,900,093	64,338,975,910
9,978,449,975	7,665,906,536	13,159,403,768	12,744,242,746	11,087,980,611	8,144,602,235
113,508,936	117,521,350	120,859,724	120,156,097	120,588,673	120,989,855
236,290	284,846	387,169	213,849,031	198,922,306	181,572,843
80,630,459,272	**67,518,708,335**	**97,341,943,304**	**92,140,953,603**	**81,241,026,391**	**74,458,876,363**
140,959,867	131,922,479	142,701,327	145,895,911	138,450,016	116,024,321
916,348,545	437,680,710	415,429,392	836,766,843	314,302,665	910,706,088
9,978,449,975	7,665,906,536	13,159,403,768	12,744,242,746	11,087,980,611	8,144,602,235
69,324,656	81,679,807	63,781,088	52,780,326	49,986,523	39,092,863
69,525,376,229	59,201,518,803	83,560,627,729	78,361,267,777	69,650,306,576	65,248,450,856
$80,630,459,272	**$67,518,708,335**	**$97,341,943,304**	**$92,140,953,603**	**$81,241,026,391**	**$74,458,876,363**
$1,652,107,085	$1,208,848,813	$858,481,646	$1,070,224,554	$714,335,617	$889,697,209
915,977,579	741,420,763	774,558,734	937,337,825	505,540,741	470,860,153
55,741,813,567	47,649,655,710	68,602,804,295	63,719,149,199	56,418,544,924	52,668,744,014
9,653,891,069	5,357,710,312	11,069,869,796	10,710,884,709	9,324,745,071	6,701,310,056
86,063,353	91,213,500	93,969,101	94,728,174	95,976,311	97,343,091
236,290	284,846	387,169	213,849,031	198,922,306	181,572,843
68,050,088,943	**55,049,133,944**	**81,400,070,741**	**76,746,173,492**	**67,258,064,970**	**61,009,527,366**
6,950,608	130,259				
749,608,796	364,423,724	355,806,425	725,040,155	258,012,233	744,671,099
9,653,891,069	5,357,710,312	11,069,869,796	10,710,884,709	9,324,745,071	6,701,310,056
9,214,513	14,058,495	14,753,442	12,895,735	13,092,925	9,231,001
57,630,423,957	49,312,811,154	69,959,641,078	65,297,352,893	57,662,214,741	53,554,315,210
$68,050,088,943	**$55,049,133,944**	**$81,400,070,741**	**$76,746,173,492**	**$67,258,064,970**	**$61,009,527,366**
$82,384,335	$214,267,049	$166,407,166	$322,120,585	$250,418,690	$194,486,592
1,046,106,655	261,187,030	242,221,858	266,309,590	128,024,458	111,691,612
10,567,015,643	9,301,814,794	13,050,429,116	12,479,536,506	11,636,525,615	11,561,325,739
299,502,780	2,297,927,070	2,072,493,713	2,015,624,266	1,749,802,181	1,429,823,432
27,377,310	26,203,570	26,606,207	24,425,394	22,906,221	21,102,187
12,022,386,723	**12,101,399,513**	**15,558,158,060**	**15,108,016,341**	**13,787,677,165**	**13,318,429,562**
134,007,772	131,776,992	142,701,327	145,895,911	138,450,016	116,024,321
163,153,464	69,811,443	57,017,727	108,410,835	53,711,956	163,468,451
299,502,780	2,297,927,070	2,072,493,713	2,015,624,266	1,749,802,181	1,429,823,432
10,527,433	5,801,931	2,997,811	26,250		
11,415,195,274	9,596,082,077	13,282,947,482	12,838,059,079	11,845,713,012	11,609,113,358
$12,022,386,723	**$12,101,399,513**	**$15,558,158,060**	**$15,108,016,341**	**$13,787,677,165**	**$13,318,429,562**

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

Year	2013	2012	2011*	2010*
Combined Plan				
Assets:				
Cash and Short-Term Investments	$9,425,463	$6,574,926	$6,248,674	$7,127,776
Receivables	17,071,301	9,350,843	7,707,808	6,892,606
Investments	534,668,467	416,161,716	339,986,995	303,637,263
Collateral on Loaned Securities	20,966,014	18,059,949	23,506,898	15,196,825
Net Capital Assets	3,921,730	4,357,765	65,084	34,750
Total Assets	**586,052,975**	**454,505,199**	**377,515,459**	**332,889,220**
Liabilities and Net Position				
Investment Commitments Payable	1,549,789	2,690,744	2,823,632	1,950,989
Obligations Under Securities Lending	20,950,208	18,032,174	23,527,027	15,196,825
Other Liabilities	3,940,089	13,584,735	18,069,785	15,303,775
Net Position (Fund Balance)	559,612,889	420,197,546	333,095,015	300,437,631
Total Liabilities and Net Position	**$586,052,975**	**$454,505,199**	**$377,515,459**	**$332,889,220**
Member-Directed Plan				
Assets:				
Cash and Short-Term Investments	$282,346	$91,299	$980,013	$1,349,705
Receivables	15,586,438	6,821,748	7,353,279	5,657,850
Investments	560,933,809	432,851,458	338,695,474	301,502,301
Collateral on Loaned Securities	482,373	205,837	111,647	40,463
Net Capital Assets	2,856,649	3,667,974	94,933	38,662
Total Assets	**580,141,615**	**443,638,316**	**347,235,346**	**308,588,981**
Liabilities and Net Position				
Investment Commitments Payable	196,803	155,855	123,669	6,707
Obligations Under Securities Lending	482,009	205,521	111,743	40,463
Other Liabilities	32,440,766	32,613,973	29,806,596	29,445,369
Net Position (Fund Balance)	547,022,037	410,662,967	317,193,338	279,096,442
Total Liabilities and Net Position	**$580,141,615**	**$443,638,316**	**$347,235,346**	**$308,588,981**
VEBA Plan				
Assets:				
Cash and Short-Term Investments	$5,707,117	$2,355,351	$1,838,812	$3,237,287
Receivables	8,968,896	4,039,175	3,004,215	2,321,713
Investments	138,496,020	113,978,620	87,472,240	71,900,619
Collateral on Loaned Securities	13,199,734	10,986,106	13,766,599	8,332,987
Net Capital Assets	795,993	860,286	63,641	37,772
Total Assets	**167,167,760**	**132,219,538**	**106,145,507**	**85,830,378**
Liabilities and Net Position				
Benefits Payable	16,688	11,171	422	9,320
Investment Commitments Payable	876,994	1,623,282	1,670,566	1,135,244
Obligations Under Securities Lending	13,189,782	10,969,210	13,778,387	8,332,987
Other Liabilities				121,798
Net Position (Fund Balance)	153,084,296	119,615,875	90,696,132	76,231,029
Total Liabilities and Net Position	**$167,167,760**	**$132,219,538**	**$106,145,507**	**$85,830,378**

* 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)

2009	2008	2007	2006	2005	2004
$3,716,643	$2,982,361	$2,725,143	$1,375,582	$267,450	$22,755
6,259,012	5,788,861	5,264,533	4,853,858	3,779,363	2,471,545
233,771,271	157,027,020	172,094,212	127,517,778	85,816,585	53,827,860
16,765,205	7,044,675	11,788,022	10,888,345	7,667,367	6,657,051
1,932	118	68,975	437,854	858,051	1,279,716
260,514,063	**172,843,035**	**191,940,885**	**145,073,417**	**98,388,816**	**64,258,927**
1,942,496	1,527,796	1,205,858	1,626,857	1,121,710	1,193,165
16,765,205	7,044,675	11,788,022	10,888,345	7,667,367	6,657,051
18,421,565	25,320,079	22,082,439	18,559,181	17,100,132	12,945,256
223,384,797	138,950,485	156,864,566	113,999,034	72,499,607	43,463,455
$260,514,063	**$172,843,035**	**$191,940,885**	**$145,073,417**	**$98,388,816**	**$64,258,927**
$2,322,907	$2,194,785	$3,064,085	$1,644,348	$738,324	$397,840
5,901,916	5,995,977	5,397,814	3,977,091	2,997,398	2,119,426
221,224,028	137,235,988	140,594,070	103,263,918	69,936,199	46,252,793
30,222	9,177	171,375	3,077,000	3,738,615	5,720,220
2,294	137	55,124	333,494	679,200	1,012,974
229,481,367	**145,436,064**	**149,282,468**	**112,295,851**	**78,089,736**	**55,503,253**
787,160	1,585,226	1,216,779	1,394,809	1,380,789	1,234,257
30,222	9,177	171,375	3,077,000	3,738,615	5,720,220
28,075,915	26,499,640	23,947,396	21,299,160	18,468,306	14,968,903
200,588,070	117,342,021	123,946,918	86,524,882	54,502,026	33,579,873
$229,481,367	**$145,436,064**	**$149,282,468**	**$112,295,851**	**$78,089,736**	**$55,503,253**
$2,007,102	$1,339,485	$265,568	$453,541	$222,160	$165,830
1,956,580	1,760,473	1,777,826	1,572,312	1,310,507	822,558
55,699,748	43,476,494	35,206,577	23,369,042	15,076,770	8,825,504
8,260,699	3,215,302	5,080,862	3,768,426	2,027,377	1,091,476
64,047	104,025	160,317	231,181	168,890	251,887
67,988,176	**49,895,779**	**42,491,150**	**29,394,502**	**18,805,704**	**11,157,255**
1,487	15,228				
856,629	332,521	182,603	294,187	75,977	139,116
8,260,699	3,215,302	5,080,862	3,768,426	2,027,377	1,091,476
3,085,230	9,999,662			1,325,160	1,947,703
55,784,131	36,333,066	37,227,685	25,331,889	15,377,190	7,978,960
$67,988,176	**$49,895,779**	**$42,491,150**	**$29,394,502**	**$18,805,704**	**$11,157,255**

Changes in Fiduciary Net Position (last 10 fiscal years)

Year	2013	2012	2011*	2010
All Plans				
Additions:				
Members' Contributions	$1,458,086,045	$1,426,415,134	$1,434,755,544	$1,387,327,050
Employers' Contributions	1,794,039,132	1,778,728,069	1,809,470,716	1,796,343,429
Contracts and Other Receipts	250,228,379	218,259,489	211,847,098	197,507,372
Federal Subsidies	105,965,762	182,579,917	192,118,407	142,658,293
Net Income/(Loss) from Investing Activity	11,006,164,375	10,375,431,044	179,956,702	9,268,181,189
Other Income, Net	13,898,739	12,103,692	11,255,503	7,930,265
Interplan Activity	13,034,171	16,981,683	10,077,664	10,528,250
Total Additions	14,641,416,603	14,010,499,028	3,849,481,634	12,810,475,848
Deductions:				
Pension Benefits	4,931,491,707	4,590,938,871	4,329,918,267	3,961,552,022
Health Care Benefits	1,644,244,641	1,609,157,697	1,576,457,152	1,568,065,943
Refunds of Contributions	441,284,204	307,486,279	323,672,042	233,054,714
Administrative Expenses	68,619,091	69,617,155	70,101,033	71,030,458
Interplan Activity	13,034,171	16,981,683	10,077,664	10,528,250
Total Deductions	7,098,673,814	6,594,181,685	6,310,226,158	5,844,231,387
Net Increase (Decrease)	7,542,742,789	7,416,317,343	(2,460,744,524)	6,966,244,461
Net Position Held in Trust, Beginning of Year	81,447,193,509	74,030,876,166	76,491,620,690	69,525,376,229
Net Position Held in Trust, End of Year	**$88,989,936,298**	**$81,447,193,509**	**$74,030,876,166**	**$76,491,620,690**

Traditional Pension Plan**				
Additions:				
Members' Contributions	$1,206,808,750	$1,199,073,380	$1,221,597,118	$1,217,388,746
Employers' Contributions	1,571,758,150	1,208,150,727	1,233,002,841	1,097,711,440
Contracts and Other Receipts	121,818,099	122,281,629	121,560,871	113,080,115
Net Income/(Loss) from Investing Activity	9,423,847,940	8,713,817,411	274,530,266	7,678,536,712
Other Income, Net	414,878	329,493	340,460	763,943
Interplan Activity	13,034,171	16,918,042	10,077,664	10,501,974
Total Additions	12,337,681,988	11,260,570,682	2,861,109,220	10,117,982,930
Deductions:				
Pension Benefits	4,928,972,847	4,589,973,216	4,329,452,581	3,961,217,461
Refunds of Contributions	411,321,700	284,217,216	302,812,289	219,808,143
Administrative Expenses	46,946,971	49,179,821	51,196,146	52,375,762
Interplan Activity				
Total Deductions	5,387,241,518	4,923,370,253	4,683,461,016	4,233,401,366
Net Increase (Decrease)	6,950,440,470	6,337,200,429	(1,822,351,796)	5,884,581,564
Net Position Held in Trust, Beginning of Year	67,668,091,799	61,330,891,370	63,153,243,166	57,630,423,957
Net Position Held in Trust, End of Year	**$74,618,532,269**	**$67,668,091,799**	**$61,330,891,370**	**$63,515,005,521**

* Net Position by Plan was restated to adjust 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)

2009	2008	2007	2006	2005	2004
$1,385,175,757	$1,386,561,202	$1,306,544,058	$1,171,079,333	$1,055,269,202	$1,038,288,958
1,822,639,448	1,840,585,266	1,798,305,461	1,673,479,701	1,599,401,084	1,547,265,013
219,182,666	180,763,502	151,494,844	216,390,457	120,057,761	139,473,863
69,132,772	63,310,194	59,075,120	58,987,181		
12,274,797,785	(22,770,412,901)	6,594,053,702	10,028,554,662	5,740,076,574	7,192,406,571
794,525	1,635,996	110,559	1,501,275	980,539	(107,798)
7,879,768	7,470,205	5,730,846	5,286,335	2,457,816	3,510,475
15,779,602,721	(19,290,086,536)	9,915,314,590	13,155,278,944	8,518,242,976	9,920,837,082
3,661,174,109	3,388,953,861	3,136,995,197	2,906,859,113	2,679,084,743	2,454,131,826
1,488,266,219	1,377,274,519	1,282,829,856	1,231,882,888	1,152,943,718	1,040,949,675
222,580,254	221,300,825	221,092,748	235,136,633	220,236,000	209,777,972
75,844,945	74,022,980	69,305,991	65,152,774	61,664,979	61,691,260
7,879,768	7,470,205	5,730,846	5,286,335	2,457,816	3,510,475
5,455,745,295	5,069,022,390	4,715,954,638	4,444,317,743	4,116,387,256	3,770,061,208
10,323,857,426	(24,359,108,926)	5,199,359,952	8,710,961,201	4,401,855,720	6,150,775,874
59,201,518,803	83,560,627,729	78,361,267,777	69,650,306,576	65,248,450,856	59,097,674,982
$69,525,376,229	**$59,201,518,803**	**$83,560,627,729**	**$78,361,267,777**	**$69,650,306,576**	**$65,248,450,856**

$1,236,966,262	$1,253,053,822	$1,183,959,051	$1,065,862,778	$965,977,835	$958,095,802
1,019,582,360	892,693,746	1,051,808,289	1,092,998,459	1,106,755,953	1,057,429,880
160,232,136	113,351,117	105,157,859	122,076,019	112,227,300	118,205,826
9,822,978,753	(19,258,540,437)	5,717,111,026	8,529,935,923	4,860,636,257	5,886,688,477
140,494	1,021,007	40,061	194,492	432,175	(107,798)
7,839,790	7,289,779	4,969,740	4,520,387	1,593,458	3,510,475
12,247,739,795	(16,991,130,966)	8,063,046,026	10,815,588,058	7,047,622,978	8,023,822,662
3,661,076,709	3,388,862,796	3,136,978,910	2,906,857,436	2,679,084,743	2,454,131,826
212,209,227	212,802,651	213,007,451	228,034,617	215,398,602	207,121,141
56,805,048	53,853,085	50,053,260	44,854,241	44,375,744	47,589,813
36,008	180,426	718,220	703,612	864,358	
3,930,126,992	3,655,698,958	3,400,757,841	3,180,449,906	2,939,723,447	2,708,842,780
8,317,612,803	(20,646,829,924)	4,662,288,185	7,635,138,152	4,107,899,531	5,314,979,882
49,312,811,154	69,959,641,078	65,297,352,893	57,662,214,741	53,554,315,210	48,239,335,328
$57,630,423,957	**$49,312,811,154**	**$69,959,641,078**	**$65,297,352,893**	**$57,662,214,741**	**$53,554,315,210**

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Changes in Fiduciary Net Position (last 10 fiscal years)

Year	2013	2012	2011*	2010
Post-employment Health Care**				
Additions:				
Members' Contributions	$178,140,822	$159,614,898	$148,370,246	$111,638,313
Employers' Contributions	120,056,440	494,048,415	503,458,216	628,685,237
Contracts and Other Receipts	126,941,889	94,730,390	89,087,996	83,572,868
Federal Subsidy	105,965,762	182,579,917	192,118,407	142,658,293
Net Income/(Loss) from Investing Activity	1,397,348,823	1,549,970,894	(78,923,627)	1,511,164,964
Other Income, Net	13,483,861	11,774,199	10,915,043	7,163,609
Total Additions	1,941,937,597	2,492,718,713	865,026,281	2,484,883,284
Deductions:				
Health Care Benefits	1,642,525,598	1,607,921,528	1,575,561,578	1,567,551,611
Administrative Expenses	16,352,514	15,172,174	13,076,814	12,782,968
Total Deductions	1,658,878,112	1,623,093,702	1,588,638,392	1,580,334,579
Net Increase (Decrease)	283,059,485	869,625,011	(723,612,111)	904,548,705
Net Position Held in Trust, Beginning of Year	12,828,625,322	11,959,000,311	12,682,612,422	11,415,195,274
Net Position Held in Trust, End of Year	**$13,111,684,807**	**$12,828,625,322**	**$11,959,000,311**	**$12,319,743,979**

Combined Plan				
Additions:				
Members' Contributions	$32,535,565	$30,193,165	$29,256,952	$27,272,707
Employers' Contributions	45,427,520	23,998,486	23,280,520	26,432,761
Contracts and Other Receipts	680,258	745,347	386,879	384,947
Net Income/(Loss) from Investing Activity	78,379,140	50,732,608	(5,810,229)	35,971,101
Other Income, Net				1,267
Interplan Activity				
Total Additions	157,022,483	105,669,606	47,114,122	90,062,783
Deductions:				
Pension Benefits	1,526,005	610,545	305,215	128,366
Refunds of Contributions	7,731,155	6,173,714	6,462,849	3,540,043
Administrative Expenses	2,264,293	2,295,688	2,559,312	2,584,673
Interplan Activity	6,085,687	9,487,128	5,129,362	6,043,719
Total Deductions	17,607,140	18,567,075	14,456,738	12,296,801
Net Increase (Decrease)	139,415,343	87,102,531	32,657,384	77,765,982
Net Position Held in Trust, Beginning of Year	420,197,546	333,095,015	300,437,631	223,384,797
Net Position Held in Trust, End of Year	**$559,612,889**	**$420,197,546**	**$333,095,015**	**$301,150,779**

* Net Position by Plan was restated to adjust 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 Benefits 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)

2009	2008	2007	2006	2005	2004
$94,370,543	$82,695,255	$79,198,959	$71,718,182	$63,408,347	$58,975,931
740,817,891	891,561,073	695,967,837	538,312,995	457,325,506	461,788,996
58,649,547	66,343,542	45,534,017	93,724,104	7,234,092	20,897,027
69,132,772	63,310,194	59,075,120	58,987,181		
2,356,554,863	(3,400,647,342)	858,614,433	1,471,059,831	868,900,661	1,297,291,883
654,031	614,989	70,498	1,306,783	548,364	
3,320,179,647	(2,296,122,289)	1,738,460,864	2,235,109,076	1,397,416,970	1,838,953,837
1,488,032,855	1,377,146,173	1,282,776,044	1,231,870,038	1,152,941,961	1,040,949,675
13,033,595	13,596,943	10,796,417	10,892,971	7,875,355	2,694,253
1,501,066,450	1,390,743,116	1,293,572,461	1,242,763,009	1,160,817,316	1,043,643,928
1,819,113,197	(3,686,865,405)	444,888,403	992,346,067	236,599,654	795,309,909
9,596,082,077	13,282,947,482	12,838,059,079	11,845,713,012	11,609,113,358	10,813,803,449
$11,415,195,274	**$9,596,082,077**	**$13,282,947,482**	**$12,838,059,079**	**$11,845,713,012**	**$11,609,113,358**

$26,096,068	$25,123,220	$21,907,704	$17,367,629	$13,720,773	$11,104,158
23,397,299	20,352,999	19,241,579	17,689,420	15,632,184	12,164,161
124,823	844,005	347,280	427,966	263,142	310,255
44,034,607	(53,571,566)	9,866,238	14,041,870	5,420,080	4,282,641
	68,857	411,764	420,198	425,831	
93,652,797	(7,182,485)	51,774,565	49,947,083	35,462,010	27,861,215
35,566	11,911	5,451	552		
2,905,883	3,623,723	2,707,630	1,910,107	1,390,162	601,042
2,638,279	2,990,092	3,890,828	4,510,803	4,432,803	5,032,027
3,638,757	4,105,870	2,305,124	2,026,194	602,893	1,655,177
9,218,485	10,731,596	8,909,033	8,447,656	6,425,858	7,288,246
84,434,312	(17,914,081)	42,865,532	41,499,427	29,036,152	20,572,969
138,950,485	156,864,566	113,999,034	72,499,607	43,463,455	22,890,486
$223,384,797	**$138,950,485**	**$156,864,566**	**$113,999,034**	**$72,499,607**	**$43,463,455**

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Changes in Fiduciary Net Position (last 10 fiscal years)

Year	2013	2012	2011*	2010
Member-Directed Plan				
Additions:				
Members' Contributions	$40,600,908	$37,533,691	$35,531,228	$31,027,284
Employers' Contributions	38,540,851	35,646,573	33,746,291	29,527,197
Contracts and Other Receipts	785,072	492,890	802,270	462,075
Net Income/(Loss) from Investing Activity	88,633,791	46,860,344	(10,151,205)	34,223,485
Other Income, Net				1,108
Interplan Activity				
Total Additions	168,560,622	120,533,498	59,928,584	95,241,149
Deductions:				
Pension Benefits	992,855	355,110	160,471	206,195
Refunds of Contributions	22,231,349	17,095,349	14,396,904	9,706,528
Administrative Expenses	2,028,864	2,118,855	2,354,183	2,435,285
Interplan Activity	6,948,484	7,494,555	4,920,130	4,382,873
Total Deductions	32,201,552	27,063,869	21,831,688	16,730,881
Net Increase (Decrease)	136,359,070	93,469,629	38,096,896	78,510,268
Net Position Held in Trust, Beginning of Year	410,662,967	317,193,338	279,096,442	200,588,070
Net Position Held in Trust, End of Year	**$547,022,037**	**$410,662,967**	**$317,193,338**	**$279,096,338**

VEBA Plan				
Additions:				
Employers' Contributions	$18,256,171	$16,883,868	$15,982,848	$13,986,794
Contracts and Other Receipts	3,061	9,233	9,082	7,367
Net Income/(Loss) from Investing Activity	17,954,681	14,049,787	311,497	8,284,927
Other Income, Net				338
Interplan Activity		63,641		26,276
Total Additions	36,213,913	31,006,529	16,303,427	22,305,702
Deductions:				
Health Care Benefits	1,719,043	1,236,169	895,574	514,332
Administrative Expenses	1,026,449	850,617	914,578	851,770
Interplan Activity			28,172	101,658
Total Deductions	2,745,492	2,086,786	1,838,324	1,467,760
Net Increase (Decrease)	33,468,421	28,919,743	14,465,103	20,837,942
Net Position Held in Trust, Beginning of Year	119,615,875	90,696,132	76,231,029	55,784,131
Net Position Held in Trust, End of Year	**$153,084,296**	**$119,615,875**	**$90,696,132**	**$76,622,073**

* Net Position by Plan was restated to adjust 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)

2009	2008	2007	2006	2005	2004
$27,742,884	$25,688,905	$21,478,344	$16,130,744	$12,162,247	$10,113,067
26,356,764	24,411,834	21,048,014	16,363,129	12,435,161	10,026,114
173,832	223,485	453,716	161,894	332,927	60,434
42,835,328	(46,084,400)	5,860,816	10,529,166	4,078,183	3,423,731
	55,277	278,478	345,750	355,531	
97,108,808	4,295,101	49,119,368	43,530,683	29,364,049	23,623,346
61,834	79,154	10,836	1,125		
7,465,144	4,874,451	5,377,667	5,191,909	3,447,236	2,055,789
2,514,665	2,762,484	3,601,327	3,882,917	4,128,233	4,898,872
3,821,116	3,183,909	2,707,502	2,431,876	866,427	1,553,226
13,862,759	10,899,998	11,697,332	11,507,827	8,441,896	8,507,887
83,246,049	(6,604,897)	37,422,036	32,022,856	20,922,153	15,115,459
117,342,021	123,946,918	86,524,882	54,502,026	33,579,873	18,464,414
$200,588,070	**$117,342,021**	**$123,946,918**	**$86,524,882**	**$54,502,026**	**$33,579,873**

$12,485,134	$11,565,614	$10,239,742	$8,115,698	$7,252,280	$5,855,862
2,328	1,353	1,972	474	300	321
8,394,234	(11,569,156)	2,601,189	2,987,872	1,041,393	719,839
39,978	56,292	70,864		82,996	
20,921,674	54,103	12,913,767	11,104,044	8,376,969	6,576,022
233,364	128,346	53,812	12,850	1,757	
853,358	820,376	964,159	1,011,842	852,844	1,476,295
383,887			124,653	124,138	302,072
1,470,609	948,722	1,017,971	1,149,345	978,739	1,778,367
19,451,065	(894,619)	11,895,796	9,954,699	7,398,230	4,797,655
36,333,066	37,227,685	25,331,889	15,377,190	7,978,960	3,181,305
$55,784,131	**$36,333,066**	**$37,227,685**	**$25,331,889**	**$15,377,190**	**$7,978,960**

Additions by Source (last 10 fiscal years)

Year	2013	2012	2011	2010*
All Plans				
Members' Contributions	$1,458,086,045	$1,426,415,134	$1,434,755,544	$1,387,327,050
Employers' Contributions	1,794,039,132	1,778,728,069	1,809,470,716	1,796,343,429
Purchase of Service	60,100,714	62,507,139	59,976,857	51,936,153
Early Retirement Incentive Payments	7,294,662	13,568,992	23,366,505	27,964,615
Transfers from Other Retirement Systems	46,370,923	39,590,467	31,487,779	31,862,677
Vendor Rebates & Other Receipts	121,660,735	90,103,930	84,515,422	72,854,648
Additional Annuity/Voluntary Contributions	5,786,692	5,402,253	5,334,480	5,296,310
Other Employer Payments	9,014,653	7,086,708	7,166,055	7,592,969
Federal Subsidy	105,965,762	182,579,917	192,118,407	142,658,293
Net Income/(Loss) from Investing Activity	11,006,164,375	10,375,431,044	179,956,702	9,268,181,189
Other Income	13,898,739	12,103,692	11,255,503	7,930,265
Interplan Activity	13,034,171	16,981,683	10,077,664	10,528,250
Total Additions	**$14,641,416,603**	**$14,010,499,028**	**$3,849,481,634**	**$12,810,475,848**
Traditional Pension Plan				
Members' Contributions	$1,206,808,750	$1,199,073,380	$1,221,597,118	$1,217,388,746
Employers' Contributions	1,571,758,150	1,208,150,727	1,233,002,841	1,097,711,440
Purchase of Service	59,756,708	62,193,231	59,770,075	51,738,819
Early Retirement Incentive Payments	6,943,575	13,134,027	22,388,005	26,567,998
Transfers from Other Retirement Systems	42,242,610	36,013,336	28,505,778	23,234,777
Additional Annuity Contributions	4,744,751	4,530,704	4,447,182	4,699,133
Other Employer Payments	8,130,455	6,410,331	6,449,831	6,839,388
Net Income/(Loss) from Investing Activity	9,423,847,940	8,713,817,411	274,530,266	7,678,536,712
Other Income	414,878	329,493	340,460	763,943
Interplan Activity	13,034,171	16,918,042	10,077,664	10,501,974
Total Additions	**$12,337,681,988**	**$11,260,570,682**	**$2,861,109,220**	**$10,117,982,930**
Post-employment Health Care				
Members' Contributions	$178,140,822	$159,614,898	$148,370,246	$111,638,313
Employers' Contributions	120,056,440	494,048,415	503,458,216	628,685,237
Purchase of Service				48,467
Early Retirement Incentive Payments	351,087	434,965	978,500	1,396,617
Transfers from Other Retirement Systems	4,128,313	3,577,131	2,946,044	8,627,900
Vendor Rebates & Other Receipts	121,660,735	90,103,930	84,515,422	72,854,394
Other Employer Payments	801,754	614,364	648,030	645,490
Federal Subsidy —Medicare Part D	246,139	926,931	788,419	72,100,529
Federal Subsidy —Medicare PDP	105,719,623	181,652,986	81,802,880	
Federal Subsidy —Early Retiree Reinsurance Program			109,527,108	70,557,764
Net Income/(Loss) from Investing Activity	1,397,348,823	1,549,970,894	(78,923,627)	1,511,164,964
Other Income	13,483,861	11,774,199	10,915,043	7,163,609
Total Additions	**$1,941,937,597**	**$2,492,718,713**	**$865,026,281**	**$2,484,883,284**

* 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)

2009	2008	2007	2006	2005	2004
$1,385,175,757	$1,386,561,202	$1,306,544,058	$1,171,079,333	$1,055,269,202	$1,038,288,958
1,822,639,448	1,840,585,266	1,798,305,461	1,673,479,701	1,599,401,084	1,547,265,013
42,247,663	47,326,741	45,091,289	50,645,844	48,472,217	51,003,292
93,149,748	34,588,480	30,078,951	38,617,128	37,426,646	40,727,906
26,142,599	43,533,703	24,071,283	23,863,918	17,996,360	18,660,906
47,557,407	44,672,114	41,826,091	87,417,935	4,024,855	18,589,344
3,915,521	4,498,262	5,538,887	8,668,898	8,457,595	6,115,428
6,169,728	6,144,202	4,888,343	7,176,734	3,680,088	4,376,987
69,132,772	63,310,194	59,075,120	58,987,181		
12,274,797,785	(22,770,412,901)	6,594,053,702	10,028,554,662	5,740,076,574	7,192,406,571
794,525	1,635,996	110,559	1,501,275	980,539	(107,798)
7,879,768	7,470,205	5,730,846	5,286,335	2,457,816	3,510,475
$15,779,602,721	**($19,290,086,536)**	**$9,915,314,590**	**$13,155,278,944**	**$8,518,242,976**	**$9,920,837,082**
$1,236,966,262	$1,253,053,822	$1,183,959,051	$1,065,862,778	$965,977,835	$958,095,802
1,019,582,360	892,693,746	1,051,808,289	1,092,998,459	1,106,755,953	1,057,429,880
42,177,769	47,167,085	44,994,292	50,533,824	48,434,728	50,987,926
87,738,002	32,401,549	27,838,050	35,579,146	34,700,645	38,465,638
20,972,055	24,779,353	23,209,103	21,807,617	17,958,823	18,660,906
3,705,856	3,615,649	4,879,268	8,184,059	7,940,554	5,791,305
5,638,454	5,387,481	4,237,146	5,971,373	3,192,550	4,300,051
9,822,978,753	(19,258,540,437)	5,717,111,026	8,529,935,923	4,860,636,257	5,886,688,477
140,494	1,021,007	40,061	194,492	432,175	(107,798)
7,839,790	7,289,779	4,969,740	4,520,387	1,593,458	3,510,475
$12,247,739,795	**($16,991,130,966)**	**$8,063,046,026**	**$10,815,588,058**	**$7,047,622,978**	**$8,023,822,662**
$94,370,543	$82,695,255	$79,198,959	$71,718,182	$63,408,347	$58,975,931
740,817,891	891,561,073	695,967,837	538,312,995	457,325,506	461,788,996
		13,557	28,133	3,586	
5,411,746	2,186,931	2,240,901	3,037,982	2,726,001	2,262,268
5,170,544	18,754,350	862,180	2,056,301		
47,557,407	44,672,114	41,826,091	87,417,935	4,024,855	18,589,344
509,850	730,147	591,288	1,183,753	479,650	45,415
69,132,772	63,310,194	59,075,120	58,987,181		
2,356,554,863	(3,400,647,342)	858,614,433	1,471,059,831	868,900,661	1,297,291,883
654,031	614,989	70,498	1,306,783	548,364	
$3,320,179,647	**($2,296,122,289)**	**$1,738,460,864**	**$2,235,109,076**	**$1,397,416,970**	**$1,838,953,837**

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Additions by Source (last 10 fiscal years)

Year	2013	2012	2011	2010
Combined Plan				
Members' Contributions	$32,535,565	$30,193,165	$29,256,952	$27,272,707
Employers' Contributions	45,427,520	23,998,486	23,280,520	26,432,761
Purchase of Service	343,752	313,711	201,906	150,035
Transfers from Other Retirement Systems			35,957	
Voluntary Contributions	270,861	425,653	134,608	177,121
Other Employer Payments	65,645	5,983	14,408	57,791
Net Income (Loss) from Investing Activity	78,379,140	50,732,608	(5,810,229)	35,971,101
Other Income				1,267
Interplan Activity				
Total Additions	**$157,022,483**	**$105,669,606**	**$47,114,122**	**$90,062,783**
Member-Directed Plan				
Members' Contributions	$40,600,908	$37,533,691	$35,531,228	$31,027,284
Employers' Contributions	38,540,851	35,646,573	33,746,291	29,527,197
Purchase of Service	254	197	4,876	(1,168)
Voluntary Contributions	771,080	445,896	752,690	420,056
Other Employer Payments	13,738	46,797	44,704	43,187
Net Income (Loss) from Investing Activity	88,633,791	46,860,344	(10,151,205)	34,223,485
Other Income				1,108
Interplan Activity				
Total Additions	**$168,560,622**	**$120,533,498**	**$59,928,584**	**$95,241,149**
VEBA Plan				
Employers' Contributions	$18,256,171	$16,883,868	$15,982,848	$13,986,794
Vendor Rebates & Other Receipts				254
Other Employer Payments	3,061	9,233	9,082	7,113
Net Income (Loss) from Investing Activity	17,954,681	14,049,787	311,497	8,284,927
Other Income				338
Interplan Activity		63,641		26,276
Total Additions	**$36,213,913**	**$31,006,529**	**$16,303,427**	**$22,305,702**

Additions by Source (continued)

2009	2008	2007	2006	2005	2004
$26,096,068	$25,123,220	$21,907,704	$17,367,629	$13,720,773	$11,104,158
23,397,299	20,352,999	19,241,579	17,689,420	15,632,184	12,164,161
68,726	159,371	83,440	83,887	33,903	12,606
				37,537	
48,855	684,634	239,505	329,818	186,294	291,348
7,242		24,335	14,261	5,408	6,301
44,034,607	(53,571,566)	9,866,238	14,041,870	5,420,080	4,282,641
	68,857	411,764	420,198	425,831	
$93,652,797	**($7,182,485)**	**$51,774,565**	**$49,947,083**	**$35,462,010**	**$27,861,215**
$27,742,884	$25,688,905	$21,478,344	$16,130,744	$12,162,247	$10,113,067
26,356,764	24,411,834	21,048,014	16,363,129	12,435,161	10,026,114
1,168	285				2,760
160,810	197,979	420,114	155,021	330,747	32,775
11,854	25,221	33,602	6,873	2,180	24,899
42,835,328	(46,084,400)	5,860,816	10,529,166	4,078,183	3,423,731
	55,277	278,478	345,750	355,531	
$97,108,808	**$4,295,101**	**$49,119,368**	**$43,530,683**	**$29,364,049**	**$23,623,346**
$12,485,134	$11,565,614	$10,239,742	$8,115,698	$7,252,280	$5,855,862
2,328	1,353	1,972	474	300	321
8,394,234	(11,569,156)	2,601,189	2,987,872	1,041,393	719,839
39,978	56,292	70,864		82,996	
$20,921,674	**$54,103**	**$12,913,767**	**$11,104,044**	**$8,376,969**	**$6,576,022**

Deductions by Type (last 10 fiscal years)

Year	2013	2012	2011	2010**
All Plans				
Pension—Annuities	$4,920,408,972	$4,582,583,776	$4,322,202,507	$3,954,057,452
Pension—Installment Payments	1,549,139	463,923	207,443	246,225
Pension—Other	7,913,434	7,891,172	7,508,317	7,248,345
Disability Case Management & Exams	1,620,162			
Refunds	441,284,204	307,486,279	323,672,042	233,054,714
Medicare Part B	112,820,822	112,530,781	109,072,281	107,770,173
Medical	912,071,417	888,700,307	872,219,550	871,299,322
Pending Medical Claims				
Prescription Drug	551,391,403	541,552,286	530,404,030	526,054,523
Dental	48,106,058	41,711,390	38,467,223	38,978,748
Vision	9,038,035	7,896,366	7,288,175	7,668,138
Disease Management	4,535,512	4,711,813	4,620,914	2,557,254
Allowance Payment to RMA	4,562,351	10,818,585	13,489,405	13,223,453
VEBA Claims	1,719,043	1,236,169	895,574	514,332
Administrative Expense	68,619,091	69,617,154	70,101,033	71,030,458
Interplan Activity	13,034,171	16,981,684	10,077,664	10,528,250
Total Deductions	**$7,098,673,814**	**$6,594,181,685**	**$6,310,226,158**	**$5,844,231,387**
Traditional Pension Plan				
Pension—Annuities	$4,919,439,251	$4,582,082,044	$4,321,944,264	$3,953,969,116
Pension—Other	7,913,434	7,891,172	7,508,317	7,248,345
Disability Case Management & Exams	1,620,162			
Refunds	411,321,700	284,217,216	302,812,289	219,808,143
Administrative Expense	46,946,971	49,179,821	51,196,146	52,375,762
Interplan Activity				
Total Deductions	**$5,387,241,518**	**$4,923,370,253**	**$4,683,461,016**	**$4,233,401,366**
Post-employment Health Care*				
Medicare Part B	$112,820,822	$112,530,781	$109,072,281	$107,770,173
Medical	912,071,417	888,700,307	872,219,550	871,299,322
Pending Medical Claims				
Prescription Drug	551,391,403	541,552,286	530,404,030	526,054,523
Dental	48,106,058	41,711,390	38,467,223	38,978,748
Vision	9,038,035	7,896,366	7,288,175	7,668,138
Disease Management	4,535,512	4,711,813	4,620,914	2,557,254
Allowance Payment to RMA	4,562,351	10,818,585	13,489,405	13,223,453
Administrative Expense	16,352,514	15,172,174	13,076,814	12,782,968
Total Deductions	**$1,658,878,112**	**$1,623,093,702**	**$1,588,638,392**	**$1,580,334,579**
Combined Plan				
Pension—Annuities	$533,920	$273,809	$187,051	$61,125
Pension—Installment Payments	992,085	336,736	118,164	67,241
Refunds	7,731,155	6,173,714	6,462,849	3,540,043
Administrative Expense	2,264,293	2,295,688	2,559,312	2,584,673
Interplan Activity	6,085,687	9,487,128	5,129,362	6,043,719
Total Deductions	**$17,607,140**	**$18,567,075**	**$14,456,738**	**$12,296,801**
Member-Directed Plan				
Pension—Annuities	$435,801	$227,923	$71,192	$27,211
Pension—Installment Payments	557,054	127,187	89,279	178,984
Refunds	22,231,349	17,095,349	14,396,904	9,706,528
Administrative Expense	2,028,864	2,118,854	2,354,183	2,435,285
Interplan Activity	6,948,484	7,494,556	4,920,130	4,382,873
Total Deductions	**$32,201,552**	**$27,063,869**	**$21,831,688**	**$16,730,881**
VEBA Plan				
VEBA Claims	$1,719,043	$1,236,169	$895,574	$514,332
Administrative Expense	1,026,449	850,617	914,578	851,770
Interplan Activity			28,172	101,658
Total Deductions	**$2,745,492**	**$2,086,786**	**$1,838,324**	**$1,467,760**

* 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)

	2009	2008	2007	2006	2005	2004
	$3,653,998,513	$3,381,914,006	$3,130,094,411	$2,899,824,472	$2,671,847,680	$2,447,300,267
	50,709	41,250	9,600	1,125		
	7,124,887	6,998,605	6,891,186	7,033,516	7,237,063	6,831,559
	222,580,254	221,300,825	221,092,748	235,136,633	220,236,000	209,777,972
	105,854,803	103,934,337	99,175,973	92,268,184	80,094,041	67,295,184
	877,861,028	827,135,910	745,052,859	705,427,089	656,301,652	560,341,911
			4,121,292	6,034,535	13,361,980	18,454,833
	494,674,419	441,059,097	431,405,495	428,140,230	403,184,288	394,857,747
	9,642,605	5,016,829	3,020,425			
	233,364	128,346	53,812	12,850	1,757	
	75,844,945	74,022,980	69,305,991	65,152,774	61,664,979	61,691,260
	7,879,768	7,470,205	5,730,846	5,286,335	2,457,816	3,510,475
	$5,455,745,295	**$5,069,022,390**	**$4,715,954,638**	**$4,444,317,743**	**$4,116,387,256**	**$3,770,061,208**
	$3,653,951,822	$3,381,864,191	$3,130,087,724	$2,899,823,920	$2,671,847,680	$2,447,300,267
	7,124,887	6,998,605	6,891,186	7,033,516	7,237,063	6,831,559
	212,209,227	212,802,651	213,007,451	228,034,617	215,398,602	207,121,141
	56,805,048	53,853,085	50,053,260	44,854,241	44,375,744	47,589,813
	36,008	180,426	718,220	703,612	864,358	
	$3,930,126,992	**$3,655,698,958**	**$3,400,757,841**	**$3,180,449,906**	**$2,939,723,447**	**$2,708,842,780**
	$105,854,803	$103,934,337	$99,175,973	$92,268,184	$80,094,041	$67,295,184
	877,861,028	827,135,910	745,052,859	705,427,089	656,301,652	560,341,911
			4,121,292	6,034,535	13,361,980	18,454,833
	494,674,419	441,059,097	431,405,495	428,140,230	403,184,288	394,857,747
	9,642,605	5,016,829	3,020,425			
	13,033,595	13,596,943	10,796,417	10,892,971	7,875,355	2,694,253
	$1,501,066,450	**$1,390,743,116**	**$1,293,572,461**	**$1,242,763,009**	**$1,160,817,316**	**$1,043,643,928**
	$30,566	$11,911	$5,451	$552		
	5,000					
	2,905,883	3,623,723	2,707,630	1,910,107	$1,390,162	$601,042
	2,638,279	2,990,092	3,890,828	4,510,803	4,432,803	5,032,027
	3,638,757	4,105,870	2,305,124	2,026,194	602,893	1,655,177
	$9,218,485	**$10,731,596**	**$8,909,033**	**$8,447,656**	**$6,425,858**	**$7,288,246**
	$16,125	$37,904	$1,236			
	45,709	41,250	9,600	$1,125		
	7,465,144	4,874,451	5,377,667	5,191,909	$3,447,236	$2,055,789
	2,514,665	2,762,484	3,601,327	3,882,917	4,128,233	4,898,872
	3,821,116	3,183,909	2,707,502	2,431,876	866,427	1,553,226
	$13,862,759	**$10,899,998**	**$11,697,332**	**$11,507,827**	**$8,441,896**	**$8,507,887**
	$233,364	$128,346	$53,812	$12,850	$1,757	
	853,358	820,376	964,159	1,011,842	852,844	$1,476,295
	383,887			124,653	124,138	302,072
	$1,470,609	**$948,722**	**$1,017,971**	**$1,149,345**	**$978,739**	**$1,778,367**

Benefits by Type (last 10 fiscal years)

Year	2013	2012	2011	2010
All Plans				
Annuities and installment payments	$5,278,981,628	$4,905,031,237	$4,645,565,449	$4,284,704,173
Disabilities	1,040,711,575	1,017,238,745	984,655,943	982,774,343
Other Systems/Death/QEBA*	13,550,680	34,367,830	31,381,217	26,785,331
Survivors	237,930,114	232,640,171	231,283,405	222,130,665
Allowance Payment to RMA	4,562,351	10,818,585	13,489,405	13,223,453
Total Pension Benefits and Health Care	**$6,575,736,348**	**$6,200,096,568**	**$5,906,375,419**	**$5,529,617,965**
Traditional Pension Plan				
Pension Benefits:				
Age-and-Service Annuities	$4,044,320,992	$3,739,845,743	$3,518,341,988	$3,185,230,279
Disabilities	624,038,549	603,354,845	578,018,246	556,074,897
Other Systems	3,534,484	24,815,413	22,453,906	18,490,323
Survivors	174,766,735	170,092,349	165,488,973	159,725,674
Additional Annuities	26,011,745	4,341,522	4,324,569	3,432,344
Money Purchase Annuities	46,284,146	37,970,927	31,897,588	29,968,936
Death	7,913,434	7,891,172	7,508,317	7,248,345
QEBA	2,102,762	1,661,245	1,418,994	1,046,663
Total Pension Benefits	**$4,928,972,847**	**$4,589,973,216**	**$4,329,452,581**	**$3,961,217,461**
Post-employment Health Care				
Health Care:**				
Annuities	$1,158,126,842	$1,120,671,221	$1,089,640,044	$1,065,223,721
Disabilities	416,673,026	413,883,900	406,637,697	426,699,446
Survivors	63,163,379	62,547,822	65,794,432	62,404,991
Allowance Payment to RMA***	4,562,351	10,818,585	13,489,405	13,223,453
Total Health Care	**$1,642,525,598**	**$1,607,921,528**	**$1,575,561,578**	**$1,567,551,611**
Combined Plan				
Pension Benefits:				
Annuities	$533,920	$273,809	$187,051	$61,125
Installment Payments	992,085	336,736	118,164	67,241
Total Pension Benefits	**$1,526,005**	**$610,545**	**$305,215**	**$128,366**
Member-Directed Plan				
Pension Benefits:				
Annuities	$435,801	$227,923	$71,192	$27,211
Installment Payments	557,054	127,187	89,279	178,984
Total Pension Benefits	**$992,855**	**$355,110**	**$160,471**	**$206,195**
VEBA Plan				
Health Care Benefits:				
Annuities and Installment Payments	$1,719,043	$1,236,169	$895,574	$514,332
Total Health Care	**$1,719,043**	**$1,236,169**	**$895,574**	**$514,332**

* Qualified Excess Benefit Arrangement (QEBA) commenced in 2000 with retroactive payments made in 2004.

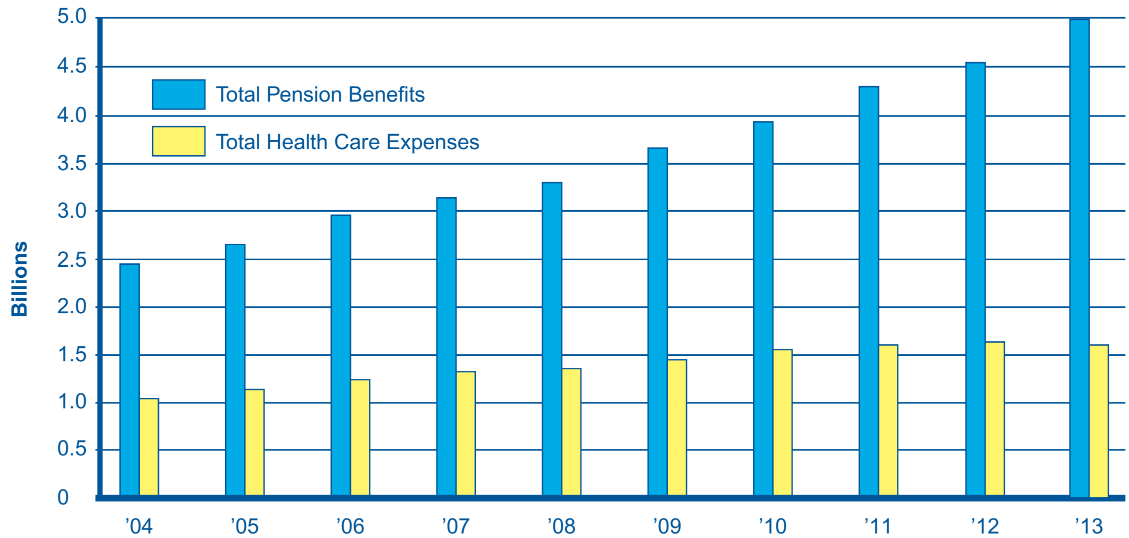
** 2010 Post-employment Health Care expenses restated for reclassification of Pending Medical Claims adjustment from Health Care Medical Expense to Other Income. Pending Medical Claims consists of the annual adjustment made to the Incurred But Not Reported liability included in Medical Benefits Payable.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

*** Retiree Medical Account (RMA) commenced January 1, 2007.

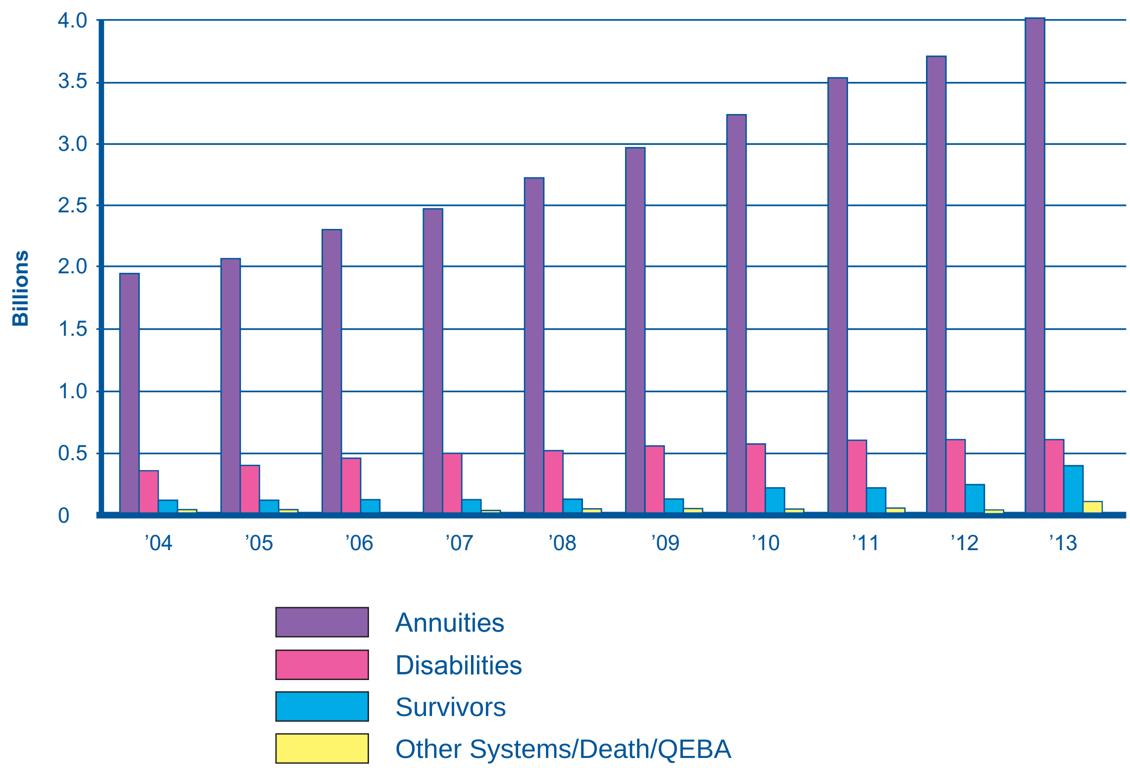
Benefits by Type (continued)

2009	2008	2007	2006	2005	2004
$3,936,872,530	$3,612,525,198	$3,332,227,776	$3,109,822,482	$2,876,119,101	$2,577,789,994
966,748,686	915,061,487	861,927,107	815,518,857	748,295,207	718,562,820
20,803,990	25,216,043	21,293,226	18,413,480	18,826,529	20,452,688
215,372,517	208,408,823	201,356,519	194,987,182	188,787,624	178,275,999
9,642,605	5,016,829	3,020,425			
$5,149,440,328	**$4,766,228,380**	**$4,419,825,053**	**$4,138,742,001**	**$3,832,028,461**	**$3,495,081,501**
$2,929,672,689	$2,676,785,413	$2,466,754,245	$2,274,583,165	$2,089,885,773	$1,907,130,321
529,948,352	509,082,328	481,728,386	454,254,591	418,066,051	384,376,167
13,014,368	17,565,698	13,929,119	11,090,453	11,331,852	13,431,599
154,482,707	149,770,901	144,011,334	138,952,075	134,275,593	127,926,096
2,867,888	2,537,528	2,044,243	1,404,610	964,490	560,526
23,301,083	25,470,583	21,147,476	19,249,515	17,066,307	13,686,028
7,124,887	6,998,605	6,891,186	7,033,516	7,237,063	6,831,559
664,735	651,740	472,921	289,511	257,614	189,530
$3,661,076,709	**$3,388,862,796**	**$3,136,978,910**	**$2,906,857,436**	**$2,679,084,743**	**$2,454,131,826**
$980,700,106	$907,512,263	$842,211,713	$814,570,665	$768,200,774	$656,413,119
436,800,334	405,979,159	380,198,721	361,264,266	330,229,156	334,186,653
60,889,810	58,637,922	57,345,185	56,035,107	54,512,031	50,349,903
9,642,605	5,016,829	3,020,425			
$1,488,032,855	**$1,377,146,173**	**$1,282,776,044**	**$1,231,870,038**	**$1,152,941,961**	**$1,040,949,675**
$30,566	$11,911	$5,451	$552		
5,000					
$35,566	**$11,911**	**$5,451**	**$552**	**$0**	**$0**
$16,125	$37,904	$1,236			
45,709	41,250	9,600	$1,125		
$61,834	**$79,154**	**$10,836**	**$1,125**	**$0**	**$0**
$233,364	$128,346	$53,812	$12,850	$1,757	
$233,364	**$128,346**	**$53,812**	**$12,850**	**$1,757**	**$0**

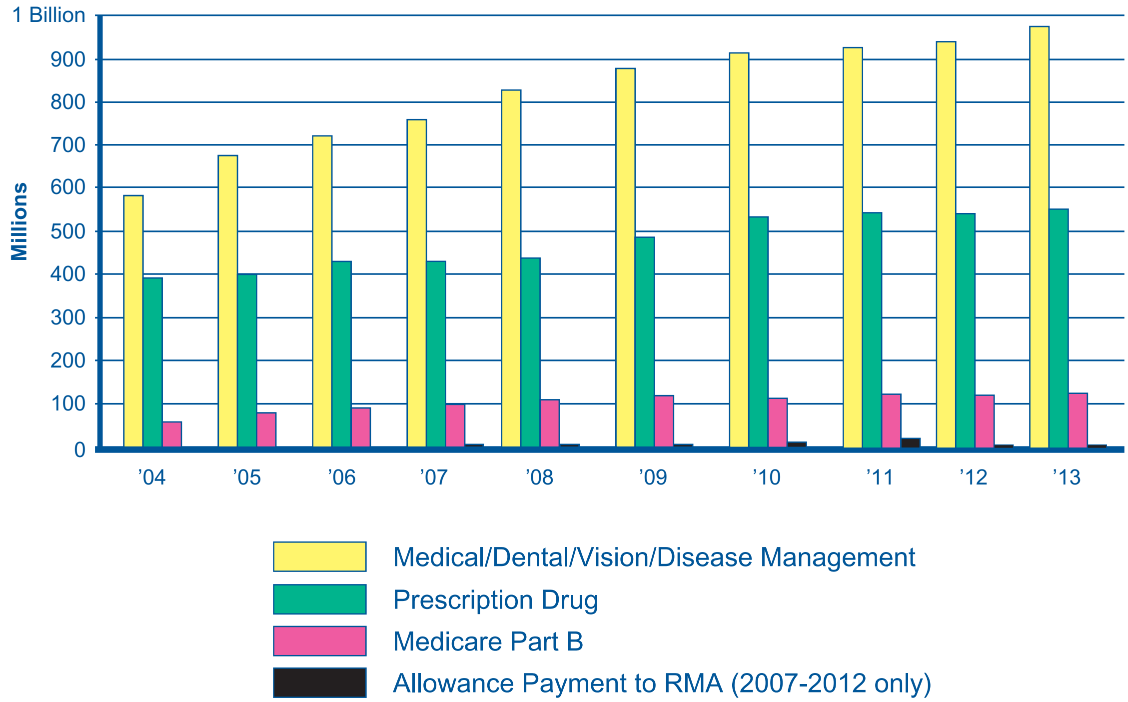
Benefits by Type



Benefits by Type — Traditional Pension Plan



Health Care Expenses by Type



Refunds by Type (last 10 fiscal years)

Year	2013	2012	2011	2010
All Plans				
Refunds:				
Separation	$299,488,361	$275,020,766	$291,727,781	$205,298,464
Beneficiaries	17,577,111	23,366,136	21,276,967	20,870,868
Other	124,218,732	9,099,376	10,667,294	6,885,382
Total Refunds	**$441,284,204**	**$307,486,278**	**$323,672,042**	**$233,054,714**
Traditional Pension Plan				
Refunds:				
Separation	$270,224,068	$252,159,989	$271,336,582	$192,608,328
Beneficiaries	16,878,900	22,957,850	20,808,413	20,314,433
Other	124,218,732	9,099,376	10,667,294	6,885,382
Total Refunds	**$411,321,700**	**$284,217,215**	**$302,812,289**	**$219,808,143**
Combined Plan				
Refunds:				
Separation	$7,605,803	$6,138,096	$6,319,318	$3,515,815
Beneficiaries	125,352	35,618	143,531	24,228
Other				
Total Refunds	**$7,731,155**	**$6,173,714**	**$6,462,849**	**$3,540,043**
Member-Directed Plan				
Refunds:				
Separation	$21,658,490	$16,722,681	$14,071,881	$9,174,321
Beneficiaries	572,859	372,668	325,023	532,207
Other				
Total Refunds	**$22,231,349**	**$17,095,349**	**$14,396,904**	**$9,706,528**

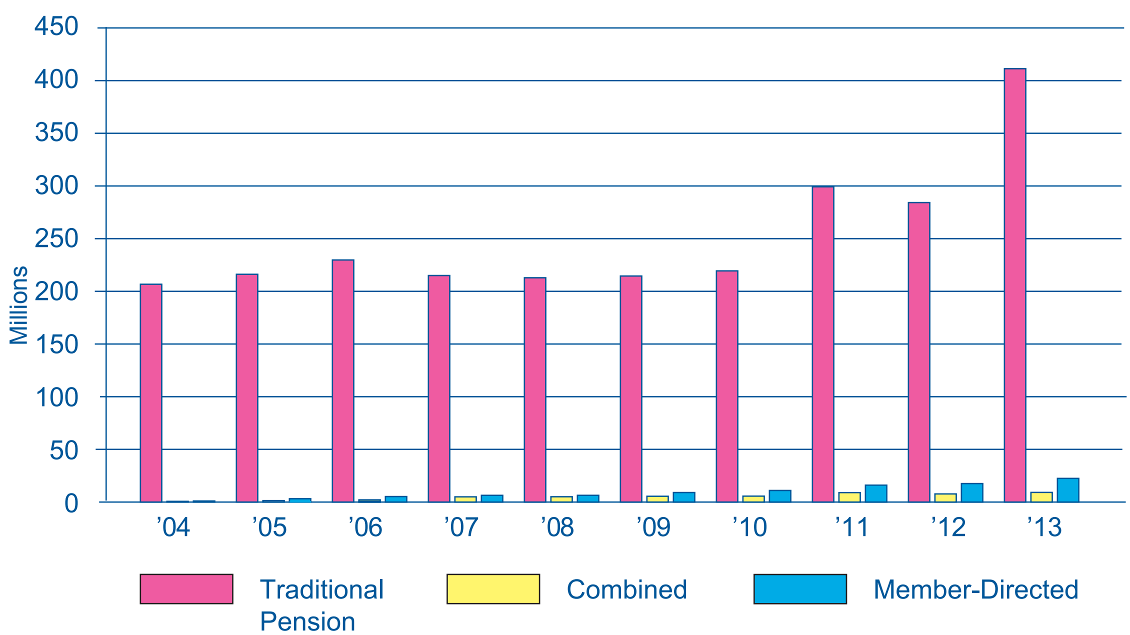
Number of Refund Payments by Plan (last 10 fiscal years)

Year	Traditional Pension Plan	Combined Plan	Member-Directed Plan	Total
2013	25,670	378	1,071	27,119
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

Refunds by Type (continued)

2009	2008	2007	2006	2005	2004
$192,467,640	$192,910,095	$196,668,493	$207,231,584	$193,717,806	$179,851,347
21,549,473	19,118,230	18,590,739	18,466,920	18,638,613	19,885,182
8,563,141	9,272,500	5,833,515	9,438,129	7,879,581	10,041,443
$222,580,254	**$221,300,825**	**$221,092,747**	**$235,136,633**	**$220,236,000**	**$209,777,972**
$182,274,674	$184,463,536	$188,635,768	$200,138,152	$189,019,842	$177,227,660
21,371,412	19,066,615	18,538,167	18,458,336	18,510,705	19,872,224
8,563,141	9,272,500	5,833,515	9,438,129	7,868,055	10,021,257
$212,209,227	**$212,802,651**	**$213,007,450**	**$228,034,617**	**$215,398,602**	**$207,121,141**
$2,824,743	$3,596,259	$2,665,357	$1,910,107	$1,346,396	$595,651
81,140	27,464	42,273		39,498	2,642
				4,268	2,749
$2,905,883	**$3,623,723**	**$2,707,630**	**$1,910,107**	**$1,390,162**	**$601,042**
$7,368,223	$4,850,300	$5,367,368	$5,183,325	$3,351,568	$2,028,036
96,921	24,151	10,299	8,584	88,410	10,316
				7,258	17,437
$7,465,144	**$4,874,451**	**$5,377,667**	**$5,191,909**	**$3,447,236**	**$2,055,789**

Refunds by Plan



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

Year	2012##	2012#	2011	2010***	2010**	2009	2008	2007	2006	2005***	2005**	2004	2003
Pension Assets	$67,855	$67,855	$65,436	$63,649	$60,599	$57,629	$55,315	$67,151	$61,296	$54,473	$54,473	$50,452	$46,746
Accrued Liabilities	$83,878	$87,105	$84,529	$80,485	$79,630	$76,555	$73,466	$69,734	$66,161	$62,498	$61,146	$57,604	$54,774
Unfunded Liabilities	($16,023)	($19,250)	($19,093)	($16,834)	($19,031)	($18,926)	($18,151)	($2,583)	($4,865)	($8,025)	($6,673)	($7,152)	($8,028)
Funded Ratio	80.90%	77.90%	77.41%	79.08%	76.10%	75.28%	75.29%	96.30%	92.65%	87.16%	89.09%	87.58%	85.34%
Amortization Years	26	30	30	24	29	30	30	14	26	28	20	24	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.
# Information prior to benefit changes enacted January 7, 2013.
Information after benefit changes enacted January 7, 2013.

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

Year	2012##	2012#	2011	2010***	2010**	2009	2008	2007	2006	2005***	2005**	2004	2003
Pension Assets	$67,670	$67,670	$65,274	$63,515	$60,461	$57,519	$55,230	$67,067	$61,235	$54,433	$54,433	$50,430	$46,737
Accrued Liabilities	$83,664	$86,876	$84,325	$80,307	$79,459	$76,407	$73,346	$69,639	$66,089	$62,447	$61,099	$57,573	54,756
Unfunded Liabilities	($15,994)	($19,206)	($19,051)	($16,792)	($18,998)	($18,888)	($18,116)	($2,572)	($4,854)	($8,014)	($6,666)	($7,143)	($8,019)
Funded Ratio	80.88%	77.89%	77.41%	79.09%	76.09%	75.28%	75.30%	96.31%	92.66%	87.17%	89.09%	87.59%	85.36%
Amortization Years	26	31	30	25	30	30	30	14	25	28	20	24	29

** Information prior to completion of experience study.
*** Information after completion of the experience study.
# Information prior to benefit changes enacted January 7, 2013.
Information after benefit changes enacted January 7, 2013.

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

Year	2012##	2012#	2011	2010***	2010**	2009	2008	2007	2006	2005***	2005**	2004	2003
Pension Assets	$183	$183	$161	$134	$138	$110	$85	$84	$61	$40	$40	$22	$9
Accrued Liabilities	$212	$226	$203	$177	$171	$148	$120	$95	$72	$51	$47	$31	$18
Unfunded Liabilities	($29)	($43)	($42)	($43)	($33)	($38)	($35)	($11)	($11)	($11)	($7)	($9)	($9)
Funded Ratio	86.32%	80.97%	79.31%	75.71%	80.70%	74.32%	70.83%	88.42%	84.72%	78.43%	85.11%	70.97%	50.00%
Amortization Years	1	0	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.
# Information prior to benefit changes enacted January 7, 2013.
Information after benefit changes enacted January 7, 2013.

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

Year	2012	2011	2010***	2010**	2009	2008
Pension Assets	$2.524	$1.156	$0.454	$0.439	$0.206	$0.148
Accrued Liabilities	$2.666	$1.173	$0.496	$0.490	$0.253	$0.166
Unfunded Liabilities	($0.142)	($0.017)	($0.042)	($0.051)	($0.047)	($0.018)
Funded Ratio	94.67%	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 nine fiscal years, $ in millions) — Post-employment Health Care

Year	2012	2011	2010**	2010*	2009	2008	2007	2006	2005**	2005*	2004#
Health Care Assets	$12,193	$12,115	$12,320	$11,267	$10,936	$10,748	$12,801	$12,025	$11,070	$11,070	$10,816
Accrued Liabilities	$19,182	$31,020	$30,531	$26,929	$31,558	$29,623	$29,825	$30,748	$31,796	$31,307	$29,479
Unfunded Liabilities	($6,989)	($18,905)	($18,211)	($15,662)	($20,622)	($18,875)	($17,024)	($18,723)	($20,726)	($20,237)	($18,663)
Funded Ratio	63.56%	39.06%	40.35%	41.84%	34.65%	36.28%	42.92%	39.11%	34.82%	35.36%	36.69%
Solvency Period	Indefinite***	10	11	11	11	11	31	27	18	18	17

* Information prior to completion of experience study.
** Information after completion of experience study.
*** Funds expected to be sufficient to fund future health care needs.
# Data not available prior to 2004.

Contribution Rates

Year	Annual Required Contribution Rate: All Plans*	Employer Contribution Rates Funding Health Care: Traditional Pension Plan	Employer Contribution Rates Funding Health Care: Combined Plan	Note
2013	12.96%	1.00%	1.00%	(1)
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) From 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. The total repaid to the Health Care Fund exceeded the required amount. As a result, the amount contributed to the Health Care fund by the Combined Plan in 2013 was less than the actual contribution rate.

(2) The portion of the employer contribution rate allocated to fund health care for the Traditional 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 periods 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 periods 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
2012	3.8%
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 through 2013 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
2013	160,815	22,791	12,743	196,349
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

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 198). 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 through 2013. The Other Annuities column 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
2013	156,755	2,643	159,398	1,417	160,815
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 to defer all or a portion of their defined contribution account, elect to purchase an annuity, or 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 198).

Combined Plan*

Year End	Age-and-Service Annuities	Annuitized DC Accounts	Installment Payments	Liquidated or Deferred DC Accounts**	Number of Retirees
2013	100	64	7	1	100
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.

** Beginning in 2013, the number of members receiving a defined benefit age-and-service benefit will not equal the number of members receiving a defined contribution benefit. The defined contribution options of transferring their defined contribution account to another financial institution or refunding their account are recorded in OPERS' systems as refund transactions. These specific types of refunds cannot be segregated from withdrawal from service refunds.

Member-Directed Plan*

Year End	Annuities	Installment Payments	Total
2013	131	14	145
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 2013 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
2013	165,967	61,041	227,008
2012	163,940	62,456	226,396
2011	161,315	62,507	223,822
2010	157,269	60,624	217,893
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

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 198)

VEBA Plan

Year End	Total Covered Lives
2013	3,112
2012	2,589
2011	2,073
2010	1,577
2009	1,260
2008	365
2007	176
2006	293
2005	185
2004	75

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 retirees).

Schedule of Retirees by Benefit Type and Amount (as of December 2013) **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	12,683	1,524	14,207	73	697	562	15,539
$300-499	9,156	432	9,588	175	2,067	256	12,086
$500-999	23,546	408	23,954	1,482	4,707	343	30,486
$1,000-1,499	21,029	135	21,164	3,686	2,465	149	27,464
$1,500-1,999	18,134	73	18,207	5,041	1,262	64	24,574
$2,000 & Over	72,207	71	72,278	12,334	1,545	43	86,200
Totals	**156,755**	**2,643**	**159,398**	**22,791**	**12,743**	**1,417**	**196,349**

Effective April 1, 2012, members electing to retire in the Combined and Member-Directed plans have the option to annuitize their defined contribution accounts at OPERS for a defined benefit, to transfer their defined contribution account to another financial institution, or to receive a refund of their defined contributions account. Prior to April, 1, 2102, 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 2013)

Amount of Monthly Benefit	Employer Age-and-Service Annuities	Member Annuitized DC Accounts	Member DC Installment	Liquidated or Deferred DC
$1-299	72	45		
$300-499	19	13		
$500-999	9	4		
$1,000-1,499		2		
$1,500-1,999				
$2,000 & Over				
Various			7	1
Totals	**100**	**64**	**7**	**1**

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 2013)

Amount of Monthly Benefit	Annuitized DC Accounts	DC Installment Payments	Total Retirees
$1-299	72		72
$300-499	30		30
$500-999	20		20
$1,000-1,499	8		8
$1,500-1,999			
$2,000 & Over	1		1
Various		14	14
Totals	**131**	**14**	**145**

Number of New Pension Retirees

The values included in the following tables represent the number of new benefit recipients each year. The 2011 through 2013 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
2013	9,831	971	446	11,248
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

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 198.) 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 through 2013 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
2013	9,476	53	9,529	302	9,831
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
2013	45	27		
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
2013	69		69
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 (FAS) 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 through 2013 statistics include members with less than five years of service (refer to the Plan Statement beginning on page 198 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

Retirement Effective Dates		Years Credited Service 0-4	5-9	10-14	15-19	20-24	25-30	30+	Total New Retirees
2013	Average Monthly Benefit	$310	$555	$879	$1,271	$1,823	$2,362	$3,402	$2,021
	Average Final Average Salary	$9,762	$30,394	$38,438	$43,362	$48,627	$54,957	$61,752	$48,997
	Number of Active Recipients	167	1,030	1,747	1,413	1,495	1,810	3,284	10,946
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

* 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 eight fiscal years) — Combined Plan**

Retirement Effective Dates		Years Credited Service 0-4	5-9	10-14	Total New Retirees
2013	Average Monthly Benefit	$0	$211	$300	$247
	Average Final Average Salary	$0	$41,043	$41,121	$41,074
	Number of Active Recipients	0	27	18	45
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 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 through 2013 Benefit Recipient counts represent retired members only, regardless of the number of recipients designated by the retiree's plan of payment. These statisitcs 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
2013	347,727	483,521	196,594	1,027,842
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

Member Count—Pension Plans			Traditional Pension Plan	
Year End	Active	Inactive	Retirees	Total
2013	330,595	478,291	196,349	1,005,235
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

Member Counts by Plan (continued)

Member Count—Pension Plans				Combined Plan
Year End	Active	Inactive	Retirees	Total
2013	7,175	1,637	100	8,912
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

Member Count—Pension Plans				Member-Directed Plan
Year End	Active	Inactive	Retirees	Total
2013	9,957	3,593	145	13,695
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

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 retirees. Comparable data for years prior to 2011 is not available.

Member Count—Pension Plans				All Plans
Year End	Active	Inactive	Benefit Recipients	Total
2013	347,727	482,156	196,575	1,026,458
2012	348,235	465,940	190,619	1,004,778
2011	349,188	451,353	184,963	985,504

Member Counts by Plan continued on page 190.

Member Counts (continued from page 189)

The values included in the tables below represent the number of individuals covered by the OPERS health care plans. The 2010 through 2013 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 2013. 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 198).

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

Year End	Active	Inactive	Retiree & Primary Beneficiaries	Dependents & Other Beneficiaries	Total
2013	9,962	3,543	169,079	61,041	243,625
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

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

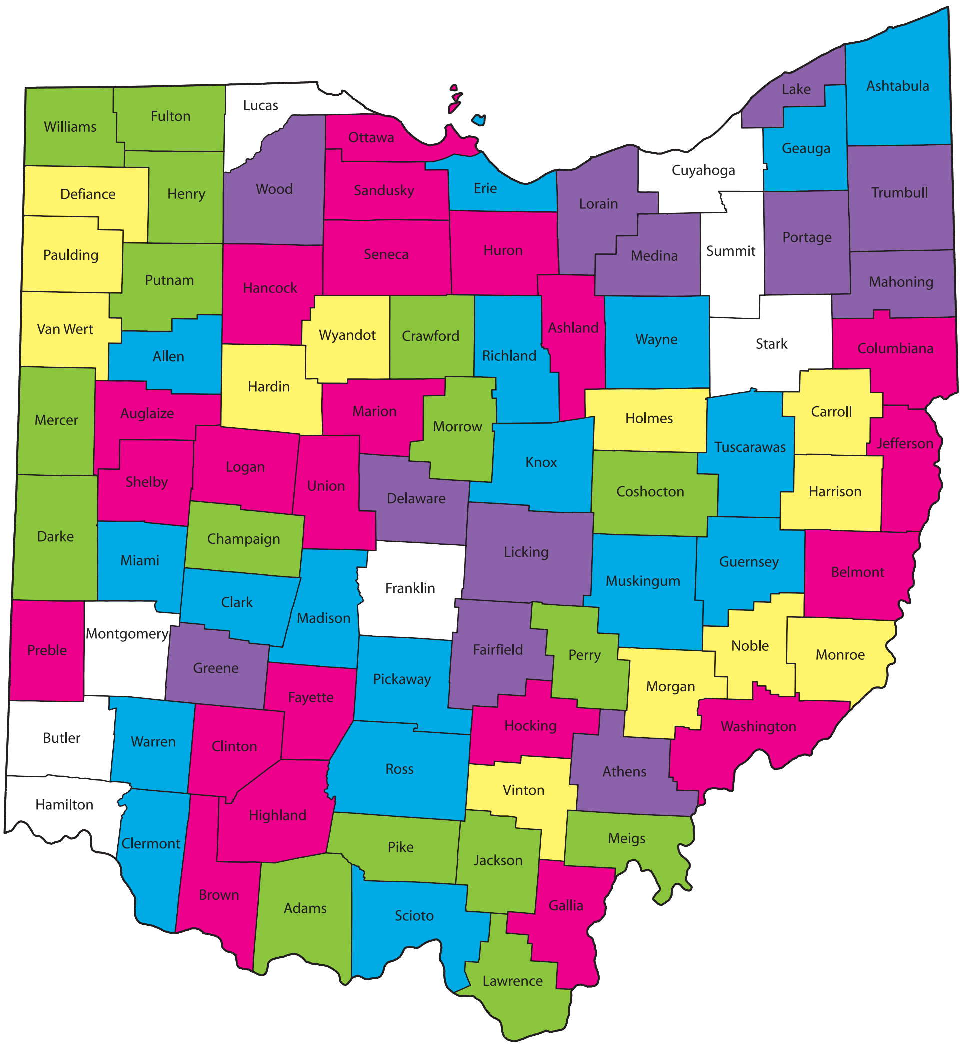
Year End	Active	Inactive	Retiree & Primary Beneficiaries*	Dependents & Other Beneficiaries	Total
2013	N/A	N/A	165,967	61,041	227,008
2012	N/A	N/A	163,940	62,456	226,396
2011	N/A	N/A	161,315	62,507	223,822
2010	N/A	N/A	157,269	60,624	217,893
2009	N/A	N/A	213,220		213,220
2008	N/A	N/A	208,857		208,857
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

* Prior to 2010, Retiree & 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
2013	9,962	3,543	3,112	16,617
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

2013 Pension Benefits by Ohio County



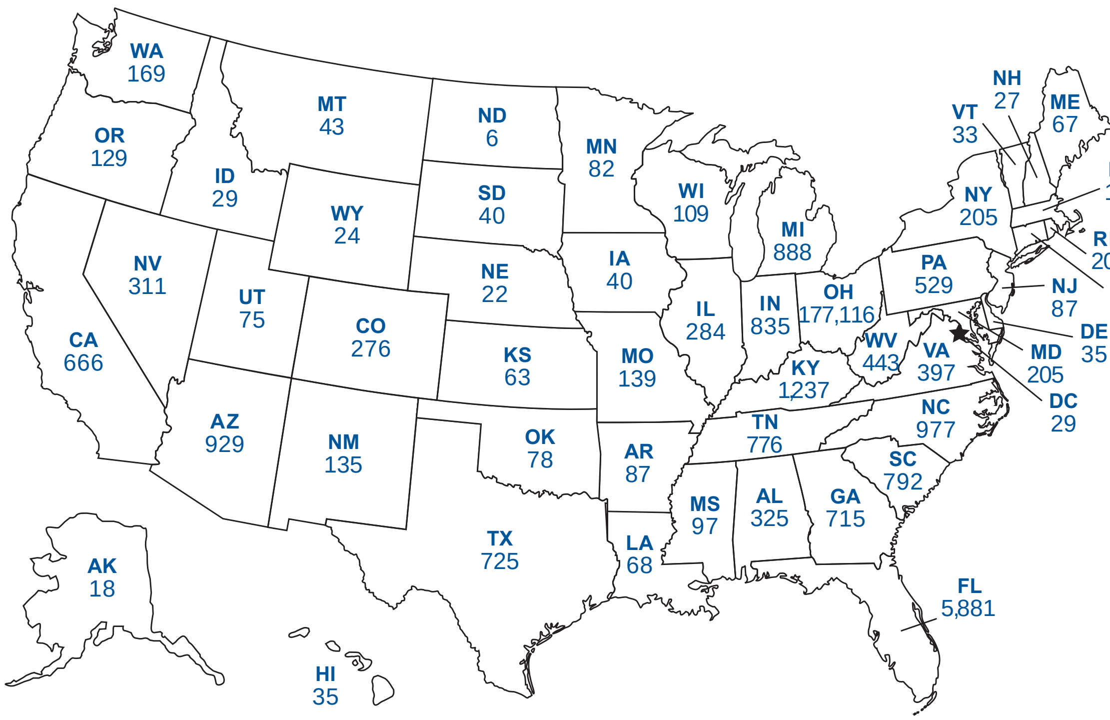
Color Key

$0-$10 million	Yellow
$10-$15 million	Green
$15-$25 million	Magenta
$25-$50 million	Blue
$50-$100 million	Purple
$100 million +	White

Of the 196,575 retirees in OPERS, 177,116, or 90.1%, remain Ohio residents as of December 31, 2013. Pension benefit payments approaching $4.5 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, 2013)

Retirees by State



Retirees Outside United States

Armed Forces—Europe 4
Australia 3
Austria 1
Brazil 1
Bulgaria 2
Canada...............................28
China (Taiwan) 1
Costa Rica 2
Czech Republic 1
Egypt 2
England 4
Ethiopia 1
France 4
Germany 2
Greece 2
Ireland 2
Israel 6
Italy.....................................6
Jordan 1
Latvia 1
Lithuania..............................1
New Zealand 2
Northern Mariana Islands......1
Norway 1
Pakistan 1
Philippines 4
Poland 2
Puerto Rico 17
Romania...............................1
Scotland 3
Singapore.............................1
Slovakia 1
Spain 3
Taiwan 0
Thailand 2
Turkey 1
United Kingdom 1
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	2013	10.00%	5.39%	7.61%	1.00%	14.00%	24.00%
	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
Local	2013	10.00%	5.05%	7.95%	1.00%	14.00%	24.00%
	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
Law Enforcement	2013	12.60%	7.90%	9.20%	1.00%	18.10%	30.70%
	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
Public Safety	2013	12.00%	7.62%	9.48%	1.00%	18.10%	30.10%
	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

* 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 194

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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	2013	10.00%	7.20%	5.03%	0.77%	1.00%	14.00%	24.00%
	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
Local	2013	10.00%	6.87%	5.36%	0.77%	1.00%	14.00%	24.00%
	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

* 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	2013	10.00%	8.73%	N/A	0.77%	4.50%	14.00%	24.00%
	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
Local	2013	10.00%	8.73%	N/A	0.77%	4.50%	14.00%	24.00%
	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

Number of Employer Units — All Plans*

Calendar Year	State	County**	Law Enforcement	Municipalities	Villages	Miscellaneous	Libraries	Townships	Totals
2013	282	219	244	245	673	494	253	1,308	3,718
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

* 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, 2013 was 3,260.

** 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	2013 Covered Employees	2013 Rank	2013 Percentage of Total System	2005* Covered Employees	2005* Rank	2005* Percentage of Total System
The Ohio State University	34,607	1	9.96%	23,696	1	6.21%
Cuyahoga County	7,748	2	2.23	10,062	2	2.64
University of Cincinnati	6,477	3	1.86	5,083	9	1.33
MetroHealth Medical Center	6,295	4	1.81	5,988	6	1.57
Franklin County	6,050	5	1.74	6,551	4	1.72
City of Cleveland	5,781	6	1.66	6,569	3	1.73
Ohio Department of Transportation	5,515	7	1.59	6,297	5	1.65
Kent State University	5,241	8	1.51	3,407	17	0.89
City of Columbus	5,139	9	1.48	5,864	8	1.54
Ohio University	4,880	10	1.41	3,934	16	1.03
All Other (see table below)	259,769	N/A	74.75	303,962	N/A	79.69
Total	347,502	N/A	100.00%	381,413	N/A	100.00%

* Information not available prior to 2005.

Principal Participating Employers — All Other Categories*

Participating Employer	2013 Number	2013 Employees	2005** Number	2005** Employees
State	277	65,728	272	76,910
County	216	75,579	237	83,708
Municipalities	243	49,210	253	55,711
Miscellaneous	494	21,359	453	33,975
Libraries	253	12,810	257	15,405
Townships	1,308	12,269	1,312	15,108
Villages	673	15,072	671	15,222
Law Enforcement/Public Safety	244	7,742	247	7,923
Total	3,708	259,769	3,702	303,962

* This table displays additional information on the All Other category in the previous table. To get the total number of employer units, combine the units in both tables on this page. GASB requires a 10 year look-back to the year being presented. Therefore, information for 2006-2012 is not relevant.

** Information not available prior to 2005.

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Plan Statement

From left to right: Sharon Downs, Representative for Retirees, Board Vice-Chair;
Allen Foster, Director of Benefits; Julie Becker, General Counsel;
Cinthia Sledz, Representative for Miscellaneous Employees, Board Chair

Delivering Sustainable Promises

Our ultimate destination is to provide a secure retirement for our members. OPERS works to provide clear navigation toward that goal—on that we never waver. For nearly 80 years, OPERS has delivered on our promise to provide a secure retirement for our members—and we intend to do so for an additional 80 years.

Our dedication to delivering timely information to our members was especially important in 2013 as the System processed a significant increase in the number of members seeking retirement information and guidance—a trend anticipated to continue well into the coming years. OPERS' Member Services department fielded 400,000 individual calls and responded to more than 20,000 online queries. Recognizing some members needed to speak in person with a counselor, OPERS counselors met with more than 18,000 members in 2013.

In 2013, to help ensure all members understood the changes to the Plan Statement, OPERS sponsored almost 600 informational events, attracting 37,000 attendees across the state; produced educational online videos, which were viewed more than 40,000 times; and created an online retirement calculator to enable members to assess their situation at their convenience.

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 who did not contribute on prior elective service. 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.

Pension Legislation

In September 2012, the Ohio General Assembly unanimously approved new pension legislation to be effective January 7, 2013. The pension legislation did not apply to members retiring with an effective date of January 1, 2013 or earlier. Members retiring subsequent to January 1, 2013 will be impacted by the new changes to varying degrees, depending upon their transition group.

The new legislation created three groups, Group A, Group B and Group C, to ease the transition for five key components of the pension plan. Other components of the plan changes were not subject to a transition. More detail regarding the plan changes and the transition groups is included in subsequent sections of this document. The plan changes impact the Traditional Pension Plan and Combined Plan.

Health Care Plan Design Changes

Also in September 2012, the OPERS Board of Trustees (Board) approved changes to the OPERS retiree health care plan design. These changes will become effective January 1, 2014. These changes will impact both current retirees and future retirees. A summary of these changes is included in subsequent sections of this document.

Plan Types

For more than 79 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 on the next page.

Plan Statement

- **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 service credit and the average of the three or five (based on transition group) highest years of earnable salary, referred to as final average salary (FAS). 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 account and the member directs the investment by selecting from professionally managed OPERS investment options. The investment options include six core funds comprised of a series of fixed income and equity funds, 10 target date funds, and a self-directed brokerage account. Members become vested in the employer contributions at a rate of 20% for each year of participation until the member is fully vested at the end of five years. The account value available at retirement 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. The investment options include six core funds comprised of a series of fixed income and equity funds, 10 target date funds, and a self-directed brokerage account. The defined contribution account value available at retirement 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 2013 was 14.0%. Employers in the law enforcement and public safety divisions contributed 18.1%.

The 2013 employee contribution rate for state and local members was 10.0% of earnable salary. Members in the public safety division contributed 12.0% of earnable salary, while members in the law enforcement division contributed 12.6%. 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.

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 the same payment options as those offered for the age-and-service retirement under the Traditional Pension Plan.

- **The Member-Directed Plan and Combined Plan**

  Members participating in the Member-Directed Plan or Combined Plan 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 accounts, and are subject to investment gains and losses.

  Upon termination of employment or retirement, members may elect to receive either a lump-sum refund of the account value or any of the retirement distribution options available to defined contribution accounts.

Benefits Under the Traditional Pension Plan or the Combined Plan—Summary of all Pension Changes

There are five key components to the OPERS pension plan changes. Members will be affected by each one based on their transition group.

- Age-and-service retirement eligibility: The age-and-service requirements for retirement were increased. A minimum age for service retirement was established and, in most instances, the number of years required for service retirement was increased by two.
- Final Average Salary (FAS): The benefit formula factor that relates to a member’s earnable salary was increased to the five highest years of earnable salary (up from three years).
- Benefit formula: The calculation used to determine the benefit amount for service retirement was modified. The benefit multiplier used for the first 30 years of service (2.2% of FAS) was increased to the first 35 years of service.
- Cost of living adjustment (COLA): The annual increase in a member’s benefit will, beginning in January 2019, be based on the annual percentage change in the Consumer Price Index subject to a 3% cap, rather than a flat three percent.
- Early retirement reduction factors: The calculation used to determine a member’s retirement benefit for early retirement was modified so that the factors are determined by the OPERS actuary rather than fixed in law.

Plan Statement

In addition to the key components of the new pension law, other changes could affect the retirement of current OPERS members:

- Alternative benefit formulas: While maintaining the formula benefit for service retirement that is based on a member's FAS, two other alternate benefit formulas were eliminated. The first alternate formula was years of service multiplied by $86; the second was an annuity based on the member's contributions multiplied by two.
- Beneficiary designation: A member may designate one or more beneficiaries prior to retirement but, if the member has contributions in more than one of the OPERS retirement plans, the designation will apply to all plans. Separate beneficiary designations by plan prior to retirement were eliminated.
- Contribution-based benefit cap (CBBC): A member's formula retirement benefit is limited (or capped) if the formula benefit exceeds, using a ratio established by the OPERS Board, an annuity based on the member's total contributions.
- Disability benefits program: A number of changes to the disability program were made with the goal of modernizing the program, including exclusions from coverage, standards for disability determinations, leave of absence, forfeiture of a disability benefit, continued employment, and an offset of Social Security disability insurance payments.
- Enhanced refund: The OPERS Board was granted the authority to specify, in rule, the additional amounts payable to a member upon withdrawal of the member's contributions.
- Inter-system transfers: For transfers of service credit and contributions between OPERS and the other Ohio retirement systems, both the amounts of the transfers and the timing of the transfers were modified.
- Minimum earnable salary: Beginning in 2014, the minimum earnable salary required to earn a full month of service credit was increased to $600 per month (up from $250).
- Plans of payment: The number of optional plans of payment that a member may choose for the payment of a retirement benefit or additional annuity were consolidated to three (from six) and one option (Plan E) was eliminated.
- Service purchases: For most service purchase types, the cost of the purchase was increased to 100% of the additional liability to the retirement system resulting from the purchase but the requirements to qualify for the purchase remained unchanged. The cost of the remaining service purchase types were also increased and, in some instances, the requirements to qualify for the purchase were modified.
- Limit on membership determinations: A limited five-year time frame for independent contractors to challenge their status as non-public employees was established.

Age-and-Service Retirement

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or who will be eligible to retire no later than five years after January 7, 2013 comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013 or who will be eligible to retire not later than 10 years after January 7, 2013 are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

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. Retirement eligibility also varies by division and transition group. The chart on the next page shows the retirement eligibility requirements for all divisions and transition groups. The requirements for the state and local divisions apply to members who participate in either the Traditional Pension Plan or the Combined Plan. The law enforcement and public safety divisions are only applicable to the Traditional Pension Plan.

Unreduced	Group A		Group B		Group C	
	Age	Service	Age	Service	Age	Service
State/Local	Any	30	52	31	55	32
			Any	32		
	65	5	66	5	67	5
Law Enforcement	48	25	50	25	52	25
	62	15	64	15	64	15
Public Safety	52	25	54	25	56	25
	62	15	64	15	64	15
Law and Public Safety (public safety benefit)	52	25	54	25	56	25

Reduced	Group A		Group B		Group C	
	Age	Service	Age	Service	Age	Service
State/Local	55	25	55	25	57	25
	60	5	60	5	62	5
Law Enforcement	52	15	52	15	56	15
	N/A	N/A	48	25	48	25
Public Safety	52	15	52	15	56	15
	48	25	48	25	52	25
Law and Public Safety (public safety benefit)	48	25	48	25	52	25

Benefit payments vary in amount depending on years of service credit, FAS, age, and plan of payment selection. FAS is the average of the three highest years of earnable salary for Groups A and B; and the average of the five highest years of earnable salary for members in Group C. 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 and may be subject to the contribution-based benefit cap. The base benefit amount calculated by the formula will be reduced if a member begins receiving a retirement benefit before he/she reaches the age-and-service requirements for an unreduced benefit.

In the Traditional Pension Plan, the benefit formula for state and local members in transition Groups A and B applies a factor of 2.2% to the member's FAS for the first 30 years of service. A factor of 2.5% is applied to years of service in excess of 30. The benefit formula for state and local members in transition Group C applies a factor of 2.2% to the member's FAS for the first 35 years of service and a factor of 2.5% is applied to years of service in excess of 35.

In the Traditional Pension Plan, the benefit formula for members in the public safety and law enforcement divisions applies a factor of 2.5% to member's FAS and years of service in public safety or law enforcement. A factor of 2.1% is applied to years of service in excess of 25.

In the Combined Plan, the benefit formula for the defined benefit component of the plan for state and local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. In the defined contribution component of the

Combined Plan, the current value of the individual account is available at retirement. The balance can be rolled over to another eligible retirement plan, made payable to the member with taxes withheld, converted to a lifetime annuity through OPERS, or a combination of the three options.

Effective January 7, 2013, a contribution-based benefit cap (CBBC) was introduced to reduce the impact from inflating earnable salary. For purposes of determining the CBBC, the member's accumulated contributions (less any contributions attributed to a non-law annuity) are combined with a portion of employer-paid delinquent contributions, a portion of early retirement incentive plan funding, and member contributions used to fund a disability under the original plan, if applicable. The total accumulated member contributions (as calculated in the previous sentence) are multiplied by the Board-established CBBC factor. The CBBC factor in effect for 2013 was 6.0. The member is eligible for the lesser of an annuity calculated on FAS and years of service credit or the calculated CBBC value. The CBBC applies to all new retirees, with an exception for specified groups. The reduction caused by the CBBC for transition Group A members may not exceed 5% of the retirement allowance the member would have otherwise received unless, for any full month of service after January 1, 1987, the member's monthly earnable salary was less than $1,000.

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) Military service that pre-dates public employment;
    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;
    i) Service purchased in the Combined Plan or the Traditional Pension Plan representing contributing service earned in the Member-Directed Plan or Combined Plan; and;
    j) Restoration of contributing service earned in the Traditional Pension Plan prior to January 1, 2003 that was transferred to the Member-Directed Plan or the Combined Plan at initial plan selection.
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 Plan) or in a lesser amount during the individual's life but continuing after the member's death to one or more survivors (the Joint Life Plan or the Multiple Life Plan).

A benefit payable under Joint Life Plan or Multiple Life Plan is the actuarial equivalent of the Single Life Plan, but the payment to the member is reduced because it is based on the combined life expectancies of the member and the beneficiary(ies).

The Multiple Life Plan 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 members 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 60 contributing months of 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. Coverage is limited to illness or injury that occurs before a member terminates employment or illness or injury resulting from a member's employment that becomes evident up to two years following termination of employment.

Application must be made within two years from the date the member's contributing service ended, unless the OPERS 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 benefit 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 (except for certain volunteer services), chooses to begin receiving an age-and-service benefit, dies, or requests termination of benefit.

A new disability standard will be applied to non-law enforcement and public safety division disability recipients whose application for disability was received by the retirement system on or after January 7, 2013. Under the new legislation disability benefit recipients will be reevaluated under an "own occupation" standard for the first three years of disability. This time period may be extended from

* A member who applies for a disability benefit is evaluated under an "own occupation" disability standard. The examining physician is required to determine whether the member is mentally or physically incapable of performing the duties of the position the member held at the time the disabling condition began. The disabling condition must be permanent or presumed to be permanent.

three years to five years, if the recipient is receiving rehabilitation services acceptable to a physician selected by the OPERS Board. Subsequent to the three- or five-year period, the member is evaluated in the "any occupation" standard. The "any occupation" standard for terminating a benefit is that the member is no longer physically or mentally incapable of performing the duties of any position which meets the following criteria:

1) Replaces at least 75% of the recipient's inflation-adjusted FAS;
2) Can reasonably be found in the recipient's regional job market;
3) The recipient is qualified to perform based on the recipient's experience and education.

Members covered under the original plan must apply for disability benefits prior to turning age 60 (or age 62 for members in transition Group C). Under the original plan, the amount of the disability allowance is based on the member's FAS and total service credit, plus the length of time between the effective date of disability and age 60 (or 62). The disability benefit cannot exceed 75%, nor be less than 30% of the member's FAS. For disability benefit applications received before January 7, 2013, the disability benefit continues for the member's lifetime as long as the qualifying disability persists. For disability benefit applications received on or after January 7, 2013, the new disability standard discussed above is applicable. The benefit is funded by the employee's accumulated contributions and reserves accumulated from employer contributions. The benefit is fully taxable until age 60 (or 62), 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.

For disability benefit applications received before January 7, 2013, benefits under the revised plan are payable until age 65 (or age 67 for members in transition Group C) or for a definite period, whichever comes first. For disability applications received on or after January 7, 2013, the new disability standard discussed above is applicable. When the disability benefit ends, members 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 members are required to transfer their individual defined contribution account to the Traditional Pension Plan to fund the benefit.

For members who apply for a disability benefit on or after January 7, 2013, the member is required to apply for Social Security Disability Insurance (SSDI) and, if determined to be eligible for such benefits, is subject to an offset to the extent that the member's OPERS disability benefit plus the SSDI benefit exceeds the member's FAS, adjusted for inflation. The offset does not apply to a disability recipient who is a law enforcement member or who has at least five years of service credit for periods during which the recipient had earnings from other employment that was taxable under the Federal Insurance Contributions Act.

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.

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 Joint Life Plan with 100% to the survivor. 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 on the previous page, and the member's defined contribution account is transferred to the Traditional Pension Plan to fund the benefit.

Additional Benefits

Cost-of-Living Adjustment

When a benefit recipient has received benefits for 12 months, an annual 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. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2018, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

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

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 (QEBA) 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 public 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 balance comprised of member contributions and investment gains or losses on those contributions, and any member contributions plus interest in the defined benefit portion of the plan arising from the purchase of eligible service. Members of the Traditional Pension Plan and the Combined Plan may also qualify for an additional amount calculated on their eligible contributions. If the member has at least five but less than 10 years of qualified service credit in the plan, the additional amount is 33% of the member's eligible contributions. Members with at least 10 years of qualified 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's 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 in the Traditional Pension Plan and the Combined Plan 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 the additional amount (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. The current vested value of the individual account is available at retirement. The balance can be converted to a lifetime annuity through OPERS; or a portion of the balance can be converted to an annuity through OPERS and the remainder can be rolled over to another eligible retirement plan or made payable to the member with taxes withheld.

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 member's individual account is available for refund to the member or qualified beneficiaries.

Refunds

A refund may be issued after three months have elapsed since the member terminated public employment. Members participating in the Member-Directed Plan may receive employee contributions and investment gains or losses 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 on those contributions, 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 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, retirees 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.

Retirees cannot continue to receive benefits and work as independent contractors 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 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.

Health Care Coverage for Traditional Pension Plan and Combined Plan

- ***Health Care Coverage —*** With one exception, OPERS-provided health care coverage is neither a guaranteed nor statutorily required benefit. Medicare Part A equivalent coverage for eligible retirees and their eligible dependents is 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. Through the end of calendar year 2013, 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. Beginning in 2014, only the following types of service credit will apply to health care eligibility: contributing service, other Ohio retirement system transfers, interrupted military (USERRA), unreported time, and restored (refunded) service. Access to health care coverage is also available for disability recipients and primary survivor recipients. Dependents of eligible recipients, as defined by the Post-employment Health Care Plan, may be covered through additional premiums. Qualified benefit recipients may also have access to alternative health care plans offered by OPERS.

  Currently, 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 by the recipient's first eligible date of retirement, his or her years of service at retirement and Medicare status. For those retiring after January 1, 2015, health care eligibility will change to age 60 with 20 years of qualifying service or 30 years of qualifying service at any age and the allowance (subsidy) provided by OPERS will be based on age and years of service when a recipient first enrolls in OPERS health care.

  OPERS offers medical and pharmacy plans for recipients yet to enroll in Medicare and those already enrolled in Medicare, typically at age 65. Monthly allowances are used to offset the monthly premium for the coverage provided. The plan for participants who are enrolled in Medicare is a fully insured group Medicare Advantage plan and includes pharmacy coverage through a Medicare Part D prescription drug plan. OPERS is self-insured for participants who are not eligible for Medicare.

  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 and vision 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 the retiree and/or their dependents are eligible for Medicare Part B and do not enroll in the plan; or they 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. The Board has the authority to set the Medicare B premium reimbursement amount annually. For calendar year 2013, the reimbursement was set at $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. This subsidy will be phased out beginning in 2015 and completely eliminated by 2017.

Below is a summary of the key changes in health care plan design.

Key Changes in Health Care Plan Design

Component	Changes
Age and qualifying service member eligibility requirements ***(excludes those with a retirement effective date of December 1, 2014 or before)***	Minimum eligibility for allowance: Age 60 with 20 years of qualifying service. Members retiring at any age with 30 or more years of qualifying service are eligible for coverage. Members must retire with an effective date of December 1, 2014 or before (off their employers' payroll no later than November 30, 2014), in order to qualify for OPERS retiree health care with 10 years of qualifying service.
New age and qualifying service retiree monthly allowance table ***(Applies to all retirees)***	Monthly allowances will range between 51% and 90% of the full monthly premium. The same allowance table will be used for current and future retirees. Members retiring prior to January 1, 2015 with an allowance at or above 75% will not have an allowance below 75%. Members retiring at any age with 30 or more years of qualifying service will have at least a 71% allowance.
Spouse coverage ***(Applies to all retirees)***	Spouses will transition to no allowance over three years (2015-2017). **Spouses under age 65** will have access to OPERS coverage at full cost through at least 2020. **Spouses over age 65** will have access to the OPERS Medicare Connector beginning in 2016. **Spouses of recipients who die before or after retirement** will no longer assume the retiree's health care allowance.
Child coverage ***(Applies to all retirees)***	If the retiree has at least 20 years of qualifying service and is enrolled in the Health Care Plan: Children (up to age 26) will receive half of the retiree's allowance percentage. If the recipient has less than 20 years of qualifying service: Children (up to age 26) will transition to no allowance over three years (2015-2017) and then have access to OPERS coverage at the full cost through at least 2020.

Key Changes in Health Care Plan Design (continued)

Component	Changes
Health Care Plans **Shown here are the key components of the plan but not a complete, inclusive list.**	**Medicare-eligible retirees:** OPERS will continue offering a medical plan and prescription drug plan for Medicare retirees through 2015. In 2016, OPERS will introduce the OPERS Medicare Connector for those enrolled in Medicare Parts A and B. Retirees and their spouses will have access to a Licensed Medicare Counselor who will help them select a plan on the individual market to supplement Medicare. Eligible retirees will receive an allowance to purchase coverage via the connector. Eligible spouses will receive an allowance through 2017. **Non-Medicare retirees:** OPERS will continue offering a medical plan and prescription drug plan for non-Medicare participants.
Recipient Medicare B Premium Reimbursement	For those eligible, Medicare Part B premium reimbursement will transition to no reimbursement in 2017 with the first reduction occurring in 2015. • 2014 reimbursement: $96.40 • 2015 reimbursement: $63.62 • 2016 reimbursement: $31.81 • 2017 and after: $0
Service Credit ***(excludes those with a retirement effective date of December 1, 2013 or before)***	Only the following types of service credit will apply to health care eligibility on or after January 1, 2014: Contributing service, other Ohio retirement system transfers, interrupted military (USERRA), unreported time, and restored (refunded) service.
Disability Recipients	Members receiving a disability benefit prior to January 1, 2014 will have continued access to health care coverage based on the annual review and approval of their disabled status and will not be subject to the five year rule described below. Allowance will be determined in the same way as an age-and-service retiree. If recipient does not meet minimum age-and-service requirements, the minimum allowance will be used. Members first receiving a disability benefit on or after January 1, 2014 will have coverage during the first five years of disability benefits. After five years, recipient must meet minimum age-and-service health care requirements or be enrolled in Medicare due to disability status to remain enrolled in the OPERS plan. If enrolled, allowance will be determined in the same way as an age-and-service retiree.
Minimum Earnings ***(excludes those with a retirement effective date of December 1, 2013 or before)***	Beginning January 1, 2014, contributing service credit for health care will be accumulated only if the member earns at least $1,000 per month. Partial health care credit will not be granted for months in which less than $1,000 is earned. Credit earned prior to January 2014 will not be affected by this change.

Shown here are the key components of the plan but not a complete, inclusive list.

This document reflects information as of the date listed. There is no promise, guarantee, contract, or vested right to access to health care coverage or a premium allowance. The Board has the discretion to review, rescind, modify or change the Health Care Plan at any time.

To find complete information, the OPERS Comprehensive Guide to Pension and Health Care Changes *is available on the OPERS website at www.OPERS.org.*

Health Care for Member-Directed Plan

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 Plan and Combined Plan. 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. The account earns a fixed annual interest rate determined by the OPERS Board and members become vested in the account at a rate of 20% for each year of participation until the member is fully vested at the end of five years. Upon a refund or retirement, distribution of the vested balance in the VEBA Plan may be used for the payment of qualified health, dental, and vision care expenses.

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

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

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

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, 2013, 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 May 8, 2014.

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

CliftonLarsonAllen LLP

Toledo, Ohio
May 8, 2014

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Dave Yost • Auditor of State

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 29, 2014

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov