State Teachers Retirement System of Ohio

Comprehensive Annual Financial Report **2009**

Fiscal Year Ended June 30, 2009

Mary Taylor, CPA
Auditor of State

Members of the Retirement System Board
State Teachers Retirement System of Ohio
275 East Broad Street
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the State Teachers Retirement System of Ohio, Franklin County, prepared by Clifton Gunderson LLP, for the audit period July 1, 2008 through June 30, 2009. 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 State Teachers Retirement System of Ohio is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 15, 2010

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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State Teachers Retirement System of Ohio

Comprehensive Annual Financial Report **2009**

Fiscal Year Ended June 30, 2009

Prepared through the joint efforts of the STRS Ohio staff.

275 E. Broad St., Columbus, OH 43215-3771 • 614.227.4090 • www.strsoh.org

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The State Teachers Retirement System of Ohio

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008

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

President

Executive Director

Table of Contents

Comprehensive Annual Financial Report **2009**

Professional Consultants: Independent Public Accountants, Clifton Gunderson LLP, Toledo, Ohio; Investment Consultants, Russell Investment Group, Tacoma, Wash.; and Actuarial Consultants, PricewaterhouseCoopers (PwC), Chicago, Ill. See Page 53 for a list of external domestic equity, international and fixed-income managers.

2008–2009 State Teachers Retirement Board

Guiding the members of the Retirement Board is their collective belief that Ohio's public educators deserve comprehensive benefits and quality service from their retirement system during their careers and in retirement. The Retirement Board provides the direction, fiduciary oversight and policies that enable STRS Ohio to fulfill its mission of partnering with STRS Ohio members in providing financial performance and member service that assures financial security for current and future retirees.

The Retirement Board is composed of 11 members as follows: five elected contributing members; two elected retired members; an investment expert appointed by the governor; an investment expert appointed jointly by the speaker of the Ohio House of Representatives and the Ohio Senate president; an investment expert designated by the treasurer of state; and the superintendent of public instruction or her designated investment expert. These individuals devote hundreds of volunteer hours in service to STRS Ohio.

In May 2009, Carol Correthers, James McGreevy and Bob Stein were elected to the State Teachers Retirement Board. These three individuals took their seats on the board on Sept. 1, 2009, and serve a four-year term through Aug. 31, 2013. Correthers filled a contributing member seat vacated by Mary Ann Quilter Cervantes, who announced her retirement from her position in the Oregon City Schools, and thus resigned from the Retirement Board. McGreevy and Stein filled retired member seats vacated by Jeffrey Chapman and Dennis Leone.

Following Cervantes' retirement, Mark Meuser assumed the responsibility of board chair and Tim Myers was elected as vice chair for the 2009–2010 fiscal year. Both assumed their responsibilities on July 1, 2009.

Mary Ann Quilter Cervantes , *Chair*
Contributing member since 2005.
Oregon City Schools, Lucas County

Mark H. Meuser, *Vice Chair*
Contributing member since 2006.
Gahanna-Jefferson City Schools, Franklin County

Craig C. Brooks
Appointed jointly by the Speaker of the House of Representatives and the Senate President in 2008.

Regina F. Burch
Appointed by the Governor of Ohio in 2008.

Jeffrey Chapman
Retired teacher member since 2005.

Taiyia L. Hayden
Contributing member since 2006.
Columbus City Schools, Franklin County

Dennis Leone
Retired teacher member since 2005.

Tim Myers
Contributing member since 2008.
Elida Local Schools, Allen County

Steven Puckett
Representing Deborah Delisle, Superintendent of Public Instruction. Ex officio member of the board since appointed to office in 2008.

Constance K. Ramser
Contributing member since 2004.
Jackson Local Schools, Stark County

Michael J. Nehf
Executive Director
State Teachers Retirement System of Ohio

STRS Ohio Mission and Vision

The mission of STRS Ohio is: To partner with STRS Ohio members in providing financial performance and member service that assures financial security for current and future retirees.

The vision of STRS Ohio is: To be a premier retirement system as evidenced by:

Comprehensive member benefits: Providing retirement planning, benefits and health care coverage to enhance the quality of life for members, and

Quality service: Striving to exceed the service expectations of members, employers and associates,

through

Fiduciary responsibility: Safeguarding members' financial retirement security using ethical and professional business practices, and

Financial performance: Improving funding through prudent investments and resource management,

by

Empowerment of associates: Enabling associates to act through the delegation of authority and the acceptance of accountability, and

Organizational renewal: Enhancing STRS Ohio's future by continually acquiring, sharing and implementing new knowledge.

STRS Ohio Guiding Principles

To achieve our mission and vision, we will:

1. Make decisions that produce the greatest possible net benefit for members.
2. Be proactive rather than reactive by anticipating and dealing with change and growth.
3. Attract, develop and retain a highly competent and motivated workforce.
4. Build an organizational culture that inspires a high level of professionalism and performance — distinguishing STRS Ohio as a workplace now and in the future.
5. Provide an open environment for associates to generate new methods or practices to achieve our vision.
6. Provide associates with authority commensurate with their responsibilities for efficiency in decision-making and leadership development.
7. Continually improve through research, development and evaluation.

STRS Ohio Senior Staff Members

Michael J. Nehf, Executive Director

Sandra L. Knoesel, Deputy Executive Director — Member Benefits

Stephen A. Mitchell, Deputy Executive Director — Investments

Robert A. Slater, Deputy Executive Director — Finance and Chief Financial Officer

Terri Meese Bierdeman, Director, Governmental Relations

Eileen F. Boles, Retirement Board Liaison

Laura R. Ecklar, Director, Communication Services

Andrew J. Marfurt, Director, Human Resource Services

William J. Neville, General Counsel

David Tackett, Chief Audit Executive, Internal Audit

Gregory A. Taylor, Director, Information Technology Services

STRS OHIO
State Teachers Retirement System of Ohio
275 East Broad Street
Columbus, OH 43215-3771
614-227-4090
www.strsoh.org

Dec. 4, 2009

Members of the State Teachers Retirement Board:

We are pleased to present the *Comprehensive Annual Financial Report* of the State Teachers Retirement System of Ohio for the fiscal year ended June 30, 2009. This report is intended to provide financial, investment, actuarial and statistical information in a single publication. STRS Ohio management is responsible for the accuracy of the data, as well as the completeness and fairness of the presentation.

STRS Ohio was created by legislative act on May 8, 1919, as an alternative to separate, often unstable local school district retirement plans. STRS Ohio is a cost-sharing, multiple-employer plan providing service retirement, disability and survivor benefits to teachers and faculty members of public boards of education, state-supported colleges and universities, and the state of Ohio and its political subdivisions. Optional health care coverage is available to eligible benefit recipients and their eligible family members.

More analysis and information of the financial activities of STRS Ohio can be found in the Management's Discussion and Analysis section that begins on Page 9 of this report.

Major Initiatives

Following many months of discussion in fiscal 2009 and after receiving significant input from STRS Ohio members, the State Teachers Retirement Board unanimously approved a multifaceted plan on Sept. 1, 2009, to strengthen the financial condition of the retirement system. The plan includes an increase in contributions; an increase in final average salary years; a change in eligibility for retirement; a change in the benefit formula; and a reduction in the annual cost-of-living adjustment.

Before the market downturn, STRS Ohio had a funding period of 41.2 years, exceeding state statute's 30-year maximum funding period. Economic and demographic factors, such as members living longer, were causing a reduction in available funds to pay off accrued liabilities over time. The unprecedented decline in the global markets and the accompanying recession, along with the projected gradual economic recovery, significantly accelerated the need for STRS Ohio to make pension benefit changes. Without these changes, STRS Ohio would eventually be unable to pay benefits. This plan enables the Retirement Board and staff to meet their fiduciary responsibility to help ensure the long-term solvency of STRS Ohio for future generations of teachers.

STRS Ohio staff projects that the changes listed below would save almost $9 billion in accrued liabilities and would reduce the pension funding period to 33.4 years from infinity, assuming the proposed timeline for the changes can be implemented. Further, the current 1% employer contribution to the health care fund continues under the proposed changes.

Increase in Contributions

— Increase member contributions by 0.5% per year beginning July 1, 2011, to a total of 2.5% on July 1, 2015.

— Increase employer contributions by 0.5% per year beginning July 1, 2016, to a total of 2.5% on July 1, 2020.

Increase in Final Average Salary (FAS) Years

— FAS calculation to be based on five highest years of earnings versus the current three years, beginning Aug. 1, 2015.

Change in Eligibility for Retirement

— Increase years of service required for retirement, beginning Aug. 1, 2015.

The recommended change increases the number of years required to be eligible for retirement. Beginning Aug. 1, 2015, members can retire at any age with 35 years of service; at age 60 with 30 years of service; or at age 65 with five years of service. (Members may retire earlier with an actuarially reduced benefit at age 55 with 30 years or at age 60 with five years.) Members who meet age and service eligibility for service retirement as of July 1, 2015, will retain their eligibility under the existing rule.

Change in Benefit Formula

— New formula would be 2.2% per year for the first 30 years of service; 2.5% per year thereafter, beginning Aug. 1, 2015.

The 35-year enhanced benefit is no longer needed to encourage teachers to work longer and is eliminated. Those who have 30 years of service; who are age 55 with 25 years of service; or who are age 60 with five years of service as of July 1, 2015, receive the greater of:

(a) The benefit as of July 1, 2015, under the current formula; or

(b) The benefit upon retirement under the new formula.

Under the new formula, at the end of a 35-year career, teachers would receive 78.5% of their final average salary; teachers who retire at age 60 with 38 years would receive 86% of final average salary.

Reduction in Cost-of-Living Adjustment (COLA)

— Beginning July 1, 2011, current retirees would receive an annual 2% COLA versus the current 3% COLA; members retiring after July 1, 2011, would receive a 1.5% COLA each year.

All of the changes contained in STRS Ohio's proposed plan require legislative action by the Ohio General Assembly and the governor, as all the plan components require changes in existing statute. It is anticipated that legislation will be written and introduced during fiscal 2010.

Several major changes were made to the STRS Ohio Health Care Program to help STRS Ohio members stretch their health care dollars, as well as extend the life of the health care fund that supports the program. One of these changes was the introduction of a Medicare Advantage plan for calendar year 2010 for STRS Ohio benefit recipients who have both Medicare Parts A & B. This plan could result in a premium savings of $24.6 million for retirees and their family members, as well as $25.9 million less from the health care fund, if all eligible enrollees assigned to the plan remain enrolled.

STRS Ohio was also one of the first large health care plan sponsors in the country to launch a discount program through home delivery for generic prescription drugs. Participants in the Express Scripts drug program can receive a 90-day supply of more than 200 generic medications for just a $9 copayment. STRS Ohio members are expected to save more than $500,000 per year in prescription drug costs.

Investments

Total investments (including short-term investments) decreased to $54.7 billion as of June 30, 2009. The Investment Review starting on Page 35 discusses the investment environment during fiscal 2009. The allocation of investment assets is designed to provide high long-term yields while minimizing risk over the long term. A summary of the asset allocation can be found on Page 50.

For the fiscal year ended June 30, 2009, investments returned –21.66%. STRS Ohio's annualized rate of return was –3.65% over the last three years and 2.69% for the last five years. Similar benchmark returns over the same one-, three- and five-year periods were –20.42%, –3.60% and 2.30%, respectively.

2009 Additions to Plan Net Assets

Member and employer contributions, as well as income from investments, provide funds for pension benefits and health care coverage. Employer contributions include amounts paid by employers of participants in alternative retirement plans (ARPs). ARP participants are not members of STRS Ohio; however, their employers are required to contribute 3.5% of salaries to STRS Ohio to help pay for unfunded liabilities. Effective Jan. 1, 2006, STRS Ohio began receiving Medicare Part D reimbursements for participant prescription costs. Fiscal 2009 included $38.0 million in Medicare Part D reimbursements. This federal subsidy helps offset the overall cost of managing the post-employment health care program. Total additions to plan net assets were a negative amount in fiscal 2009. Contributions of $2.8 billion were more than offset by the $15.2 billion investment loss.

2009 Deductions From Plan Net Assets

The principal purpose for STRS Ohio is to provide retirement, survivor and disability benefits to qualified members and their beneficiaries. Benefit payments, including refunds to terminated members, totaled nearly $5.4 billion. Administrative expenses decreased by 0.5% from 2008.

Additions to Plan Net Assets
(in thousands)

	2009
Net Investment Income	$ (15,209,520)
Contributions:	
Member	1,085,738
Employer	1,475,835
Health Care Premiums	225,627
Medicare Part D Reimbursement	37,956
Other	20,680
Total Contributions	2,845,836
Total Additions to Plan Net Assets	$ (12,363,684)

Deductions From Plan Net Assets
(in thousands)

	2009
Benefits	$ 5,172,095
Withdrawals	129,290
Administrative Expenses	62,284
Total Deductions From Net Assets	$ 5,363,669

Funding

Contribution rates are actuarially determined to provide a level basis of funding using the entry age normal cost method, and an actuarial valuation is performed annually by PricewaterhouseCoopers, Chicago, Ill. The July 1, 2009, valuation shows that the amortization period for the unfunded accrued liability increased to infinity from 41.2 years, and the ratio of assets to total accrued liabilities decreased to 60.0% from 79.1%.

Generally accepted accounting principles require pension plans to report annual required contributions at the amount necessary to have a maximum amortization period of 30 years. Consequently, the amortization period shown on Page 31 is 30 years for financial reporting purposes.

A detailed discussion of funding is provided in the Actuarial Section of this report beginning on Page 54.

Internal Controls

STRS Ohio management is responsible for and has implemented internal controls designed to provide reasonable assurances for the safeguarding of assets and the reliability of financial records. We believe that the internal controls currently in place adequately meet the purpose for which they were intended.

Certificate of Achievement and Other Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to STRS Ohio for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. STRS Ohio has received a Certificate of Achievement for the last 19 years. We believe our current report continues to meet the Certificate of Achievement program requirements and will be submitted to the GFOA.

The Public Pension Coordinating Council (PPCC) presented STRS Ohio with the 2008 Public Pension Standards Award for Funding and Administration in recognition of meeting professional standards set forth in the Public Pension Standards. PPCC is a coalition made up of the National Association of State Retirement Administrators (NASRA), the National Council on Teacher Retirement (NCTR) and the National Conference on Public Employee Retirement Systems (NCPERS).

Acknowledgments

The preparation of this report is possible only through the combined efforts of the STRS Ohio staff. It is intended to provide complete and reliable information as a basis for making management decisions, complying with legal provisions and determining responsible stewardship of the assets contributed by members and their employers.

Respectfully submitted,

Michael J. Nehf
Executive Director

Robert A. Slater, CPA
Deputy Executive Director
Chief Financial Officer

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

The Retirement Board
State Teachers Retirement System of Ohio
and
The Honorable Mary Taylor, CPA
Auditor of State

We have audited the accompanying statements of plan net assets of the State Teachers Retirement System of Ohio (STRS Ohio) as of June 30, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of STRS Ohio's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of STRS Ohio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the plan net assets of STRS Ohio as of June 30, 2009 and 2008, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 4, 2009, on our consideration of STRS Ohio's internal control over financial reporting and on our test of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 9 through 15 and the schedules of funding progress and employer contributions and related notes on pages 31 and 32 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as whole. The supplementary information included on pages 33 and 34 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introduction section on pages 1 through 7, the Investments section on pages 35 through 53, the Actuarial section on pages 54 through 62, and the Statistical section on pages 63 through 70 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Clifton Gunderson LLP

Toledo, Ohio
December 4, 2009

Offices in 16 states and Washington, DC

Member of HLB International

Management is pleased to provide this overview and analysis of the financial activities of the State Teachers Retirement System of Ohio (STRS Ohio) for the years ended June 30, 2009 and 2008. This information is intended to supplement the financial statements, which begin on Page 17 of this report. We encourage readers to consider additional information and data in this 2009 Comprehensive Annual Financial Report.

As of June 30, 2009, STRS Ohio held $53.1 billion in trust on behalf of more than 462,600 active, inactive and retired educators. This represented a $17.7 billion decline from the previous fiscal year-end. In fiscal 2008, STRS Ohio experienced a $6.5 billion decline from the previous fiscal year-end. These losses were due almost entirely to the significant decline in the value of STRS Ohio's investment assets as a result of the global recession.

Before the market downturn, STRS Ohio had a funding period for its pension fund of 41.2 years, exceeding state statute's 30-year maximum funding period. Economic and demographic factors, such as members living longer, were causing a reduction in available funds to pay off accrued liabilities over time. The unprecedented decline in the global markets and the accompanying recession, along with the projected gradual economic recovery, significantly accelerated the need for STRS Ohio to make changes. In just one year, from July 2008 to July 2009, STRS Ohio's unfunded liability has more than doubled to $36.6 billion and the funding period is at infinity.

The fact that the pension unfunded liabilities are at "infinity" — meaning the system can never pay off its liabilities unless changes are made — prompted the Retirement Board in March 2009 to begin developing a long-range plan to strengthen the financial condition of the retirement system. The plan adopted by the board on Sept. 1, 2009, calls for an increase in contributions; an increase in final average salary years; a change in eligibility for retirement; a change in the benefit formula; and a reduction in the annual cost-of-living adjustment. STRS Ohio staff projects the proposed changes would save almost $9 billion in accrued liabilities and would bring the pension fund to a 33.4-year funding period from its current status of infinity, assuming the proposed timeline for the changes can be implemented.

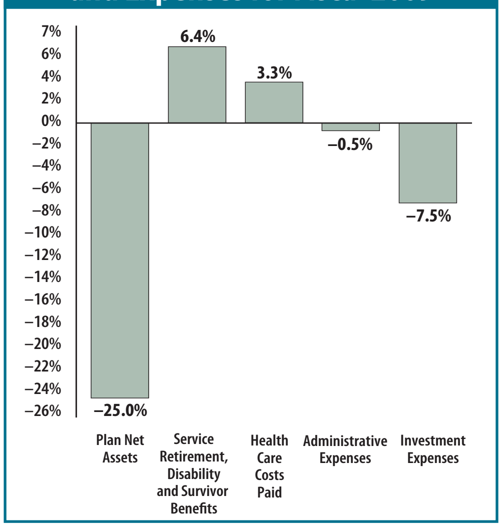
STRS Ohio has the cash flow needed to pay current pension benefits when they are due. In fact, the value of preserving the security of the Defined Benefit Plan to our members has never been more apparent. However, looking long term, there is a shortfall in the funding of STRS Ohio benefits. If no changes are made, STRS Ohio will eventually be unable to pay benefits.

Financial Highlights

The chart below illustrates the percentage changes in plan assets and expenses for fiscal 2009. Highlights of the fiscal year include:

- The investment rate of return was –21.66% in fiscal 2009. The investment rate of return for fiscal 2008 was –5.44% following a 20.73% return in 2007. Five- and 10-year total fund annualized returns are 2.69% and 2.71%, respectively.
- Plan net assets decreased 25.0% from the prior fiscal year, ending at $53.1 billion as of June 30, 2009. Plan net assets decreased 8.4% from fiscal 2007 to fiscal 2008, ending at $70.8 billion as of June 30, 2008.
- The post-employment health care balance was $2.7 billion as of June 30, 2009, a decrease of 26.7% from the prior fiscal year. Net investment loss for the fund was $779 million in 2009. The post-employment health care balance decreased 10.1% from fiscal 2007 to fiscal 2008, ending at $3.7 billion as of June 30, 2008.
- Defined contribution accounts finished the year with $297 million in net assets, a decrease of 3.3% from 2008. The defined contribution accounts ended at June 30, 2008, with $307 million in assets, a decrease of 3.5% from fiscal 2007.
- Total benefit payments were $5.2 billion during fiscal 2009, an increase of 6.0% from fiscal 2008. STRS Ohio paid members $4.6 billion in service retirement, disability and survivor benefits plus $558 million for health care coverage during fiscal 2009.

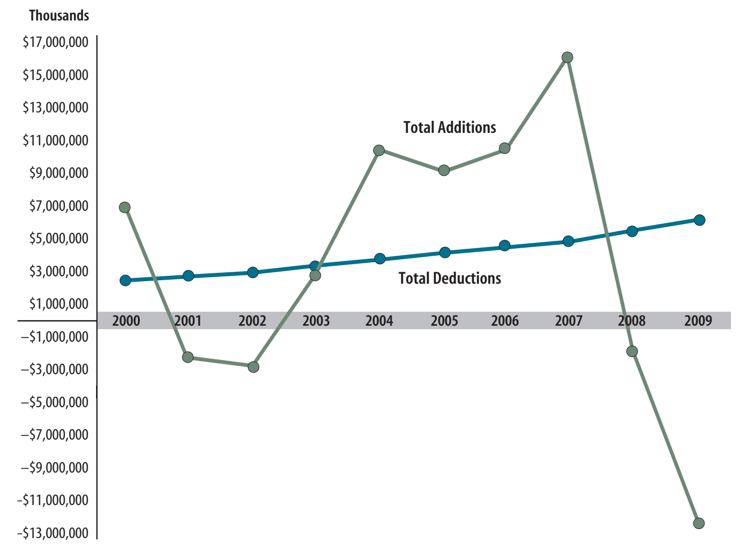
Percentage Changes in Plan Assets and Expenses for Fiscal 2009



Total benefit payments were $4.9 billion during fiscal 2008, an increase of 8.2% from fiscal 2007.

- Total additions to plan net assets were –$12.4 billion during fiscal 2009. Net investment loss during fiscal 2009 totaled $15.2 billion. The fair value of every investment asset class decreased from the prior year-end, led by a 28.2% decrease in the fair value of domestic equities. Total additions to plan net assets were –$1.4 billion during fiscal 2008.

Historical Plan Asset Additions and Deductions
(years ended June 30)



Contributions
Years Ended June 30, 2009 and 2008 (dollar amounts in thousands)

	2009	2008	Percentage Change
Employer Contributions	$ 1,475,835	$ 1,427,840	3.36%
Member Contributions	1,085,738	1,058,549	2.57%
Health Care Premiums and Medicare Part D Reimbursement	263,583	251,615	4.76%
Other	20,680	23,546	–12.17%
Total Revenue	**$2,845,836**	**$2,761,550**	**3.05%**

Benefits and Administration
Years Ended June 30, 2009 and 2008 (dollar amounts in thousands)

	2009	2008	Percentage Change
Benefits (includes optional health care)	$ 5,172,095	$ 4,879,110	6.00%
Refunds	129,290	142,918	–9.54%
Administration	62,284	62,620	–0.54%
Total Expenses	**$5,363,669**	**$5,084,648**	**5.49%**

- Member and employer contributions totaled $2.6 billion during fiscal 2009. Total covered payroll, which is the combined salaries for all plan participants, increased almost 3.3%. During fiscal 2008, member and employer contributions totaled $2.5 billion.
- Administrative expenses decreased 0.5% to $62.3 million for fiscal 2009. Investment expenses, which include salaries and benefits for investment personnel, decreased 7.5% to $34.9 million in fiscal 2009. In fiscal 2008, administrative expenses decreased 1.2% and investment expenses increased 23.0%.

Annual Financial Review

The combined portfolio delivered a –21.66% rate of return in fiscal 2009. Fixed income led all investment categories by generating a 4.97% return. All other asset classes had negative rates of return. The alternative investments return was –24.59%. Real estate had a –27.02% return. Domestic stocks had a –25.45% return and international equity had a –27.89% return. Looking at annualized investment returns for the period of July 1, 1999, to June 30, 2009, STRS Ohio had a total fund return of 2.71%.

The unfunded pension liability for STRS Ohio as of July 1, 2009, is $36.5 billion, up from $18.2 billion as of July 1, 2008. As a result, accrued liabilities and future benefits will not be sustainable without plan design changes or additional revenues. The amortization period at July 1, 2008, was 41.2 years. The funded ratio at July 1, 2009, is 60.0%, a decrease from 79.1% at July 1, 2008. Actuarial losses resulted primarily from investment returns being less than expected. STRS Ohio recorded a net actuarial loss of $17.8 billion. The funded ratio of the post-employment health care fund is 20.1% and 33.2% as of Jan. 1, 2009 and 2008, respectively.

Historical additions to and deductions from plan assets indicate a pattern of steadily increasing deductions compared to fluctuating additions as shown in the chart at the top of the page. Changes in contributions and benefits and administration for fiscal years ended June 30, 2009, and 2008, are shown in the charts to the left. Pension benefit payments and health care costs exceed member and employer contributions. Investment income is expected to compensate for the difference between benefit payments and contributions over time.

Investment market declines decreased the net assets for post-employment health care to $2.7 billion at June 30, 2009, from $3.7 billion at June 30, 2008. Small modifications were made to the health care program for calendar year 2009. Premiums charged to health care recipients in fiscal 2009 increased to $225.6 million from $214.7 million in fiscal 2008. Medicare Part D reimbursements of $38.0 million were received to help offset prescription drugs costs. Health care coverage payments grew 3.3% from fiscal 2008. In fiscal 2008, health care premiums rose to $214.7 million from $201.5 million. Health care coverage payments grew 7.4% from fiscal 2007.

Reductions in staff compensation and banking fees caused investment administrative expenses to decrease $2.8 million in fiscal 2009 from fiscal 2008. Reductions in computer support services caused administrative expenses to decrease $336,000 in fiscal 2009 and $767,600 in fiscal 2008.

Overview of the Financial Statements of STRS Ohio

The two basic financial statements are the *Statements of Plan Net Assets* and the *Statements of Changes in Plan Net Assets*. Amounts are shown for the most recent and previous fiscal years for comparison and analysis of changes in individual line items. The statements are prepared in conformity with generally accepted accounting principles.

The *Statements of Plan Net Assets* are a measure of STRS Ohio's assets and liabilities at the close of the fiscal year. Total assets less current liabilities equal the net assets held in trust for future benefits.

The *Statements of Changes in Plan Net Assets* show additions and deductions for the fiscal year. The net increase (or decrease) is the change in net assets available for benefits since the end of the previous fiscal year.

For financial reporting purposes, STRS Ohio assets are divided into three primary funds: the Defined Benefit (DB) Plan, the Defined Contribution (DC) Plan and post-employment health care.

- The Defined Benefit Plan is the largest fund and includes member contributions, employer contributions and investment earnings for DB participants. The DB Plan pays service retirement benefits using a fixed formula based on age, years of service and salary. In addition to service retirement, DB participants are eligible for disability and survivor benefits.
- The Defined Contribution Plan began on July 1, 2001. It is an optional plan available to new members. DC participants allocate both member and employer contributions in investment choices provided by STRS Ohio. Benefits are based on the member's account value.

  As an alternative to the Defined Benefit or Defined Contribution Plan, new members may elect the Combined Plan. Combined Plan participants allocate their member contributions among the same investment choices as DC members, and employer contributions are used to provide a reduced formula service retirement benefit along with disability and survivor protection. Assets to provide benefits to Combined Plan members are divided between the Defined Benefit Plan and the Defined Contribution Plan.
- Net assets for post-employment health care consist of funds set aside to subsidize optional health care coverage for members enrolled in the Defined Benefit and Combined Plans.

The *Notes to Financial Statements* are a fundamental part of the financial statements and provide important information to augment the figures in the financial statements. The notes describe accounting policies along with plan membership and benefits. Supplementary disclosures of selected financial data are included in the notes.

In addition to the basic financial statements and footnotes, a *Schedule of Pension Plan Funding Progress*, a *Schedule of Employer Contributions Related to Pension Plan* and *Notes to Pension Plan Trend Data* are included as "required supplementary information." These schedules emphasize the long-term nature of pension plans and the status of STRS Ohio in accumulating sufficient assets to pay benefits when due.

The *Schedule of Pension Plan Funding Progress* shows actuarial trend information for the past six years. It includes the ratio of valuation assets to actuarial accrued liability (funded ratio). The funded ratio increases over time as the funding

Investment Performance

(total returns, annualized on a fiscal-year basis, July 1–June 30)

1-Year Returns (2009)[1]

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities	–25.45%	Russell 3000	–26.57%
International	–27.89%	International Equity Blended Benchmark[2]	–27.35%
Fixed Income	4.97%	Barclays Capital U.S. Universal Index[3]	4.93%
Real Estate	–27.02%	Real Estate Blended Benchmark[4]	–22.18%
Alternative Investments	–24.59%	Russell 3000 + 3%[5]	–
Total Fund	**–21.66%**	**Total Fund Blended Benchmark[6]**	**–20.42%**

5-Year Returns (2005–2009)

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities	–1.92%	Russell 3000	–1.84%
International	6.22%	International Equity Blended Benchmark[2]	5.51%
Fixed Income	5.25%	Barclays Capital U.S. Universal Index[3]	4.95%
Real Estate	11.23%	Real Estate Blended Benchmark[4]	6.31%
Alternative Investments	8.34%	Russell 3000 + 3%[5]	1.16%
Total Fund	**2.69%**	**Total Fund Blended Benchmark[6]**	**2.30%**

STRS Ohio Long-Term Policy Objective (20 Years)

Total Fund: 8.10%

Investment performance is calculated using a time-weighted rate of return.

[1]The one-year returns for the fiscal years ended June 30, 2009, 2008 and 2007, have been examined by Vincent Performance Services LLC. A copy of the examination report is available upon request.

[2]The International Equity Blended Benchmark is calculated using 80% of the MSCI World ex USA Index (50% hedged) and 20% of the MSCI EMF Index for all periods beginning on or after Jan. 1, 2006, and 75% MSCI World ex USA Index (50% hedged) and 25% MSCI EMF Index from July 1, 2003, through Dec. 31, 2005.

[3]Effective Nov. 3, 2008, the Lehman Brothers indexes were rebranded to the Barclays Capital indexes.

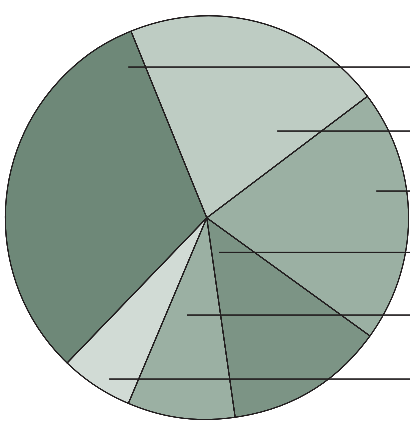
[4]The Real Estate Blended Benchmark is calculated quarterly using 85% NCREIF Property Index (NPI) and 15% Wilshire REIT Index for all periods beginning on or after Oct. 1, 2007, and 80% NPI, 10% NCREIF Timberland Index and 10% Dow Jones Wilshire REIT Index for periods prior to Oct. 1, 2007.

[5]The Alternative Investments benchmark is 3% above the five-year annualized return of the Russell 3000 Index. Given the long-term nature of the asset class, no benchmark return for alternative investments is displayed for the one-year period.

[6]The Total Fund Blended Benchmark is calculated and rebalanced monthly using a blend of the asset class benchmarks based on the Total Fund's policy weights in effect during the respective period. Information concerning asset class benchmarks and policy weights is available upon request.

Investment Distribution by Fair Value — as of June 30, 2009

(dollar amounts in thousands)



Domestic Equities:	**$17,376,344**	**31.75%**
International:	**$11,466,789**	**20.95%**
Fixed Income:	**$11,001,818**	**20.10%**
Real Estate:	**$7,023,750**	**12.83%**
Short-Term Investments:	**$4,733,850**	**8.65%**
Alternative Investments:	**$3,133,958**	**5.72%**
Total Investments:	**$54,736,509**	

status of a pension plan improves and vice versa. The *Schedule of Pension Plan Funding Progress* also shows the unfunded actuarial accrued liability as a percentage of member payroll. This percentage decreases as a pension plan grows financially stronger.

The *Schedule of Employer Contributions Related to Pension Plan* shows the amount of required employer contributions determined in accordance with parameters established by Governmental Accounting Standards Board (GASB) Statement No. 25 and the percentage actually contributed. Employers have met their obligation by contributing at the legally required contribution rates for each of the six years shown in the schedule.

The *Notes to Pension Plan Trend Data* provide the actuarial method and assumptions used to determine the data in the *Schedule of Pension Plan Funding Progress* and the *Schedule of Employer Contributions Related to Pension Plan*.

A separate *Schedule of Health Care Funding Progress*, *Schedule of Employer Contributions Related to Health Care* and *Notes to Health Care Trend Data* are included as required by GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The health care information shows the status of STRS Ohio in accumulating sufficient assets to pay health care coverage costs.

Schedules of Administrative Expenses, *Schedules of Investment Expenses* and *Schedules of Fees to External Asset Managers by Asset Class* are included to detail the administrative and investment costs to operate STRS Ohio.

Investment Allocation and Fiscal Year Performance

For fiscal 2009, total investments incurred a –21.66% rate of return. The relative benchmark for STRS Ohio returned –20.42%. The target allocations at June 30, 2009, were 0% liquidity reserves, 20% fixed income, 40% domestic stock, 24% international, 10% real estate and 6% in alternative investments. Amounts actually invested in these categories at the end of June 2009 represent an investment over/underweight if different from the target allocation. Over/underweighting occurs as fair values change and as investment managers determine allocation entry and exit timing strategies. See Page 12 for detailed investment performance.

External asset management fees are shown separately in the *Statements of Changes in Plan Net Assets* as a reduction of investment income. Coupled with direct internal investment costs, the cost to manage investments was $161 million in fiscal 2009 and $165 million in fiscal 2008.

Financial Statement Analysis

The tables on Page 14 show condensed information from the *Statements of Plan Net Assets* and the *Statements of Changes in Plan Net Assets*.

The plan net assets decreased 25.0% from fiscal 2008. The plan net assets decreased 8.4% from fiscal 2007. The fluctuation of plan net assets for both fiscal 2009 and 2008 was largely due to changes in the fair value of investments.

The value of capital assets decreased slightly from 2008 because depreciation expense in fiscal 2009 exceeded the cost of new capital items. STRS Ohio is scheduled to implement a new member and employer software system in fiscal 2010.

Total investment income decreased by more than $11 billion from fiscal 2008. Total investment income for fiscal 2008 decreased $17.6 billion from fiscal 2007.

Employer contributions increased 3.4% as improvements were made in statewide covered payroll. Employer contributions increased 2.7% in fiscal 2008. Member contributions increased 2.6% in fiscal 2009 and 1.8% in fiscal 2008. Member and employer rates remained at 10% and 14%, respectively, of earned compensation for fiscal 2008 and 2009.

Health care premiums helped to offset some of the increases in health care costs. Of the $558.3 million paid to health care providers in fiscal 2009, health care enrollees paid $225.6 million through premium deductions. Health care enrollees were also responsible for additional health care costs paid through deductibles, coinsurance, copayments and other out-of-pocket expenditures. Employer

Plan Net Assets
(dollar amounts in thousands)

	2009	2008	2007	Amount Increase (Decrease) From 2008 to 2009	Percentage Change From 2008 to 2009
Cash and investments	$ 54,739,893	$ 72,587,826	$ 79,607,931	$ (17,847,933)	–24.59%
Receivables	1,301,366	1,842,726	839,474	(541,360)	–29.38%
Securities lending collateral	1,542,050	2,307,026	3,970,484	(764,976)	–33.16%
Capital assets	125,597	128,310	128,804	(2,713)	–2.11%
Total assets	57,708,906	76,865,888	84,546,693	(19,156,982)	–24.92%
Liabilities	4,635,883	6,065,512	7,247,801	(1,429,629)	–23.57%
Plan net assets	**$ 53,073,023**	**$ 70,800,376**	**$ 77,298,892**	**$ (17,727,353)**	**–25.04%**

Additions to Plan Net Assets
(dollar amounts in thousands)

	2009	2008	2007	Amount Increase (Decrease) From 2008 to 2009	Percentage Change From 2008 to 2009
Contributions:					
Member contributions	$ 1,085,738	$ 1,058,549	$ 1,039,585	$ 27,189	2.57%
Employer contributions	1,475,835	1,427,840	1,390,491	47,995	3.36%
Health care premiums	225,627	214,700	201,537	10,927	5.09%
Other	58,636	60,461	56,780	(1,825)	–3.02%
Total contributions	2,845,836	2,761,550	2,688,393	84,286	3.05%
Net investment income (loss)	(15,209,520)	(4,175,418)	13,444,328	(11,034,102)	–264.26%
Total additions to plan net assets	**$ (12,363,684)**	**$ (1,413,868)**	**$ 16,132,721**	**$ (10,949,816)**	**–774.46%**

Deductions From Plan Net Assets
(dollar amounts in thousands)

	2009	2008	2007	Amount Increase (Decrease) From 2008 to 2009	Percentage Change From 2008 to 2009
Deductions:					
Benefit payments	$ 4,603,388	$ 4,326,053	$ 3,997,592	$ 277,335	6.41%
Health care coverage	558,344	540,493	503,407	17,851	3.30%
Refunds to members	129,290	142,918	134,994	(13,628)	–9.54%
Administrative expenses	62,284	62,620	63,387	(336)	–0.54%
Other	10,363	12,564	10,113	(2,201)	–17.52%
Total deductions	**$ 5,363,669**	**$ 5,084,648**	**$ 4,709,493**	**$ 279,021**	**5.49%**

Change in Net Assets From Plan Additions and Deductions
(dollar amounts in thousands)

	2009	2008	2007	Amount Increase (Decrease) From 2008 to 2009
Change in plan net assets	**$ (17,727,353)**	**$ (6,498,516)**	**$ 11,423,228**	**$ (11,228,837)**

contributions of $101.2 million and Medicare Part D reimbursements of $38.0 million helped pay health care costs. The remaining health care costs of $193.5 million were paid from accumulated net assets held for post-employment health care. For fiscal 2008, benefit recipients and employers contributed $214.7 million and $98.3 million, respectively.

STRS Ohio was created to provide retirement, disability and survivor benefits to members and eligible beneficiaries. Expenditures include monthly payments to eligible recipients, refunds of contributions to members who terminate employment, and administrative costs of operating STRS Ohio.

Total deductions from plan net assets were $5.4 billion in fiscal 2009, a 5.5% increase over fiscal 2008. Total deductions from plan net assets were $5.1 billion in fiscal 2008, an 8.0% increase over fiscal 2007. The largest component was monthly benefit payments for service retirement, disability and survivor benefits. Total pension benefit payments increased 6.4% in fiscal 2009 and 8.2% in fiscal 2008 as a result of new retirees and cost-of-living adjustments.

Health care costs increased 3.3% in fiscal 2009 and 7.4% in fiscal 2008.

Funding Analysis

In fiscal 2009, the funding period increased to infinity as a result of actuarial losses from investment returns. In fiscal 2008, the funding period increased by 15.1 years to 41.2 years from 26.1 years in fiscal 2007. In fiscal 2008, actuarial losses resulted from investment returns being less than expected, retirees continuing to live longer and members generally retiring earlier than expected.

The unfunded accrued liability for STRS Ohio pension benefits is $36.5 billion at July 1, 2009, up from $18.2 billion at July 1, 2008. Market changes in investment assets are smoothed over a four-year period for valuation purposes, except that the actuarial value of assets shall not be less than 91% nor more than 109% of market value. Valuation assets ended fiscal 2009 at $54.9 billion, down from $69.2 billion the prior year. The present value of promised benefits to current and future benefit recipients (the actuarial accrued liability) at fiscal 2009 and 2008 was $91.4 billion and $87.4 billion, respectively. The funded ratio, which is valuation assets divided by actuarial accrued liability, was 60.0% at July 1, 2009, down from 79.1% at July 1, 2008.

Requests for Information

Questions about any information provided in this report should be addressed to:

State Teachers Retirement System of Ohio
ATTN: Chief Financial Officer
275 E. Broad St.
Columbus, OH 43215-3771

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Statements of Plan Net Assets (in thousands)

	June 30, 2009 Defined Benefit	June 30, 2009 Defined Contribution	June 30, 2009 Post-employment Health Care	June 30, 2009 Totals	June 30, 2008 Defined Benefit	June 30, 2008 Defined Contribution	June 30, 2008 Post-employment Health Care	June 30, 2008 Totals
Assets:								
Cash and short-term investments	$ 4,436,779	$ 58,948	$ 241,507	$ 4,737,234	$ 4,554,317	$ 49,970	$ 252,291	$ 4,856,578
Receivables:								
Accrued interest and dividends	103,091		5,612	108,703	176,522		9,779	186,301
Employer contributions	225,474	24	12,273	237,771	206,897	109	11,461	218,467
Retirement incentive	829			829	637			637
Member contributions	144,294	48		144,342	139,950	228		140,178
Due from defined contribution plans	9,949			9,949	2,888			2,888
Securities sold	756,714		41,190	797,904	1,224,413		67,828	1,292,241
Miscellaneous receivables	1,868			1,868	2,014			2,014
Total receivables	1,242,219	72	59,075	1,301,366	1,753,321	337	89,068	1,842,726
Investments, at fair value:								
Fixed income	10,366,098	71,463	564,257	11,001,818	14,322,229	58,721	793,395	15,174,345
Domestic common and preferred stock	16,360,282	125,524	890,538	17,376,344	22,809,968	135,699	1,263,582	24,209,249
International	10,842,822	33,760	590,207	11,466,789	14,746,976	39,805	816,924	15,603,705
Real estate	6,644,857	17,194	361,699	7,023,750	8,619,467	25,583	477,484	9,122,534
Alternative investments	2,972,174		161,784	3,133,958	3,431,333		190,082	3,621,415
Total investments	47,186,233	247,941	2,568,485	50,002,659	63,929,973	259,808	3,541,467	67,731,248
Invested securities lending collateral	1,462,444		79,606	1,542,050	2,185,934		121,092	2,307,026
Capital assets, at cost, net of accumulated depreciation of $105,527 and $100,146, respectively	125,597			125,597	128,310			128,310
Total assets	54,453,272	306,961	2,948,673	57,708,906	72,551,855	310,115	4,003,918	76,865,888
Liabilities:								
Securities purchased and other investment liabilities	837,054		45,563	882,617	1,457,841		80,759	1,538,600
Debt on real estate investments	2,035,507		110,799	2,146,306	2,049,233		113,519	2,162,752
Accrued expenses and other liabilities	19,853		1,081	20,934	21,435		1,188	22,623
Due to defined benefit plans		9,949		9,949		2,888		2,888
Medical benefits payable			31,186	31,186			31,623	31,623
Obligations under securities lending program	1,465,139		79,752	1,544,891	2,185,934		121,092	2,307,026
Total liabilities	4,357,553	9,949	268,381	4,635,883	5,714,443	2,888	348,181	6,065,512
Net assets held in trust for defined benefit, defined contribution and post-employment health care coverage:	$ 50,095,719	$ 297,012	$ 2,680,292	$ 53,073,023	$ 66,837,412	$ 307,227	$ 3,655,737	$ 70,800,376

See accompanying Notes to Financial Statements.

Statements of Changes in Plan Net Assets (in thousands)

	Year Ended June 30, 2009				Year Ended June 30, 2008			
	Defined Benefit	Defined Contribution	Post-employment Health Care	Totals	Defined Benefit	Defined Contribution	Post-employment Health Care	Totals
Additions								
Contributions:								
Member	$ 1,041,248	$ 44,490		$ 1,085,738	$ 1,017,720	$ 40,829		$ 1,058,549
Employer	1,347,741	26,873	$ 101,221	1,475,835	1,305,027	24,471	$ 98,342	1,427,840
Transfers between retirement plans	14,644	(14,644)			14,399	(14,399)		
Retirement incentive	3,288			3,288	5,175			5,175
Medicare Part D reimbursement			37,956	37,956			36,915	36,915
Benefit recipient health care premiums			225,627	225,627			214,700	214,700
Other retirement systems	17,392			17,392	18,371			18,371
Total contributions	2,424,313	56,719	364,804	2,845,836	2,360,692	50,901	349,957	2,761,550
Investment loss:								
Net depreciation in fair value of investments	(15,737,128)	(59,573)	(852,524)	(16,649,225)	(5,618,388)	(32,471)	(311,197)	(5,962,056)
Interest	513,288	526	27,806	541,620	662,284	1,517	36,683	700,484
Dividends	715,101		38,738	753,839	900,160		49,859	950,019
Real estate income	259,866		14,078	273,944	263,294		14,584	277,878
Securities lending income	29,669		1,607	31,276	22,014		1,219	23,233
Net investment loss	(14,219,204)	(59,047)	(770,295)	(15,048,546)	(3,770,636)	(30,954)	(208,852)	(4,010,442)
Less investment expenses	(32,936)	(204)	(1,784)	(34,924)	(35,610)	(166)	(1,972)	(37,748)
Less external asset management fees	(119,573)		(6,477)	(126,050)	(120,551)		(6,677)	(127,228)
Net investment loss	(14,371,713)	(59,251)	(778,556)	(15,209,520)	(3,926,797)	(31,120)	(217,501)	(4,175,418)
Total additions	(11,947,400)	(2,532)	(413,752)	(12,363,684)	(1,566,105)	19,781	132,456	(1,413,868)
Deductions								
Benefits:								
Service retirement	4,299,310			4,299,310	4,029,937			4,029,937
Disability benefits	204,939			204,939	201,949			201,949
Survivor benefits	99,139			99,139	94,167			94,167
Health care			558,344	558,344			540,493	540,493
Other retirement systems	10,235			10,235	12,347			12,347
Additional death benefits (net)	128			128	217			217
Total benefit payments	4,613,751		558,344	5,172,095	4,338,617		540,493	4,879,110
Refunds to members who have withdrawn	121,863	7,427		129,290	133,832	9,086		142,918
Administrative expenses	58,679	256	3,349	62,284	59,467	240	2,913	62,620
Total deductions	4,794,293	7,683	561,693	5,363,669	4,531,916	9,326	543,406	5,084,648
Net increase (decrease)	(16,741,693)	(10,215)	(975,445)	(17,727,353)	(6,098,021)	10,455	(410,950)	(6,498,516)
Net assets held in trust for defined benefit, defined contribution and post-employment health care coverage:								
Beginning of year	66,837,412	307,227	3,655,737	70,800,376	72,935,433	296,772	4,066,687	77,298,892
End of year	**$ 50,095,719**	**$ 297,012**	**$ 2,680,292**	**$ 53,073,023**	**$ 66,837,412**	**$ 307,227**	**$ 3,655,737**	**$ 70,800,376**

See accompanying Notes to Financial Statements.

1. Summary of Significant Accounting Policies

The financial statements of the State Teachers Retirement System of Ohio (STRS Ohio) presented herein have been prepared on the accrual basis of accounting following the accounting policies set forth below.

Organization — STRS Ohio is a cost-sharing, multiple-employer plan that operates under Chapter 3307 of the Ohio Revised Code (Revised Code) and is administered by a board comprised of 11 members as follows: five elected contributing members; two elected retired teacher members; an investment expert appointed by the governor; an investment expert appointed jointly by the speaker of the House and the Senate president; an investment expert designated by the treasurer of state; and the superintendent of public instruction or her designated investment expert.

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, an amendment of GASB Statement No. 14, *The Financial Reporting Entity*. This statement requires that financial statements of the reporting entity include all of 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 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. STRS Ohio does not have financial accountability over any entities.

Investment Accounting — Purchases and sales of investments are recorded as of their trade date. Dividend income is recognized on the ex-dividend date. Interest and rental income are recognized as the income is earned.

STRS Ohio has no individual investment that exceeds 5% of net assets available for benefits.

Contributions and Benefits — Employer and member contributions are recognized when due based on statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Capital Assets — Capital assets are recorded at historical cost. Depreciation is provided on a straight-line basis over estimated useful lives of five to 10 years for equipment and 40 years for building and building improvements. Capital assets include purchases of $500 or more with a useful life of at least five years.

Method Used to Value Investments — Investments are reported at fair value. Short-term investments, with maturities less than one year, are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the then current exchange rates. Fixed-income investments are valued based on their coupon rate relative to the coupon rate for similar securities. The fair value of real estate investments is based on independent appraisals and internal valuations. The fair value of alternative investments is determined by the alternative investment partnership based on the valuation methodology outlined in the partnership agreement.

Federal Income Tax Status — Under Section 401(a) of the Internal Revenue Code, STRS Ohio is exempt from federal income taxes.

Use of Estimates — In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, the board makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Recently Issued Accounting Pronouncements — GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement is effective for the fiscal year ending June 30, 2010. This statement provides clarification as to when an intangible asset should be recorded and establishes an approach to recognizing intangible assets that are internally generated.

GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement is effective for the fiscal year ending June 30, 2010. The objective of this pronouncement is to enhance the usefulness and comparability of derivative information reported in the financial statements.

Management does not anticipate the implementation of GASB No. 51 and No. 53 will have a significant impact on STRS Ohio's financial statements.

2. Description of the STRS Ohio Plan

Plan Membership — STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio (the state) or any school, college, university, institution or other agency controlled, managed and supported, in whole or part, by the state or any political subdivision thereof.

See charts to the right for member and retiree data and participating employers.

Member and Retiree Data at July 1, 2009 and 2008

	2009	2008
Current active members	174,807	173,327
Inactive members eligible for refunds only	133,561	130,259
Terminated members entitled to receive a benefit in the future	17,980	18,300
Retirees and beneficiaries currently receiving a benefit	129,659	126,506
Defined Contribution Plan members	6,636	6,428
Reemployed retirees	22,189	21,467
Total Plan Membership	**484,832**	**476,287**

Participating Employers at June 30, 2009 and 2008

	2009	2008
City school districts	194	194
Local school districts	370	370
County educational service centers	58	59
Exempted village school districts	49	49
Joint vocational schools	49	49
Colleges and universities	36	36
County boards of developmental disabilities	71	73
Community schools	280	272
State of Ohio	1	1
Other	9	8
Total	**1,117**	**1,111**

Plan Options — New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan or a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member. Employer contributions in the Combined Plan are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis.

DB Plan Benefits — Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age.

The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying final average salary by 2.2% for the first 30 years of credited service. Each year over 30 years is incrementally increased by .1%, starting at 2.5% for the 31st year of contributing service up to a maximum allowance of 100% of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5%, and each year over 31 years is incrementally increased by .1% starting at 2.6% for the 32nd year. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts.

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to compute the maximum annual retirement allowance.

Since the plan is tax-qualified, benefits are subject to limits established by Section 415 of the Internal Revenue Code. Benefits are increased annually by 3% of the original base amount.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

DC Plan Benefits — Benefits are established under Chapter 3307.80 to 3307.89 of the Revised Code.

For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. The member receives a quarterly statement of his or her account activity and balance. The remaining 3.5% of the 14.0% employer rate is allocated to the defined benefit unfunded liability.

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into member accounts are vested after the first anniversary of the first day of paid service.

Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan — In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment.

A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity.

Both DC and Combined Plan members transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. During fiscal 2009, $14,644,000 was transferred from the DC and Combined Plan accounts to the Defined Benefit Plan. During fiscal 2008, $14,399,000 was transferred from the DC and Combined Plan accounts to the Defined Benefit Plan.

Death, Survivor and Disability Benefits — A Defined Benefit Plan or Combined Plan member with five or more years of credited service who becomes disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) is entitled to a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits.

A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Health Care Coverage After Retirement — Ohio law authorizes the State Teachers Retirement Board to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans and their eligible family members.

Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by the plan. All benefit recipients, for the year ended June 30, 2009, pay a portion of the heath care costs in the form of a monthly premium. Benefit recipients contributed $225.6 million or 40% of the total health care costs (excluding deductibles, coinsurance and copayments). For the year ended June 30, 2008, benefit recipients also contributed 40% of the total health care costs.

Under Ohio law, funds to pay health care costs may be deducted from employer contributions, currently 14% of compensation. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. For the years ended June 30, 2009 and 2008, employer contributions allocated to health care totaled $101.2 million and $98.3 million, respectively.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage. For the years ended June 30, 2009 and 2008, STRS Ohio received $38.0 million and $36.9 million in Medicare Part D reimbursements, respectively.

Pension and post-employment health care assets are commingled for investment purposes. Consequently, amounts reported for individual asset classes are allocated between pension and post-employment health care based upon ending net assets.

Key Methods and Assumptions Used in Actuarial Valuation

Actuarial Information	Pension	Health Care
Valuation date	July 1, 2009	Jan. 1, 2009
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage, open	Level percentage, open
Amortization period	30 years	30 years
Asset valuation method	Four-year, smoothed market with 91%/109% corridor	Fair market value
Actuarial assumptions:		
Investment rate of return	8.0%	4.9%
Projected salary increases	12.00% at age 20, to 3.25% at age 65	12.00% at age 20, to 3.25% at age 65
Payroll increase	3.50% for next 9 years; 4.00% thereafter	3.50% for next 10 years; 4.00% thereafter
Inflation assumption	3.0%	3.0%
Cost-of-living adjustment	3.0% simple	N/A
Trend rate	N/A	8.4%–12.2% initial; 5% ultimate

Pension Plan and Health Care Plan Funding Progress — The actuarial assumptions and methods used in the pension plan and health care valuations were selected in compliance with the parameters established under GASB Statements No. 25 and No. 43. As noted previously, health care plan net assets are commingled with pension plan net assets for investment purposes.

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 health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of employer contributions shown below presents information about the amounts contributed to the plan by employers in comparison to the annual required contribution (ARC), an amount that is actuarially determined in accordance with parameters of GASB Statements No. 25 and No. 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 over a period not to exceed 30 years. The most recent pension valuation reflects an amortization period of infinity, but is reduced to 30 years for disclosure compliance.

Required Pension and Health Care Employer Contributions
(dollar amounts in thousands)

	Pension		Health Care	
Year Ended June 30	Annual Required Contribution	Percent Contributed	Annual Required Contribution	Percent Contributed
2007	$1,539,805	83%	$630,138	15.3%
2008	$1,329,498	100%	$582,185	16.9%
2009	**$1,502,240**	**89%**	**$775,356**	**13.1%**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan participants), and include the types of benefits provided at the time of the valuation. 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.

The funded status and funding progress of the pension plan and health care plan require an actuarial valuation. The funded status and funding progress of the pension plan as of June 30, 2009, and the preceeding two years is as follows:

Schedule of Pension Plan Funding Progress
(dollar amounts in thousands)

Actuarial Valuation Year	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
2007	$66,671,511	$81,126,642	$14,455,131	82.2%	$10,199,505	142%
2008	$69,198,008	$87,432,348	$18,234,340	79.1%	$10,460,473	174%
2009	**$54,902,859**	**$91,440,955**	**$36,538,096**	**60.0%**	**$10,800,817**	**338%**

The funded status and funding progress of the health care plan as of Jan. 1, 2009, and the preceeding two years is as follows:

Schedule of Health Care Plan Funding Progress
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
Jan. 1, 2007	$3,821,687	$13,599,374	$9,777,687	28.1%	$9,665,780	101.2%
Jan. 1, 2008	$4,037,843	$12,170,949	$8,133,106	33.2%	$9,834,501	82.7%
Jan. 1, 2009	**$2,693,699**	**$13,413,723**	**$10,720,024**	**20.1%**	**$10,053,041**	**106.6%**

Refunds — Withdrawal cancels a member's rights and benefits in STRS Ohio.

Upon termination of employment, a Defined Benefit Plan member may withdraw accumulated contributions made to STRS Ohio. Refunds of member contributions may include interest and 50% matching payments.

A Combined Plan member is eligible for the present value of future benefits from the defined benefit portion of the account if he or she terminates employment after at least five years of service. For the defined contribution portion of the account, the refund consists of member contributions plus any investment gains or losses on those contributions.

Defined Contribution Plan members receive their contributions plus any investment gains or losses until they have completed one year of membership. After one year of membership, members receive the balance in their accounts, including employer contributions and related gains or losses.

Alternative Retirement Plan — Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer.

Employees have 120 days from their date of hire to select a retirement plan.

For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 3.5% of payroll. For the year ended June 30, 2009, the ARP participant payroll totaled $428,642,000, and there were 10,415 participants. For the year ended June 30, 2008, the ARP participant payroll totaled $397,920,000, and there were 9,764 participants.

Administrative Expenses — The costs of administering the Defined Benefit and post-employment health care plans are financed by investment income. The administrative costs of the Defined Contribution Plan are financed by participant fees.

3. Contribution Requirements and Reserves

Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Revised Code. The member rate is limited to 10% and the employer rate is limited to 14% of covered payroll.

Various funds are established under the Revised Code to account for contributions, reserves, income and administrative expenses.

The Teachers' Savings Fund (TSF) is used to accumulate member contributions in trust.

The Employers' Trust Fund (ETF) is used to accumulate employer contributions in trust. The ETF includes assets allocated to post-employment health care from which payments for health care coverage are made. Investment fair value changes for the Defined Benefit Plan and the health care program from year-to-year are recorded in the ETF.

The Annuity and Pension Reserve Fund (APRF) is the fund from which all annuities and pension payments to retired members are made. Reserves are transferred to this fund from the TSF and ETF funds at the time of retirement.

The Survivors' Benefit Fund is the fund from which all survivor benefit payments are made for which reserves have been transferred from the TSF and the ETF.

The Defined Contribution Fund accumulates DC member and employer contributions, Combined Plan member contributions, investment earnings and DC plan expenses.

The Guarantee Fund is used to accumulate income derived from gifts, bequests and investments for the year.

The Expense Fund is the fund from which all expenses for the administration and management of STRS Ohio are paid each year.

After interest is allocated to the various funds, the Guarantee Fund and the Expense Fund are closed into the ETF at year-end.

At June 30, 2009 and 2008, plan net assets were included in the various funds as shown in the chart below.

Fund Balances (in thousands)

	June 30, 2009	June 30, 2008
Teachers' Savings Fund	$ 10,154,297	$ 9,797,907
Employers' Trust Fund	(10,218,065)	10,504,351
Annuity and Pension Reserve Fund	51,803,986	49,228,998
Survivors' Benefit Fund	1,035,793	961,893
Defined Contribution Fund	297,012	307,227
Total	$ 53,073,023	$ 70,800,376

4. Commitments and Contingencies

STRS Ohio has made commitments to fund various real estate investments totaling $1,011,306,000 as of June 30, 2009. The commitments as of June 30, 2009, have expected funding dates from September 2009 to June 2013.

STRS Ohio has made commitments to fund various alternative investments totaling $3,163,070,000 as of June 30, 2009. The expected funding dates for the commitments as of June 30, 2009, range from July 2009 to June 2015.

STRS Ohio is a party in various lawsuits. 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 the net assets available for benefits.

5. Deposit and Investment Risk Disclosure

Investment Authority — The investment authority of the Retirement Board is governed by Section 3307.15 of the Revised Code that also requires the Retirement Board to publish its investment policies annually and make copies available to interested parties. This section requires that investments be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Investments held at fair value by STRS Ohio at June 30, 2009 and 2008, are summarized in the chart below.

Investments Held at Fair Value by STRS Ohio at June 30, 2009 and 2008 (summarized and in thousands)

Category	June 30, 2009	June 30, 2008
Short-term:		
Commercial paper	$ 4,447,350	$ 4,826,059
Short-term investment funds	36,500	33,000
Repurchase agreements	250,000	–
Total short-term	4,733,850	4,859,059
Fixed income:		
U.S. government agency obligations	644,864	1,683,347
Corporate bonds	3,665,020	4,771,333
High yield and emerging market	1,097,661	1,417,563
Mortgages and asset-backed	5,060,816	6,823,684
U.S. government obligations	533,457	478,418
Total fixed income	11,001,818	15,174,345
Domestic common and preferred stock	17,376,344	24,209,249
International: (See Note 6)	11,466,789	15,603,705
Real estate: (See Note 7)		
East region	2,123,500	2,822,350
Midwest region	1,016,300	1,143,424
South region	662,411	797,096
West region	1,735,802	2,168,644
REITs	461,832	914,075
Other	1,023,905	1,276,945
Total real estate	7,023,750	9,122,534
Alternative investments: (See Note 8)	3,133,958	3,621,415
Invested securities lending collateral	1,542,050	2,307,026
Total investments and invested securities lending collateral	$ 56,278,559	$ 74,897,333

GASB Statement No. 40 — GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

Credit Risk — The quality ratings of investments in fixed-income securities as described by Standard & Poor's or Moody's at June 30, 2009, are shown in the chart below. U.S. government fixed-income securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

Quality Ratings of Fixed-Income Investments Held at June 30, 2009 and 2008 (in thousands)

Investment Type	Quality Rating	June 30, 2009 Fair Value	June 30, 2008 Fair Value
U.S. government agency obligations	AAA	$ 630,434	$ 1,667,711
	AA	–	–
	A	14,430	15,636
Total U.S. government agency obligations		644,864	1,683,347
Corporate bonds	AAA	1,095,570	1,392,385
	AA	285,425	1,108,400
	A	1,427,968	1,525,562
	BBB	709,800	663,079
	BB	45,872	37,160
	B	13,224	–
	NR	87,161	44,747
Total corporate bonds		3,665,020	4,771,333
High yield and emerging markets fixed income	AAA	18,855	14,413
	AA	2,156	3,242
	A	13,232	41,593
	BBB	93,266	113,133
	BB	296,066	301,788
	B	315,119	559,593
	CCC and below	187,490	130,178
	NR	171,477	253,623
Total high yield and emerging markets fixed income		1,097,661	1,417,563
Mortgages and asset-backed	AAA	4,835,951	6,713,790
	AA	47,921	–
	A	16,022	–
	BBB	74,278	–
	BB	26,507	–
	B	16,261	–
	CCC and below	43,876	–
	NR	–	109,894
Total mortgages and asset-backed		5,060,816	6,823,684
Credit risk debt securities		10,468,361	14,695,927
U.S. government obligations		533,457	478,418
Total fixed-income investments		$ 11,001,818	$ 15,174,345

Custodial Credit Risk — Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of a failure of the counterparty, STRS Ohio will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of STRS Ohio, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of STRS Ohio.

All investments are held in the name of STRS Ohio or its nominee by the Treasurer of the State of Ohio as custodian. At June 30, 2009 and 2008, the bank cash balances were approximately $3,384,000 and $7,725,000, respectively. Bank balances are insured up to $250,000 by the Federal Deposit Insurance Corporation. The remaining bank deposits are covered by collateral held in the name of STRS Ohio's pledging financial institution, as required by state statute.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. 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 longer the maturity, the more the value of the fixed-income investment will fluctuate with interest rate changes.

Duration of Fixed-Income Investments Held at June 30, 2009 and 2008 (in thousands)

	June 30, 2009		June 30, 2008	
Investment Type	Fair Value	Weighted-Average Duration	Fair Value	Weighted-Average Duration
U.S. government agency obligations	$ 644,864	2.163	$ 1,683,347	2.525
Corporate bonds	3,665,020	4.738	4,771,333	4.424
High yield and emerging markets fixed income	1,097,661	4.637	1,417,563	5.604
Mortgages and asset-backed	5,060,816	3.588	6,823,684	4.265
U.S. government obligations	533,457	7.042	478,418	8.110
Total fixed income	$ 11,001,818		$ 15,174,345	

The table above shows the maturities by weighted-average duration at June 30, 2009 and 2008.

Concentration of Credit Risk — STRS Ohio is guided by statute and policy in the selection of security investments. No investment in any one organization represents 5% or more of plan net assets.

Significant investment guidelines that relate to investment concentration, interest rate risk and foreign currency risk by major asset class are as follows:

Overall Investment Portfolio — The Retirement Board has approved a target risk budget range of 0.60% to 1.20%, with a working range of .20% to 1.60%, annualized for active investment management for the total fund. A risk budget is the amount the Retirement Board has approved for returns to vary from an unmanaged passive investment profile. The total actively managed fund is expected to add 0.40% of annualized excess return over moving five-year periods.

Fixed Income — The portfolio will seek diversification by market sector, quality and issuer. The risk budget range for fixed income is 0.10% to 1.50% using the Barclays Capital U.S. Universal Index as the benchmark. Derivatives may be used to adjust the exposure to interest rates, individual securities or to various market sectors in the portfolio. Underlying exposure of derivatives for fixed-income investments will not exceed 5% of total fund assets.

Domestic Equities — The risk budget range for domestic equities is 0.20% to 1.50% using the Russell 3000 as the benchmark. Derivatives may be used in management of the equity portfolio. The use of leverage is prohibited. Underlying exposure of equity derivatives cannot exceed 10% of total fund assets.

International — International assets will be a diversified portfolio including both developed and emerging countries. The risk budget range for international equity is between 1.00% to 2.50% using a blended benchmark of 80% MSCI World ex USA Index (50% hedged) and 20% MSCI Emerging Market Free Index. Derivatives may be used in management of the portfolio and underlying exposure of derivatives for international investments will not exceed 10% of total fund assets.

Real Estate — The real estate portfolio shall be diversified between property type, geographic location and investment structure. The risk budget range for real estate investments is 2.00% to 7.00% using a benchmark of 85% NCREIF Property Index and 15% Wilshire Real Estate Investment Trust Index. Investments in non-core real estate, which includes domestic and international opportunity funds and real estate development projects, shall not exceed 20% of total real estate assets. Derivatives may be used and cannot exceed 1% of total fund assets. STRS Ohio may borrow funds on a secured or unsecured basis and leverage is limited to 50% of internally managed real estate assets excluding publicly traded real estate investment trusts (REITs).

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. Forward currency contracts may be used to manage the exposure to foreign currencies. The system's foreign currencies and investments at

June 30, 2009 and 2008 are shown in the chart below. The investments figures are comprised of numerous portfolios within international equity, debt securities and real estate investments.

Securities Lending — STRS Ohio participates in a domestic and international securities lending program whereby securities are loaned to investment brokers/dealers (borrower). Securities loaned are collateralized by the borrower at 102% of the domestic equity and U.S. dollar-denominated international fixed-income loaned securities' fair value and 105% of the international loaned securities' fair value.

Foreign Currency Held at June 30, 2009 and 2008 (in thousands)

Foreign Currency Denomination	June 30, 2009 International	June 30, 2009 High Yield & Emerging Markets Fixed Income	June 30, 2008 International	June 30, 2008 High Yield & Emerging Markets Fixed Income
Argentina Peso	$ 270		$ 515	
Australian Dollar	319,192		263,991	
Brazilian Real	212,584	$ 8,172	295,901	$ 19,040
British Pound Sterling	597,798		436,314	
Canadian Dollar	226,165		503,078	
Chilean Peso	29,171		17,212	
China Renminbi Yuan			11,413	
Colombian Peso	3,091	3,799	3,661	6,013
Czech Koruna	21,864		46,070	
Danish Krone	47,416		89,130	
Egyptian Pound	28,629	75	38,448	287
Euro Currency	661,419	(130)	1,336,605	(683)
Hong Kong Dollar	580,106		312,838	
Hungarian Forint	21,091		23,863	
Indian Rupee	126,119		96,299	
Indonesian Rupiah	51,707		84,899	330
Israeli Shekel	38,915		83,227	
Japanese Yen	518,205	106	453,916	29
Jordan Dollar	1		1	
Malaysian Ringgit	44,811		85,437	6,305
Mexican Nuevo Peso	43,901	4,326	77,244	4,963
New Zealand Dollar	76,916		(18,120)	
Norwegian Krone	99,540		241,318	
Philippines Peso	14,467		13,913	
Polish Zloty	17,544		31,846	
Russian New Ruble	11,466		43,566	
Singapore Dollar	140,525		145,824	
South African Rand	203,974		202,239	
South Korean Won	257,407		377,754	
Sri Lanka Rupee	5,216		5,763	
Swedish Krona	39,606		107,027	
Swiss Franc	171,824	(96)	193,377	
Taiwan Dollar	258,454		327,218	
Thai Baht	79,158		101,471	
Turkish Lira	83,270		73,792	1,033
Uruguayo Peso				643
Zimbabwian Dollar	1,529		1,328	
Held In Foreign Currency	5,033,351	16,252	6,108,378	37,960
Held In U.S. Dollars	6,433,438	1,081,409	9,495,327	1,379,603
Total	$ 11,466,789	$ 1,097,661	$ 15,603,705	$ 1,417,563

STRS Ohio lends domestic equities, international, U.S. Treasuries, agencies and corporate bonds. The collateral received is cash, U.S. Treasuries or related agency securities. STRS Ohio cannot sell or pledge collateral received. If a borrower defaults, then the collateral can be liquidated.

A custodial agent bank administers the program and STRS Ohio receives a fee from the borrower for the use of loaned securities. Cash collateral from securities lending is invested in repurchase agreements, commercial paper and U.S. corporate obligations.

The credit quality of the invested cash collateral is the same as the credit quality on STRS Ohio direct holdings. There are slight mismatches between the duration of the cash invested and the length of time the securities are on loan. As of June 30, 2009, the average maturity of the invested cash collateral is 114 days. Because much of the cash collateral is invested in floating rate securities, interest rates are reset every 14 days on average as of June 30, 2009. STRS Ohio has minimized its exposure to credit risk due to borrower default by having the custodial agent bank determine daily that the required collateral meets the specified collateral requirements. There are no restrictions on the amount of securities that can be loaned. The fair value of the loaned securities was approximately $1,488,620,000 and $2,215,326,000 as of June 30, 2009 and 2008, respectively. The fair value of the associated invested cash collateral as of June 30, 2009 and 2008, was approximately $1,542,050,000 and $2,307,026,000, respectively.

6. International Investments

Externally Managed — STRS Ohio has investments in international equity securities through the use of external money managers. It is the intent of STRS Ohio and the money managers to be fully invested; however, cash and short-term fixed-income investments may be held temporarily. The portfolios are managed in accordance with various mandates based on Morgan Stanley Capital International's (MSCI) indexes. Investments are held in both developed and emerging international markets.

Internally Managed:

Developed Markets, Emerging Stock and Country Funds — STRS Ohio actively invests in developed and emerging markets through individual stock selection, including international publicly traded real estate securities, and traded country funds. Each country fund consists of individual equity securities pooled together in an attempt to match or exceed the local country's index.

Europe, Australia and Far East (EAFE) Index Fund — To increase diversification in international developed markets, STRS Ohio invests in an EAFE Index Fund. The EAFE Index Fund purchases foreign equities, futures and other traded investments to replicate the makeup of the EAFE benchmark.

Equity Swaps — Five EAFE and seven Emerging Market Free (EMF) international equity swap agreements were contracted during fiscal 2009 with maturity dates in fiscal 2010. In exchange for LIBOR (London Interbank Offered Rate) minus a negotiated spread, STRS Ohio will receive or pay the difference of the change in the total return of the various market indices included in the swap agreements. Fixed-income securities with a notional amount of $1.60 billion have been set aside at the Bank of New York Mellon as security.

Forward Contracts — Managers have the ability to add value through currency management. Forward currency contracts are used to minimize the impact of foreign currency fluctuations on the asset positions of foreign investments.

The fair values of international investments held at June 30, 2009 and 2008, are shown in the chart below.

Fair Values of International Investments Held at June 30, 2009 and 2008 (in thousands)

	June 30, 2009	June 30, 2008
Externally managed		
International stocks	$ 5,926,591	$ 8,907,853
International other assets	76,596	103,031
International currency and liquidity reserves	243,611	257,388
Forward contracts	(56,104)	(37,372)
Total externally managed	6,190,694	9,230,900
Internally managed		
Developed markets	3,000,708	3,753,078
Emerging stock and country funds	1,138,193	1,089,160
International publicly traded real estate securities	54,218	72,164
EAFE Index Fund	1,145,856	1,576,111
EAFE equity swaps	(86,371)	(82,568)
EMF equity swaps	30,951	39,037
Forward contracts	(7,460)	(74,177)
Total internally managed	5,276,095	6,372,805
Total international	$ 11,466,789	$ 15,603,705

7. Real Estate Investments

Direct — STRS Ohio properties are diversified between property type, geographic location and investment structure. Direct real estate assets include both single and multi-tenant retail, office and warehouse properties as well as apartments.

Public Real Estate — Public real estate includes publicly traded real estate securities and real estate investment trusts (REITs). REITs are real estate company stocks with a high dividend-income component. REITs divide the ownership of the real estate company and its properties among all the shareholders. REITs are required to distribute 90% of the company's taxable income to their shareholders annually in the form of dividends. Distributions are taxable to shareholders rather than the real estate company. STRS Ohio is exempt from federal and state income taxes.

Other — Other real estate investments include commingled funds that are externally managed. Commingled funds generate income as a result of operations and property sales, which are distributed to the investors.

Debt on Real Estate Investments and Interest Rate Swaps — STRS Ohio uses debt to lower the cash outlay in acquiring real estate assets and to positively impact the performance of the real estate portfolio. Of the debt on real estate investments, $250 million and $200 million was recourse debt as of June 30, 2009 and 2008, respectively. This debt is recourse to STRS Ohio with a covenant not to mortgage a specific pool of real estate assets. The remainder of the debt on real estate investments at June 30, 2009 and 2008, is non-recourse debt, which means that in the event of default, the specific real estate holding is used as collateral for the loan and general assets of STRS Ohio are not pledged as collateral.

At June 30, 2009, the recourse loan of $250 million has a maturity date of May 2010. Interest on the recourse loan is based on LIBOR plus a spread. At June 30, 2008, recourse loans of $200 million had a maturity date in May 2009.

Of the non-recourse debt at June 30, 2009, loan maturities ranged from March 2010 to July 2034. Non-recourse debt at June 30, 2008, had loan maturities ranging from July 2008 to July 2034. The repayment schedule for real estate debt is reflected in the table below.

Real Estate Debt Repayment Schedule as of June 30, 2009 (in thousands)

By Fiscal Year	Principal	Interest
2010	$ 621,759	$ 75,102
2011	246,088	51,178
2012	124,979	34,534
2013	6,117	33,016
2014	4,406	32,752
2014–2019	556,207	67,367
2019–2024	–	9,515
2024–2029	245,000	8,050
2029–2034	213,000	4,863
2034–2039	128,750	1
Total	$ 2,146,306	$ 316,378

8. Alternative Investments

Alternative investments are primarily investments in private equities, which include venture and buyout/growth opportunities. STRS Ohio invests as a limited partner in closed-end partnerships along with other pension funds, endowments and high-net-worth individuals. Individual alternative investments tend to be limited to a particular industry to take advantage of the general partner's knowledge and skill.

9. Derivatives

Equity Swap Agreements — As discussed in Note 6, STRS Ohio has entered into international equity swap agreements. No funds are required as collateral by either party; however, STRS Ohio has purchased fixed-income securities equivalent to the initial exposure, which are located in a subcustodial account at the Bank of New York Mellon. The notional amount of the fixed-income securities is $1.60 billion. The market risk of the swap is the same as if STRS Ohio owned the underlying stocks that comprise the indexes. The revenues and expenses resulting from these agreements have been recorded in the basic financial statements.

Forward Contracts — Forward contracts in various currencies were used to transact and hedge direct foreign equity and real estate investments that STRS Ohio maintains through the use of outside managers. Additionally, forward contracts were used to hedge currency exposure as a result of the EAFE equity swap agreements. STRS Ohio is obligated to deliver the foreign currency at a certain dollar price sometime in the future. To fulfill this obligation at maturity, STRS Ohio must obtain the currency in the open market. Before the contract matures, STRS Ohio can enter into an offsetting forward contract that nets out the original contract. These events expose STRS Ohio to currency market risk, which can fluctuate. STRS Ohio is also subject to the risk that the counterparty will fail to fulfill the contract.

Futures — STRS Ohio had investments in S&P 500 Index futures during the year. Index futures are designed to offer lower cost and more efficient alternatives to buying individual stocks that comprise the index. The market and credit risk of the futures were the same as if STRS Ohio had owned the underlying stocks that comprise the index.

Additionally, futures were used in the EAFE Index Fund and by external money managers. The system's exposure to future and forward contracts at June 30, 2009 and 2008, are shown in the chart below.

Exposure to Future and Forward Contracts Held at June 30, 2009 and 2008 (in thousands)

	June 30, 2009	June 30, 2008
Forward contracts		
Externally managed	$ 4,260,100	$ 4,846,300
Internally managed	2,737,700	4,480,500
Total forward contracts	$ 6,997,800	$ 9,326,800
Future contracts		
S&P 500	$ 4,319,900	$ 4,794,800
EAFE Index Fund	25,600	42,700
Externally managed	15,300	23,300
Total future contracts	$ 4,360,800	$ 4,860,800

Options — STRS Ohio writes option contracts on existing stock positions to enhance the return on the stock portfolio. In exchange for a premium, STRS Ohio gives the option buyer the right to buy or sell the underlying stock. Options are also purchased to "cover" existing written open option positions.

Fixed-Income Credit Default Swaps — The system may manage credit exposure through the use of credit default swaps. A credit default swap is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party who, in exchange for periodic fees, agrees to make payments in the event of a default or other predetermined credit event. One of the main advantages of a credit default swap is it allows for exposure to credit risk while limiting exposure to other risks such as interest rate and currency risk. STRS Ohio held credit default swaps with notional values of $31,457,000 and $36,171,000 as of June 2009 and 2008, respectively.

Fixed-Income Interest Rate Swaps — Interest rate swaps are derivative instruments in which one party exchanges a stream of fixed interest rate cash flows for floating interest rate cash flows. A notional amount of principal is required to compute the actual cash amounts and is determined at the inception of the contract. At June 30, 2009 and 2008, STRS Ohio did not hold any interest rate swaps.

10. Pension Plan

Substantially all STRS Ohio employees are required to participate in a contributory retirement plan administered by the Ohio Public Employees Retirement System of Ohio (OPERS). OPERS is a cost-sharing, multiple-employer public employee retirement system.

Eligible employees are entitled to a retirement benefit, payable monthly for life, equal to 2.2% of their final average salary for each year of credited service up to 30 years and 2.5% for each year of service over 30 years. Final average salary is the employee's average salary over the highest three years of earnings. Benefits fully vest on reaching five years of service. Vested employees may retire at any age with 30 years of credited service; at age 55 with a minimum of 25 years of credited service; and at age 60 with a minimum of five years of service. Employees retiring with less than 30 years of service and under age 65 receive reduced retirement benefits. Benefits are established by state law.

Effective Jan. 1, 2007, the member and employer contribution rates increased to 9.5% and 13.85% of covered payroll, respectively. Effective Jan. 1, 2008, the member and employer contribution rates increased to 10.0% and 14.0% of covered payroll, respectively. The required employer contributions for the current year and the two preceding years are shown in the chart below.

STRS Ohio Required Employer Contributions to OPERS

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2007	$6,352,000	100%
2008	$6,951,000	100%
2009	**$7,004,000**	**100%**

Historical trend information showing the progress of OPERS in accumulating sufficient assets to pay benefits when due is presented in the OPERS *Comprehensive Annual Financial Report*. OPERS issues a publicly available financial report for the plans. The report may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642.

OPERS also provides post-employment health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 43. A portion of each employer's contribution to OPERS is set aside for funding post-employment health care. The Revised Code provides statutory authority for employer contributions. For calendar year 2008, the portion of the employer rate set aside for post-employment health care was 7.0%. For calendar year 2007, the portion of the employer rate set aside for post-employment health care was 5.0% from Jan. 1, 2007, to June 30, 2007, and 6.0% from July 1, 2007, to Dec. 31, 2007.

Required Schedule of Pension Plan Funding Progress
For the Years Ended June 30, 2004–2009 (dollar amounts in thousands)

Valuation Year	Actuarial Accrued Liability (AAL)*	Valuation Assets*	Unfunded Actuarial Accrued Liability (UAAL)*	Ratio of Assets to AAL	Covered Payroll**	UAAL as % of Covered Payroll
2004	$69,867,425	$52,253,798	$17,613,627	74.8%	$9,565,978	184%
2005	$73,817,114	$53,765,570	$20,051,544	72.8%	$9,775,159	205%
2006	$77,371,024	$58,008,050	$19,362,974	75.0%	$9,974,061	194%
2007	$81,126,642	$66,671,511	$14,455,131	82.2%	$10,199,505	142%
2008	$87,432,348	$69,198,008	$18,234,340	79.1%	$10,460,473	174%
2009	**$91,440,955**	**$54,902,859**	**$36,538,096**	**60.0%**	**$10,800,817**	**338%**

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

**Covered payroll includes salaries for alternative retirement plan participants and defined contribution plan participants. For 2009 and 2008, alternative retirement plan participant payroll totaled $428,642 and $397,920, respectively. For 2009 and 2008, defined contribution plan payroll totaled $250,034 and $228,347, respectively.

Required Schedule of Employer Contributions Related to Pension Plan
For the Years Ended June 30, 2004–2009 (dollar amounts in thousands)

Year Ended June 30	Annual Required Contributions*	Percentage Contributed
2004	$1,270,388	95%
2005	$1,281,546	96%
2006	$1,417,598	88%
2007	$1,539,805	83%
2008**	$1,329,498	100%
2009	**$1,502,240**	**89%**

*The amounts reported in this schedule do not include contributions for post-employment health care coverage. The Governmental Accounting Standards Board (GASB) requires disclosure of the Annual Required Contributions (ARC) using a maximum amortization period of 40 years; reduced to 30 years effective July 1, 2007. Amounts shown as the ARC for each year may be different from the contributions required by state statute. The information here was determined as part of the actuarial valuations for the dates indicated. Additional information as of the latest actuarial valuation is shown in the table below.

**Revised economic and non-economic assumptions due to experience review.

Notes to Pension Plan Trend Data

Valuation date	July 1, 2009	July 1, 2008
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage, open	Level percentage, open
Remaining amortization period (for GASB disclosure)	30.0 years	30.0 years
Asset valuation method	Four-year, smoothed with 91%/109% corridor	Four-year, smoothed with 91%/109% corridor
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	12.00% at age 20 to 3.25% at age 65	12.00% at age 20 to 3.25% at age 65
Payroll increase	3.50% for next 9 years, 4.00% thereafter	3.50% for next 10 years, 4.00% thereafter
Inflation assumption	3.00%	3.00%
Cost-of-living adjustments	3% simple	3% simple

The information presented in the required supplemental schedules was determined as part of the actuarial valuations for the dates indicated. See accompanying independent auditors' report.

Required Schedule of Health Care Funding Progress, 2007, 2008 and 2009

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Funded (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
Jan. 1, 2007	$3,821,687	$13,599,374	$9,777,687	28.1%	$9,665,780	101.2%
Jan. 1, 2008	$4,037,843	$12,170,949	$8,133,106	33.2%	$9,834,501	82.7%
Jan. 1, 2009	**$2,693,699**	**$13,413,723**	**$10,720,024**	**20.1%**	**$10,053,041**	**106.6%**

Required Schedule of Employer Contributions Related to Health Care For the Years Ended June 30, 2007, 2008 and 2009 (dollar amounts in thousands)

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2007	$630,138	15.3%
2008	$582,185	16.9%
2009	**$775,356**	**13.1%**

Notes to Health Care Trend Data

Valuation date	Jan. 1, 2009	Jan. 1, 2008
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage, open	Level percentage, open
Remaining amortization period	30.0 years	30.0 years
Asset valuation method	Fair market value	Fair market value
Actuarial assumptions:		
Investment rate of return	4.90%	5.50%
Projected salary increases	12.00% at age 20 to 3.25% at age 65	10.45% at age 20 to 3.85% at age 65
Payroll increase	3.50% for next 10 years; 4.00% thereafter	4.5%
Inflation assumption	3.00%	3.50%
Trend rates	8.40%–12.20% initial; 5.00% ultimate	8.70%–12.80% initial; 5.00% ultimate

The information presented in the required supplemental schedules was determined as part of the actuarial valuations for the dates indicated. See accompanying independent auditors' report.

Schedules of Administrative Expenses
For the Years Ending June 30, 2009 and 2008

	2009	2008
Personnel		
Salaries and wages	$ 31,157,111	$ 30,797,416
Retirement contributions	4,287,587	4,204,292
Benefits	3,883,210	4,085,366
Total personnel	**39,327,908**	**39,087,074**
Professional and technical services		
Computer support services	2,182,341	2,855,426
Health care services	763,739	916,901
Actuary	338,600	412,335
Auditing	181,136	270,281
Defined contribution administrative fees	902,516	1,041,377
Legal	442,926	247,912
Temporary employment services	407	21,196
Total professional and technical services	**4,811,665**	**5,765,428**
Communications		
Postage and courier services	1,739,149	1,416,902
Printing and supplies	1,783,145	1,862,720
Telephone	453,913	491,085
Total communications	**3,976,207**	**3,770,707**
Other expenses		
Equipment repairs and maintenance	4,363,390	3,905,100
Building utilities and maintenance	1,534,844	1,501,352
Transportation and travel	214,966	267,250
Recruitment fees	72,112	166,704
Equipment rental	20,386	16,127
Depreciation	6,325,496	6,434,183
Member and staff education	222,647	249,826
Insurance	670,009	716,295
Memberships and subscriptions	157,914	169,311
Ohio Retirement Study Council	254,129	221,633
Miscellaneous	332,396	348,660
Total other expenses	14,168,289	13,996,441
Total administrative expenses	**$ 62,284,069**	**$ 62,619,650**

Note: Above amounts do not include investment administrative expenses, which are deducted from investment income and shown in a separate schedule on Page 34.

See accompanying independent auditors' report.

Schedules of Investment Expenses
For the Years Ending June 30, 2009 and 2008

	2009	2008
Personnel		
Salaries and wages	$ 22,133,661	$ 22,830,650
Retirement contributions	2,716,531	2,746,722
Benefits	1,829,715	2,294,199
Total personnel	**26,679,907**	**27,871,571**
Professional and technical services		
Investment research	2,354,830	2,378,493
Financial asset advisors	674,702	679,791
Banking fees	3,154,044	4,917,680
Total professional and technical services	**6,183,576**	**7,975,964**
Other expenses		
Printing and supplies	4,398	5,714
Building utilities and maintenance	345,952	324,496
Travel	286,872	329,792
Investment quotation systems	1,290,430	1,119,363
Memberships and subscriptions	106,370	96,519
Miscellaneous	26,489	24,777
Total other expenses	**2,060,511**	**1,900,661**
Total investment expenses	**$ 34,923,994**	**$ 37,748,196**

See accompanying independent auditors' report.

Schedules of Fees to External Asset Managers by Asset Class
For the Years Ending June 30, 2009 and 2008

	2009	2008
Asset class		
Domestic common and preferred stock	$ 7,316,879	$ 9,697,901
International	28,151,933	40,505,924
Fixed income	4,399,979	5,315,493
Alternative investments	65,389,776	52,810,607
Real estate	20,791,932	18,898,215
Total external manager fees	**$ 126,050,499**	**$ 127,228,140**

See accompanying independent auditors' report.

Investment Review

For Fiscal Year July 1, 2008, through June 30, 2009
Prepared by STRS Ohio's Investments Associates

A "Great Recession" Pulls Down the Economy

Entering fiscal 2009, the U.S. economy was in turmoil. Economic activity was advancing at a modest pace at the end of fiscal 2008, but most of the support came from strong foreign demand of U.S. goods and services while the domestic economy was slowing abruptly. In fact, excluding international trade, the economy had stalled in the second half of fiscal 2008. By the end of that fiscal year, the stock market was already down 18% from its daily closing peak on Oct. 9, 2007, and both short- and long-term credit spreads had widened to alarming levels. What had started as a crushing housing downturn at the end of fiscal 2006 once subprime mortgages increasingly fell into default, had now spread throughout the financial markets and economy, creating widespread uncertainty about future economic and financial prospects. The worst was yet to come.

As real economic activity collapsed in fiscal 2009's first quarter (down 2.7% at an annual rate), Lehman Brothers went bankrupt in September, setting in motion a financial market panic that crushed the stock and credit markets. At its worst close on March 9, 2009, the S&P 500 had fallen 47% fiscal year to date. That decline over 180 business days was the worst by roughly 12% of any such period going back to 1951. At the same time, credit spreads for both short- and long-term credit shot up to unprecedented levels and bank credit quickly dried up. Business activity came to a near halt, pushing real gross domestic product (GDP) growth down 5.4% in the second fiscal quarter and 6.4% in the third fiscal quarter before a more modest 1% decline in the final fiscal quarter. The 3.9% fiscal year decline in economic activity was the worst since reliable records started with 1947 and earned the recession that began in December 2007 the title of being a "Great Recession."

The unemployment rate began the fiscal year at 5.6% with monthly job losses during the first six months of the recession averaging 133,000. That pattern continued up to the Lehman Brothers bankruptcy, with the unemployment rate reaching 6.2% before an all-out rout of the labor market began. In the 10 months finishing the fiscal year, average job losses soared to 532,000 per month and the unemployment rate quickly shot up to 9.5%. While 1.1 million jobs were lost during the first eight months of the recession, an appalling 5.3 million were lost from September onward in the fiscal year. Real consumer spending in the first half of the fiscal year fell by an annualized 3.3% rate — the worst result for consumer spending (which makes up roughly 70% of the economy) in more than 28 years. Business spending and investment soon followed with real nonresidential fixed investment tumbling an annualized 30% in the middle quarters of the fiscal year and inventories plunging by $114 billion in the third fiscal quarter before tumbling another $160 billion in the final fiscal quarter — both changes were the largest in post-World War II economic history. The rest of the world, heavily dependent upon U.S. consumption of its goods and services, also fell into a deep recession. As a result, real exports of U.S. items fell an annualized 25% in the middle quarters of the fiscal year.

Restoring confidence in the crushed financial markets and economy became the primary mission for monetary and fiscal policymakers after they created a nearly uncountable number of support programs. The monetary policy interest rate controlled by the Federal Reserve — the federal funds rate — was lowered to basically 0% from 5.25% as recently as September 2007. Furthermore, a $29 billion loan from the Federal Reserve to JPMorgan Chase to help it purchase bad assets from Bear Stearns in March 2008 heralded what would become a series of bailouts and emergency lending programs. This has caused the Federal Reserve to more than double its assets from less than $900 billion a year ago to more than $2 trillion today as it removes toxic assets from banks and the credit markets. In addition, enormous fiscal policy stimulus and rescue efforts — particularly with the nearly $800 billion spending and tax stimulus package, the $1 trillion joint effort of the Federal Reserve and Treasury to unfreeze markets for consumer and business debt and the $700 billion Troubled Asset Relief Program (TARP) — have been added to prior monetary policy changes in an attempt to right the economic ship. Though the extraordinary number and size of policy initiatives directed at supporting the financial markets and economy did not end the recession in fiscal 2009, they likely have helped to soften the already shocking collapse and should support sluggish economic growth in fiscal 2010.

There are some "green shoots" of improvement in the financial markets and economy. The stock market rose 38% from its March 6 intraday low to fiscal 2009 end, while corporate bond spreads to Treasury securities narrowed 300 basis points over the same period and short-term interest rate spreads returned to their typical low levels. Auto sales improved significantly late in the fiscal year (partially due to the "Cash for Clunkers" auto incentive program), and manufacturing surveys, though still negative, have steadily improved since December. In addition, overall consumer spending and confidence levels have turned up and, importantly, new and existing home sales appear to have hit a bottom in January and are gradually improving. When home prices finally stabilize, it should set in motion a chain of events that could lead to further easing in key interest rate spreads that then would improve the flow of credit and unleash the full force of the fiscal and monetary policy stimulus.

Once a sluggish recovery likely begins in fiscal 2010, policymakers will need to ensure stimulative monetary and fiscal policy actions do not change radically and lead to a renewed collapse of the financial markets and economy. While consumer demand should improve modestly as the fiscal year progresses, business and foreign demand will likely remain soft until later in the fiscal year. During the fiscal year, housing activity should first find a bottom and, finally, begin to move higher from very low levels. Therefore, government support for the economy and financial markets will remain an important theme for fiscal 2010 as the economy sluggishly advances off the Great Recession depths and inflation pressures remain largely contained.

Fixed-Income Market Faces Extraordinary Turmoil

The fixed-income market experienced an upheaval during fiscal 2009 that is unparalleled since the years of the Great Depression. A credit crunch that began in summer 2007 evolved into concerns about a global financial system meltdown by the end of the first quarter of fiscal 2009. The rapid reduction in Wall Street firms, combined with fear and forced selling by levered institutions, drove prices on many high quality fixed-income securities well below intrinsic value during the second quarter of fiscal 2009. Dislocations in the fixed-income market prompted emergency responses from policymakers, who responded with capital injections into financial institutions and widespread use of liquidity facilities and sovereign debt guarantees to support the financial system. Signs of market healing began to emerge and the price recovery of many fixed-income sectors commenced during the second half of fiscal 2009.

Severe economic weakness, declining real estate markets and high levels of interest rate volatility produced large variations in monthly fixed-income returns while the financial crisis unfolded. Over the course of the entire fiscal year, the sectors with stronger returns — such as U.S. Treasuries and residential mortgage-backed securities issued by government-sponsored enterprises — generally had the highest levels of government support. The sectors with weaker returns were ones with the highest sensitivity to the problems in the real estate markets or the rapid decline in economic growth during fiscal 2009.

The STRS Ohio fixed-income portfolio returned 4.97% versus the benchmark's return of 4.93%. Over the prior three fiscal years (July 1, 2006–June 30, 2009), the STRS Ohio fixed-income portfolio returned an annualized 6.31% versus the benchmark's return of 5.92%. The STRS Ohio performance over the prior five fiscal years (July 1, 2004–June 30, 2009) was 5.25% versus the benchmark's 4.95%. A more complete report of STRS Ohio performance appears on Page 49.

Large Negative Total Returns Occur in Domestic Equities

Fiscal 2009 was extremely difficult for the U.S. equity market with unprecedented levels of volatility, earnings declines and risk aversion. From the beginning of the fiscal year, the market fell almost 50% before its trough on March 9. As of year-end, the market rebounded sharply from its low; however, it still closed down nearly 27% for the fiscal year.

The drop in the equity index came amid a global financial crisis, which resulted in global economic weakness that led to declines in all asset classes. The catalyst for the crisis was the fall in the U.S. housing market as mortgage-backed security losses and lack of confidence in the global credit markets led to the malfunctioning bond market. The market drop, coupled with the decline in housing values, substantially weakened consumer balance sheets that led to sharp declines in consumer spending.

The STRS Ohio domestic equities portfolio returned –25.45% versus the Russell 3000 benchmark's return of –26.57%. Over the prior three fiscal years (July 1, 2006–June 30, 2009), the STRS Ohio domestic equities portfolio returned an annualized –8.63% versus the benchmark's return of –8.35%. The STRS Ohio performance over the prior five fiscal years (July 1, 2004–June 30, 2009) was –1.92% versus the benchmark's –1.84%. A more complete report of STRS Ohio performance appears on Page 49.

International Markets Experience a Significant Setback

The developed markets suffered their second straight year of decline as the financial turmoil initiated by the subprime mortgage problem in the United States led to a synchronized global downturn unmatched since the Great Depression of the 1930s. Percentage declines in the mid-20% range in country-specific equity markets were exacerbated by the double-digit appreciation of the U.S. dollar against various currencies, further contributing to losses suffered by U.S. dollar-based investors. The developed markets, represented by the Morgan Stanley Capital International (MSCI) World ex USA Index (50% hedged), fell 27.5% and the emerging markets, represented by the MSCI Emerging Market Free (EMF) Index, dropped 27.8%. With extreme financial system uncertainty and a greatly decreased tolerance for risk, the global equity markets sold off in rapid fashion early in fiscal year 2009, before reaching a bottom in March 2009. Despite a significant rebound, the result was a second consecutive negative year for the international asset class.

The returns in the international markets were extremely weak across every region for the year, with no developed markets being in positive territory, though several small emerging markets managed a modest gain. Of the more significant markets, the strongest markets still had sharp declines, with China (–8.2%), South Africa (–11.9%), Hong Kong (–15.4%), Spain (–22.6%) and Japan (–23.0%) being the best. The laggards were Ireland (for the second year in a row), which fell 66.4%, Russia (–61.1%), Austria (–58.5%) and Norway (–54.3%). Currency played a large role in returns for fiscal 2009 as both the euro and the Japanese yen fell 10% versus the dollar, creating a major headwind for a U.S.-based investor. On a regional basis, Europe remained weaker than the Far East, falling 37%. The Pacific (Far East) emerging markets fell 20.0% and the Pacific developed markets dropped 26% as a group. Latin America was off 21.7% and North America (Canada) dropped 34%. The top performing sector for the year ending June 30, 2009, was the consumer staples sector, which fell 17%. This was followed by the health care and telecommunication services sectors, down 19% and 23%, respectively. On the other end of the spectrum, the very worst performer was the materials sector, which dropped 44%.

The STRS Ohio international portfolio returned –27.89% versus the benchmark's return of –27.35%. Over the prior three fiscal years (July 1, 2006–June 30, 2009), the STRS Ohio international portfolio returned an annualized –5.00% versus the benchmark's return of –5.26%. The STRS Ohio performance over the prior five fiscal years (July 1, 2004–June 30, 2009) was 6.22% versus the benchmark's 5.51%. A more complete report of STRS Ohio performance appears on Page 49.

Price Correction Underway in Commercial Real Estate

In fiscal 2009, private market commercial real estate turned in negative appreciation for the first time since fiscal 2003. The negative price appreciation, which began in the second half of fiscal 2008, accelerated over the course of the year, ending at –24% for the year. The price correction that is under way is unprecedented. Before this year, the most significant decline was back in fiscal 1992 at –13%. The decline will likely continue through fiscal 2010 and possibly into fiscal 2011, although at a slower pace. It is expected that total declines could reach as high as 45%. The public market real estate (REITs) pricing adjusts much faster than the private market, as evidenced by its substantial negative total return of –45% for the fiscal year.

Real estate returns in fiscal 2009 were driven primarily by the capital markets rather than property-level fundamentals, although those have deteriorated as well. The real estate sector lags the broader economy, so there will be continued slippage in the property-level fundamentals for the next fiscal year and likely beyond.

The STRS Ohio real estate portfolio returned –27.02% versus the benchmark's return of –22.18%. Over the prior three fiscal years (July 1, 2006–June 30, 2009), the STRS Ohio real estate portfolio returned an annualized 3.22% versus the benchmark's return of –1.54%. The STRS Ohio performance over the prior five fiscal years (July 1, 2004–June 30, 2009) was 11.23% versus the benchmark's 6.31%. A more complete report of STRS Ohio performance appears on Page 49.

The Credit Crisis Heavily Affects Alternative Investment Returns

Alternative investment returns in fiscal 2009 were driven by valuations that were impacted by the recessionary pressures on corporate fundamentals, the deterioration in the multiples of public companies used as market comparables for valuation purposes, and the difficulty that some portfolio companies experienced in managing their debt burdens. Almost all of the value declines were unrealized, allowing the portfolio companies to recover invested capital and generate gains as the economy recovers. In the meantime, the general partners of the private equity funds are working to take excess costs out of the portfolio companies, reduce outstanding debt to improve the chances of refinancing and extend debt maturities when necessary.

During fiscal 2009, a new allocation — opportunistic/diversified — was established within alternative investments with the intention of diversifying out of public equities and shifting into investments that will produce "equity like" returns while also providing downside protection in bear markets. A 1% allocation was established on April 1, 2009, increasing by 1% at the beginning of each subsequent fiscal year, up to a maximum allocation of 5% of total fund. Over the long run, the opportunistic/diversified portfolio is expected to generate returns equal to the Russell 3000 minus 1%.

During fiscal 2009, the alternative investment portfolio produced a substantial negative return (–24.59%), which is the first negative year since fiscal 2003. Given the long-term nature of the asset class, alternative investments are expected to earn 3% above the five-year annualized return of the Russell 3000 Index. For fiscal 2009, the alternative investments five-year return was 8.34%, compared to 1.16% for the five-year Russell 3000 Index plus 3%. A more complete report of STRS Ohio performance appears on Page 49.

Total Fund Underperforms Benchmark Return for the First Time Since Fiscal 2002

During fiscal 2009, the STRS Ohio fund returned –21.66% versus the benchmark's (blended index of industry benchmarks) return of –20.42%. It was the first time in seven years that the fund underperformed its total fund benchmark. Over the prior three fiscal years (July 1, 2006–June 30, 2009), the STRS Ohio fund returned an annualized –3.65% versus the benchmark's return of –3.60%. The STRS Ohio fund performance over the prior five fiscal years (July 1, 2004–June 30, 2009) was 2.69% versus the benchmark's 2.30%. A more complete report of STRS Ohio fund performance appears on Page 49.

Statement of Investment Objectives and Policy

Effective May 15, 2009

1.0 Purpose

1.1 The State Teachers Retirement System of Ohio ("STRS Ohio") was established for the benefit of the teachers of the public schools of the State of Ohio. STRS Ohio is dedicated to partnering with STRS Ohio members to provide financial performance and member service that assures financial security for current and future retirees.

1.2 The State Teachers Retirement Board of Ohio (the "Board") is vested with the operation and management of the State Teachers Retirement System of Ohio ("STRS Ohio") (ORC Section 3307.04). The Board has the full power to invest the assets (the "Fund") of STRS Ohio (ORC Section 3307.15). The Board is required to ". . . adopt in a regular meeting, policies, objectives or criteria for the operation of the investment program . . ." (ORC Section 3307.15).

1.3 To fulfill the statutory requirement of ORC Section 3307.15, the Board has adopted this Statement of Investment Objectives and Policies (the "Statement") to govern the investment of the Fund. This Statement summarizes the objectives and policies for the investment of the Fund.

1.4 The Board has approved these objectives and policies after careful consideration of STRS Ohio benefit provisions, and the implications of alternative objectives and policies.

1.5 The Statement has been prepared with five audiences in mind: incumbent, new and prospective Board members; STRS Ohio investment staff; STRS Ohio active and retired members; Ohio General Assembly and Governor; and agents engaged by the Board to manage and administer the Fund.

1.6 The Board regularly, but in no event less than annually, will assess the continued suitability of this Statement, initiate change as necessary and update this Statement accordingly.

1.7 The Board may authorize its administrative officers and committees to act for it in accord with its policies (ORC Sections 3307.04 and 3307.15). The Board, no less frequently than annually, adopts a resolution delegating to the Executive Director and the Deputy Executive Director — Investments the authority to acquire, dispose, operate and manage the Fund, subject to the Board's policies and to subsequent approval by the Board. Consequently, the Executive Director, the Deputy Executive Director — Investments and the investment staff are responsible for preparing and maintaining numerous supporting management documents that govern the implementation of Board policies, including, but not limited to, individual investment manager mandates and guidelines, agent agreements and limited partnership documents.

1.8 In carrying out the operation and management of STRS Ohio, the Board, the Executive Director, his/her investment staff and others that are considered fiduciaries as defined in ORC Section 3307.01(K) are subject to various fiduciary responsibilities in ORC Chapter 3307, including those found in ORC Sections 3307.15, 3307.151, 3307.181 and 3307.18. This Statement incorporates, and is subject to, all of the provisions of ORC Chapter 3307.

1.9 The Board acknowledges its responsibilities under ORC Chapter 3307 and to the extent that this Statement is inconsistent with ORC Chapter 3307, Chapter 3307 shall control.

1.95 The Board approved this Statement on May 15, 2009.

2.0 Investment Objective

2.1 Subject to the Ohio Revised Code, the investment objectives for the total fund are:

(a) to earn, over moving 20-year periods, an annualized return that equals or exceeds the actuarial rate of return (ARR) approved by the Board to value STRS Ohio liabilities. The current actuarial rate of return is 8.0%;

(b) to earn a rate of return that enables the System to meet pension liabilities and fulfill minimum funding requirements;

(c) to earn a rate of return that equals or exceeds the System's long-term policy index with an acceptable level of risk; and

(d) maintain sufficient liquidity to satisfy cash flow needs.

2.2 The Board believes, based on the assumptions in this Statement, that the investment policies summarized in this Statement will achieve this long-term actuarial objective at an acceptable level of risk. The Board evaluates risk in terms of the probability of not achieving the ARR over a 20-year time horizon.

3.0 Key Document Policy

To assist the Board and the investment staff, the following key documents will be produced or reviewed according to the schedule in Exhibit 1.

Exhibit 1: Key Document Schedule

Key Document	Document Source	Review Schedule
Trustee Summary Report	Board Consultant	Quarterly
Three-Level Performance Report	Board Consultant	Semiannual
Statement of Investment Objectives and Policy/ Fund Governance	STRS Ohio Investment Department/Reviewed by Board Consultant	Annual
Annual Plan (Includes Risk Budget)	STRS Ohio Investment Staff/Reviewed by Board Consultant	Annual
Actuarial Study	Actuary/STRS Ohio Finance Department	Annual
Asset/Liability Study	STRS Ohio Investment Staff/ STRS Ohio Senior Staff/ Board Consultant/Board	Every 3–5 years

4.0 Asset Mix Policy, Risk Diversification and Return Expectations

4.1 After careful consideration of the investment objectives, liability structure, funded status and liquidity needs of STRS Ohio, and the return, risk and risk-diversifying characteristics of different asset classes, the Board approved the asset mix policy presented in Exhibit 2. The exhibit also summarizes the Board's return expectations for the asset mix policy and active management.

4.2 Sixty-nine percent of the Fund is targeted for investment in equities, inclusive of alternative investments. Equity investments have provided the highest returns over long time periods, but can produce low and even negative returns over shorter periods.

4.3 The risk of low returns over shorter time periods makes 100% equity policies unsuitable for most pension funds, including STRS Ohio. By investing across multiple equity asset classes, and in lower return but less risky fixed-income and real estate, the Board is managing and diversifying total fund risk.

4.4 Forecasts of capital market and active management returns undertaken by the Board's asset management consultant indicate that the Board's investment policy summarized in Exhibit 2 has an expected 20-year annualized return of 8.1%. The expected 8.1% annualized return is 0.1% above the Board-approved 8.0% actuarial rate of return.

4.5 From the 2009 Asset Allocation Study, the 7.7% expected asset mix policy return was developed with reference to the observed long-term relationships among major asset classes. The Board believes this return expectation is reasonable, but recognizes that the actual 20-year asset mix policy return can deviate significantly from this expectation — both positively and negatively.

4.6 Fund assets are invested using a combination of passive and active

Exhibit 2: Asset Mix Policy and Return Expectations for STRS Ohio Total Fund

Asset Class	Target Allocation[4]	Rebalancing Range	Expected 20-Year Policy Returns[1, 2]	Expected Five-Year Management Net Returns[3]	Expected Total Return
Equity					
Domestic	**39.00%**	**30–50%**	**8.50%**	**0.25%**	**8.75%**
International	**23.00%**	**18–30%**	**8.80%**	**1.00%**	**9.80%**
Alternatives	**7.00%**	**3–13%**	**10.35%**		**10.35%**
Private Equity	5.00%	3–8%	11.50%		11.50%
Opportunistic/Diversified	2.00%[6]	0–5%	7.50%		7.50%
Total Equity	**69.00%**				
Fixed Income	**20.00%**	**15–30%**	**4.80%**	**0.35%**	**5.15%**
Real Estate	**10.00%**	**6–13%**	**6.50%**	**1.00%**	**7.50%**
Liquidity Reserve	**1.00%**	**0–5%**	**3.40%**		**3.40%**
Total Fund [5]	**100.00%**		**7.70%**	**0.40%**	**8.10%**

[1] Based on the 2009 Asset Allocation Study.

[2] The 20-year return forecast is 8.1% per year.

[3] Individual asset classes are gross value added; the total fund is net value added.

[4] The target allocation percentage will be effective July 1, 2009.

[5] The Total Fund benchmark is a blend of the asset class benchmarks based on the Total Fund's target allocation for the respective asset classes. Effective July 1, 2009, the Total Fund benchmark will be calculated using 20% Barclays Capital U.S. Universal Bond Index, 39% Russell 3000, 23% International Blended Benchmark, 7% Real Estate Blended Benchmark, 7% Alternative Investment actual return and 1% 3-month Treasury Bill Index.

[6] Opportunistic/Diversified target weight is scheduled to increase 1% per year until a max 5% target weight is obtained effective July 1, 2012.

management strategies. Active management of public market securities and real estate assets is expected to earn net 0.40% per annum of additional returns over moving five-year periods. The Board recognizes that unsuccessful active management can reduce total fund returns.

4.7 Investment objectives and guidelines for individual asset classes have been approved by the Board and are summarized below.

4.8 Liquidity reserves are kept at a minimum level, but sufficient to cover the short-term cash flow needs. STRS Ohio investment staff may utilize a derivative overlay to maintain the level at 1%.

4.9 The Board reviews at least annually its expectations for asset class and active management performance, and assesses how the updated expectations affect the probability that the Fund will achieve the established investment objectives.

5.0 Rebalancing

5.1 Exposures to selected asset classes are actively managed within the rebalancing ranges specified in Exhibit 2. Rebalancing ensures that the Fund's actual asset allocation remains close to the target asset mix policy.

5.2 The Fund's actual asset allocation is monitored at least monthly relative to established asset allocation policy targets and ranges. The timing and magnitude of rebalancing are decided with due consideration to the liquidity of the investments and the associated transaction costs.

5.3 In its Annual Investment Plan prepared for the Board, staff explains how it is managing asset class exposures based on short- and intermediate-term capital forecasts.

5.4 The impact of rebalancing decisions on total fund returns is included in investment performance reports to the Board.

6.0 Passive and Active Management Within Risk Budgets

6.1 STRS Ohio investment staff has been delegated the responsibility for managing the Fund's exposure to passive and active investment strategies, subject to the constraint that active risk does not exceed Board-approved target risk budgets for the total fund and individual asset classes.

6.2 The Board has approved a target risk budget of .60% to 1.20%, with a working range of .20% to 1.60%, annualized for active management for the total fund. In exchange for assuming this level of active risk, the Board expects active management to add net 0.40% of annualized excess return over moving five-year periods.

6.3 The Board realizes that actual management returns will likely be above or below the net 0.40% target over any five-year moving period, and therefore will evaluate the success of the STRS Ohio active management program within this context. The Board recognizes that any amount of management return in excess of the associated investment costs improves the security of STRS Ohio plan members.

6.4 Passive management uses low cost index funds to access the return streams available from the world's capital markets. Indexed funds control costs, are useful tools for evaluating active management strategies, capture exposure to the more efficient markets and facilitate rebalancing to the policy asset mix.

6.5 Active management tries to earn higher returns than those available from index funds by making value-adding security selection and asset mix timing decisions. Unsuccessful active management earns below index fund returns.

6.6 Because there are no index fund products for real estate and alternative investments, these asset classes must be actively managed.

6.7 Aggregate short sale positions for all asset classes may not exceed 3% of total fund assets.

7.0 Global Equities — Domestic

7.1 Domestic equity is being managed relative to a Board-approved risk budget range of .20% to 1.50%, and is expected to earn at least 0.25% of annualized excess return above the Russell 3000 Index over moving five-year periods.

7.2 Key elements of the strategy:

(a) The portfolio's active management adds value primarily through security selection. Sector tilts by style, economic sectors or market capitalization are managed in accordance with the risk budget for domestic equities.

(b) The portfolio utilizes a variety of portfolio management approaches including quantitative and fundamental techniques to diversify the source of excess return.

(c) The portfolio utilizes a combination of internal and external management, utilizing multiple internal portfolio managers and multiple external manager firms to improve the likelihood of achieving excess returns, to diversify risk and to control costs.

7.3 Short sales may be used in the management of STRS Ohio domestic equity portfolios, but may not exceed 10% of the value of the asset class.

8.0 Global Equities — International

8.1 International equity is being managed relative to a Board-approved risk budget range of 1.0% to 2.50%, and is expected to earn at least 1.0% of annualized excess return above a blended benchmark of 80% MSCI World ex-US (50% hedged) and 20% MSCI Emerging Market Free Index over moving five-year periods.

8.2 Key elements of the strategy:

(a) The portfolio emphasizes fundamental management approaches and exposures to security selection and country allocation decisions. These decisions have been shown to be the principal sources of the excess return in international equity portfolios. Managers have the ability to add value through currency management.

(b) Aggregate exposures to countries, currencies, equity styles and market capitalization are monitored and managed relative to their benchmark exposures.

(c) The portfolio utilizes a combination of internal and external management, with multiple internal portfolio managers and multiple external manager firms to improve the likelihood of achieving excess returns, to diversify risk and to control costs.

8.3 Short sales may be used in the management of STRS Ohio international equity portfolios, but may not exceed 10% of the value of the asset class.

9.0 Fixed Income

9.1 Fixed income is being managed relative to a Board-approved risk budget range of 0.1% to 1.50%, and is expected to earn at least 0.35% of annualized excess returns above the Barclays Capital U.S. Universal Bond Index over moving five-year periods.

9.2 All of fixed income is actively managed because active management is generally low cost and market opportunities exist for skilled managers to generate excess returns.

9.3 Key elements of the strategy:

(a) The portfolio will primarily be managed internally, with multiple external managers utilized in specialized segments of the market such as high yield and emerging market debt.

(b) The portfolio will emphasize issue selection, credit analysis, sector allocations and duration management.

(c) Aggregate exposures to duration, credit and sectors are monitored and managed relative to corresponding exposures in the asset class benchmark.

9.4 Short sales may be used in the management of STRS Ohio fixed-income portfolios, but may not exceed 10% of the value of the asset class.

10.0 Real Estate

10.1 Real estate investments are being managed relative to a Board-approved risk budget range of 2.00% to 7.00%, and are expected to earn at least 1.00% of annualized excess returns above a composite benchmark over moving five-year periods. The composite benchmark is 85% NCREIF Property Index and 15% Wilshire Real Estate Trust Index.

10.2 Key elements of the strategy:

(a) Real estate is 100% actively managed because index funds replicating the real estate broad market are not available. The portfolio is primarily managed internally. External managers are utilized primarily for specialized segments of the market.

(b) Direct property investments represent most of the real estate portfolio. Risk is diversified by investing across major property types and geographic areas.

(c) Leverage of up to and including 50%, in aggregate, is permitted for internally managed assets (excluding REITs).

(d) Publicly traded real estate investment trusts (REITs) are targeted at 15% of the real estate portfolio to enhance liquidity, diversification and excess returns.

(e) Non-core real estate investments are limited to 20% of the real estate portfolio. Investment strategies will be characterized as "opportunistic" based on the market conditions prevailing at the time of investment.

10.3 Short sales may be used in the management of REITs, but may not exceed 10% of the value of the asset class.

11.0 Alternative Investments (Private Equity and Opportunistic/Diversified)

11.1 Alternative investments involve separate allocations to private equity and opportunistic/diversified investments.

11.2 Private equity investments are being managed with the objective of earning at least 3% net of fees above domestic public equity markets over very long time horizons, typically moving 10-year periods. Private equity investments are traded infrequently and, therefore, risk budget concepts are not applicable.

11.3 Key elements of the private equity strategy:

(a) Private equity investments are 100% actively managed because index funds are not available.

(b) Private equity risk is diversified by investing across different types of investments including, but not limited to, venture capital, leverage buyouts, mezzanine debt, sector and international funds.

(c) Private equity risk is also diversified by investing across vintage years, industry sectors, investment size, development stage and geography.

(d) Private equity investments are managed by general partners with good deal flow, specialized areas of expertise, established or promising net of fees track records and fully disclosed and verifiable management procedures.

11.4 Opportunistic/diversified investments are being managed with the objective of earning domestic public equity-like returns (approximately 1% net of fees below domestic public equity markets) over very long time horizons, typically moving 10-year periods, but with the goal of downside protection during equity bear markets. Investments in this category can be liquid or illiquid and, therefore, risk budget concepts are not applicable.

11.5 Key elements of the opportunistic/diversified strategy:

(a) Opportunistic/diversified investments are tactical in nature and typically are actively managed because index funds would not be available.

(b) Downside protection during equity bear markets can be achieved and asset class risk is diversified by investing across different types of opportunistic/diversified investments primarily modeled on hedge funds, commodities and infrastructure, but can include current "opportunistic" investments such as commercial mortgage-backed securities, non-agency mortgages and distressed debt, and may include low volatility equity, defensive equity, emerging market equities, master limited partnerships, listed private equity, closed-end funds, diversified alpha/beta strategies, volatility strategies, local currency emerging market debt, bank loans, agricultural investing, managed futures, natural resources, green, and energy investing, micro-finance institutions, etc.

(c) Opportunistic/diversified investments may be made directly, through specialist managers or through fund-of-funds.

12.0 Derivatives

12.1 Derivatives may be used in the management of STRS Ohio internal and external liquidity reserves, fixed-income, equity and real estate portfolios. Derivatives are typically, but not exclusively, futures contracts, equity swaps, credit default swaps, option contracts and option contracts on futures for market indexes. Options on individual securities, baskets of securities and equity-linked notes, and shorting for positioning purposes are further examples. Derivatives are both exchange traded and traded over the counter.

12.2 Derivative exposures must be of a hedging or positioning nature. As a percentage of Fund assets, the underlying exposure of all positioning derivatives will not exceed:

(a) 5% for fixed-income investments;

(b) 10% for domestic equity investments;

(c) 10% for international equity investments; and

(d) 1% for real estate investments.

Hedging derivatives will not be included in the limits above, but must be footnoted.

12.3 Any use of leverage will adhere to asset allocation restrictions and asset class active management risk range constraints.

13.0 Proxy Voting

13.1 Common stock proxies are valuable and should be voted in the best interest of STRS Ohio active and retired members.

13.2 The Board shall maintain stock proxy voting policies and has directed staff and the proxy voting agents to use these policies as guidelines for voting common stock proxies held by the Fund.

14.0 Ohio Investments

14.1 The Board will give due consideration to investments that enhance the general welfare of the state and its citizens provided that assets are invested in the best interest of STRS Ohio active and retired members. Preference will be given to Ohio investments offering competitive returns at risk levels comparable to similar investments currently available to the Board.

14.2 STRS Ohio investment staff shall maintain and implement an Ohio Investment Plan. The plan shall set forth procedures to assure that a special effort will be made by the investment staff to examine and evaluate all legal investment opportunities in the state and, where policy criteria are satisfied, to acquire such investments.

15.0 Broker-Dealers

15.1 Purchases and sales of publicly traded securities shall be executed with broker-dealers from a list reviewed by the Board. In those rare situations where best execution cannot be achieved through a broker-dealer on the list, the Deputy Executive Director — Investments may approve the use of a broker-dealer not on the list.

15.2 Selection shall be based on an evaluation by the investment staff as to financial soundness, underwriting capabilities, research services, execution capabilities and other factors required by the staff to fulfill its assigned investment responsibilities.

15.3 Specific transactions will be directed to the broker on that list most capable of providing brokerage services necessary to obtain both the best available price and the most favorable execution.

15.4 The Board shall give equal consideration to smaller Ohio-headquartered broker-dealers or smaller broker-dealers with at least one Ohio office and broker-dealers owned and controlled by minorities and/or women, provided the assets are transacted in the best interest of STRS Ohio members.

15.5 The Board has a goal to increase the use of Ohio-qualified broker-dealers for the execution of domestic equity and fixed-income securities transactions, when the services that Ohio-qualified broker-dealers provide are equal in quality, cost, scope and execution capabilities to all broker-dealers approved to transact securities transactions on behalf of the Board.

15.6 Each firm listed shall file with the Board on an annual basis such evidence of financial responsibility as required by the Board. This information shall include, but not be limited to, an audited financial statement.

15.7 When stocks are purchased during underwriting, allocations may be made to dealers not on the approved list provided the managing underwriter is so listed.

15.8 When entering into real estate transactions, the Board shall give equal consideration to Ohio firms providing associated professional services, minority-owned and controlled firms, and firms owned and controlled by women.

16.0 Securities Lending

The Board may operate a securities lending program to enhance the income of the Fund. The program must be operated by a bank trustee who follows the custodial requirements of the Treasurer of State and each security lent must be fully collateralized. Results of the program must be reported to the Board annually.

17.0 Securities Litigation

Involvement in securities litigation is an important responsibility for institutional investors with major public market exposure. The Board shall maintain a policy to determine the appropriate action to be taken when class action litigation is initiated against a company that generates a significant loss for the Board during the class period.

18.0 Security Valuation

Valuation of investments shall be the total of:

(a) The primary closing price on the principal registered stock exchange for all common and preferred stocks so listed.

(b) The NASDAQ Official Closing Price (NOCP) as reflected by NASDAQ for common and preferred stocks not listed on a registered stock exchange.

(c) The current value as determined by a qualified independent service for all bonds, notes and certificates of indebtedness.

(d) Amortized cost for commercial paper, certificates of deposit, repurchase agreements and other short-term investments with a maturity of 270 or fewer days.

(e) Real estate valued through a combination of independent appraisals and manager valuations. Methodology underlying internal valuations will be reviewed by the real estate consultant. REIT shares are valued at primary closing prices on the principal registered stock exchange.

(f) The most recent manager valuations for alternative investments updated to include subsequent capital activity.

(g) International investments are valued by the subcustodian using relevant closing market prices and exchange rates.

19.0 Performance Monitoring and Evaluation

19.1 The Board and its agents use a variety of compliance, verification and performance measurement tools to monitor, measure and evaluate how well STRS Ohio assets are being managed. Monitoring, reporting and evaluation frequencies range from hourly, to daily, weekly, monthly, quarterly and annually.

19.2 The Board has developed a performance monitoring and evaluation system that answers two fundamental fiduciary questions:

(a) Are the assets being prudently managed? More specifically, are assets being managed in accordance with established laws, policies and procedures, and are individual investment managers in compliance with their mandates?

(b) Are the assets being profitably managed? More specifically, has performance affected benefit security, has capital market risk been rewarded and has active management risk been rewarded?

19.3 If there is a deviation from Board policies, STRS Ohio investment staff is required to provide the Board with a report explaining how the deviation was discovered, the reasons for the deviation, the impact on Fund performance, if any, and steps taken to mitigate future occurrences.

19.4 Exhibit 3 is one of many reports used by the Board to monitor and evaluate performance of the total fund. Panel one indicates whether the total fund return exceeded the 8.0% actuarial rate of return. Panel two indicates whether the Fund was rewarded for investing in higher return but more risky equity investments. Panel three indicates whether active management added or subtracted returns.

19.5 Additional reports provide the Board with a multi-level view of investment activities at different levels and over different time horizons. These include:

(a) Performance of the total fund;

(b) Performance of individual asset class strategies;

(c) Performance of internal and externally managed portfolios; and

(d) Performance of individual external managers.

Exhibit 3: EXAMPLE Total Fund Trustee Summary Report, as of June 30, 2008

Experienced Returns	Annualized Rates of Return			
	1 Year	3 Years	5 Years	10 Years
Have returns affected funded ratio?				
1. Total fund return	–5.44%	9.09%	11.40%	6.52%
2. Actuarial discount rate	8.00%	8.00%	8.00%	7.82%
3. Out/under-performance (1–2)	–13.44%	1.09%	3.40%	–1.30%
Has plan been rewarded for capital market risk?				
4. Total fund policy return	–5.79%	8.11%	10.38%	6.19%
5. Minimum risk/high opportunity cost policy of 91-day T-Bills	2.90%	4.02%	3.06%	3.40%
6. Impact of asset mix policy (4–5)	–8.69%	4.09%	7.32%	2.79%
Has plan been rewarded for active management risk?				
7. Active management return (1–4)	0.35%	0.98%	1.02%	0.33%
8. Net active management return estimate	0.24%	0.87%	0.90%	0.22%

Statement of Fund Governance

Effective May 15, 2009

1.0 Purpose

1.1 This Statement of Fund Governance (the "Statement") summarizes the governance structure established by the State Teachers Retirement Board of Ohio (the "Board") to ensure the prudent, effective and efficient management of the assets of the State Teachers Retirement System of Ohio ("STRS Ohio").

1.2 The fund governance structure was approved by the Board after careful consideration of alternative approaches to governing a very large and growing pension fund within an increasingly complex financial and investment environment.

1.3 The Statement has been prepared with five audiences in mind: incumbent, new and prospective Board members; STRS Ohio investment staff; STRS Ohio active and retired members; Ohio General Assembly and Governor; and agents engaged by the Board to manage, administer or advise on STRS Ohio assets.

1.4 The Statement summarizes more detailed policy and procedure documents prepared and maintained by STRS Ohio investment staff, and numerous other documents that govern the day-to-day management of STRS Ohio assets.

1.5 The Board regularly assesses the continued suitability of the STRS Ohio fund governance structure, initiates change as necessary and updates this Statement accordingly.

1.6 The Board may authorize its administrative officers and committees to act for it in accord with its policies (ORC Sections 3307.04 and 3307.15). The Board, no less frequently than annually, adopts a resolution delegating to the Executive Director and the Deputy Executive Director — Investments the authority to acquire, dispose, operate and manage the Fund, subject to the Board's policies and to subsequent approval by the Board.

1.7 In carrying out the operation and management of STRS Ohio, the Board, the Executive Director, his/her investment staff and others that are considered fiduciaries as defined in ORC Section 3307.01(K) are subject to various fiduciary responsibilities in ORC Chapter 3307, including those found in ORC Sections 3307.15, 3307.151, 3307.181 and 3307.18. This Statement incorporates, and is subject to, all of the provisions of ORC Chapter 3307.

1.8 The Board acknowledges its responsibilities under ORC Chapter 3307 and to the extent that this Statement is inconsistent with ORC Chapter 3307, Chapter 3307 shall control.

1.9 The Board approved this Statement on May 15, 2009.

2.0 Governance Principles

2.1 Three principles guided the Board's development of the STRS Ohio fund governance structure:

(a) As STRS Ohio governing fiduciary, the Board is ultimately accountable for all investment decisions. Section 3307.15 of the Ohio Revised Code (the "Code") vests the investment function in the Board and requires the Board to ". . . adopt, in regular meetings, policies, objectives, or criteria for the operation of the investment program . . ." Section 3307.15 of the Code sets forth the fiduciary responsibility of the Board in discharging its duties with respect to the fund.

(b) To ensure STRS Ohio assets are prudently, profitably and efficiently managed on a day-to-day basis, the Board needs to delegate the management and implementation of Board investment policies to qualified managing and operating fiduciaries. Sections 3307.04 and 3307.15 of the Code empower the Board to authorize its committees and administrative officers to act for it in accord with Board policies. The fiduciary responsibility of Board delegates in discharging their duties with respect to the fund is specified in Section 3307.15.

(c) To ensure effective oversight of delegates, the Board requires informative and timely performance reports that reveal if managing and operating fiduciaries have complied with established policies, and indicate how assets under their care have performed relative to Board-approved investment objectives.

3.0 Investment Decisions Retained by the Board

3.1 The Board approves the following investment policies:

(a) Statement of Investment Objectives and Policy, which includes the following:

(i) Total fund risk and return objectives;

(ii) Total fund target asset mix policy;

(iii) Total fund asset mix policy rebalancing ranges;

(iv) Active management risk and return objectives at the total fund and asset class levels; and

(v) Performance measurement criteria and evaluation standards.

(b) Proxy voting;

(c) Ohio investments;

(d) Securities lending;

(e) Broker-dealer selection criteria and procedures;

(f) Ohio-qualified investment managers and brokers; and

(g) Securities litigation.

3.2 Before approving or amending policy decisions, the Board seeks advice, guidance and recommendations from STRS Ohio investment staff, Board-retained investment consultants, and other experts or sources as considered prudent by the Board.

4.0 Investment Decisions Delegated to Investment Staff

4.1 The Board, through the Executive Director, has delegated to qualified STRS Ohio investment staff the following investment management and implementation decisions:

(a) Buying, selling, managing and monitoring individual securities, real assets and/or other investment transactions to achieve the total fund and asset class investment objectives approved by the Board;

(b) Retaining, managing and terminating external investment managers within each asset class as required to achieve the total fund and asset class investment objectives approved by the Board;

(c) Ensure total fund, asset class and individual manager portfolios comply with established parameters and risk levels; and

(d) Preparing, negotiating and executing external investment manager mandates, guidelines and fee agreements.

4.2 In making these decisions, STRS Ohio investment staff seeks the advice, guidance and recommendations of Board-retained investment consultants, external investment managers, and other experts and sources as considered prudent by STRS Ohio staff.

5.0 Board Oversight

5.1 The Board requires investment staff to prepare and deliver an Annual Investment Plan that explains how STRS Ohio assets will be managed in order to achieve the Board-established investment objectives. This provides the Board a focused opportunity to:

(a) Question and comment on staff's investment management plans;

(b) Request additional information and support about staff's investment intentions; and

(c) Express its confidence in the Annual Investment Plan.

5.2 The Board meets at least quarterly to assess how assets are being managed relative to the Annual Investment Plan, to monitor and evaluate investment performance relative to objectives and to address other investments issues as are warranted.

5.3 The Board approves the criteria and standards for monitoring and evaluating the impact different investment decisions have on total fund, asset class and manager-level performance. Performance is monitored and evaluated with respect to risk and return objectives established by the Board.

(a) Investment risks are monitored and evaluated quarterly by comparing total fund and asset class risk characteristics relative to suitable benchmarks.

(b) Investment returns are monitored monthly and evaluated quarterly by comparing total fund and asset class returns relative to suitable benchmarks.

5.4 Before approving or amending the criteria for monitoring and evaluating investment decisions, the Board seeks advice, guidance and recommendations from STRS Ohio investment staff, Board-retained investment consultants, and other experts and sources as considered prudent by the Board.

Vincent Performance Services LLC

State Teachers Retirement System of Ohio
275 E. Broad Street
Columbus, OH 43215-3771

We have verified whether State Teachers Retirement System of Ohio ("STRS Ohio") (1) complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis for the period from July 1, 2006 through June 30, 2009, and (2) designed its processes and procedures to calculate and present performance results in compliance with the GIPS standards as of June 30, 2009. STRS Ohio's management is responsible for compliance with the GIPS standards and the design of its processes and procedures. Our responsibility is to express an opinion based on our verification. We completed this verification in accordance with the verification procedures set forth in the GIPS standards. We also completed such other procedures as we considered necessary in the circumstances.

In our opinion, State Teachers Retirement System of Ohio has, in all material respects:

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the period from July 1, 2006 through June 30, 2009, and
- Designed its processes and procedures to calculate and present performance results in compliance with the GIPS standards as of June 30, 2009.

Since our verification was designed to form an opinion on a firm-wide basis this report does not relate to any composite presentation of STRS Ohio including what is reflected in this Comprehensive Annual Financial Report.

Karyn D. Vincent

Karyn D. Vincent, CFA, CIPM
Vincent Performance Services LLC
August 15, 2009

Vincent Performance Services LLC 2014 NE Broadway Street Portland, OR 97232
Tel: 503-288-2704 Fax: 503-548-4435 www.vincentperformance.com

Investment Performance

(total returns, annualized on a fiscal-year basis, July 1–June 30)

1-Year Returns (2009)[1]

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities[7]	–25.45%	Russell 3000	–26.57%
International[7]	–27.89%	International Equity Blended Benchmark[2]	–27.35%
Fixed Income[7]	4.97%	Barclays Capital U.S. Universal Index[3]	4.93%
Real Estate[7]	–27.02%	Real Estate Blended Benchmark[4]	–22.18%
Alternative Investments[7]	–24.59%	Russell 3000 + 3%[5]	–
Total Fund	**–21.66%**	**Total Fund Blended Benchmark[6]**	**–20.42%**

3-Year Returns (2007–2009)

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities[7]	–8.63%	Russell 3000	–8.35%
International[7]	–5.00%	International Equity Blended Benchmark[2]	–5.26%
Fixed Income[7]	6.31%	Barclays Capital U.S. Universal Index[3]	5.92%
Real Estate[7]	3.22%	Real Estate Blended Benchmark[4]	–1.54%
Alternative Investments[7]	1.54%	Russell 3000 + 3%[5]	–
Total Fund	**–3.65%**	**Total Fund Blended Benchmark[6]**	**–3.60%**

5-Year Returns (2005–2009)

Asset Category	STRS Ohio Return	Index Name	Index Return
Domestic Equities[7]	–1.92%	Russell 3000	–1.84%
International[7]	6.22%	International Equity Blended Benchmark[2]	5.51%
Fixed Income[7]	5.25%	Barclays Capital U.S. Universal Index[3]	4.95%
Real Estate[7]	11.23%	Real Estate Blended Benchmark[4]	6.31%
Alternative Investments[7]	8.34%	Russell 3000 + 3%[5]	1.16%
Total Fund	**2.69%**	**Total Fund Blended Benchmark[6]**	**2.30%**

STRS Ohio Long-Term Policy Objective (20 Years)

Total Fund: 8.10%

State Teachers Retirement System of Ohio claims compliance with the Global Investment Performance Standards (GIPS®). To receive a presentation that complies with the GIPS standards and/or a list and description of all firm composites, please contact the STRS Ohio Communication Services Department at (614) 227-4077.

State Teachers Retirement System of Ohio is defined and created by the Ohio Revised Code, Chapter 3007.15. The STRS Ohio Total Fund performance returns consist of all assets of the fund, including both internally and externally managed accounts. All returns are calculated in U.S. dollars using a time-weighted rate of return. All returns are net of brokerage commissions, expenses related to trading, and applicable foreign withholding taxes on dividends, interest and capital gains. Performance is generally gross of fees; net of fees returns are available upon request. Investment management fees vary among asset class. All measurements and comparisons have been made using standard performance evaluation methods, and results are presented in a manner consistent with the investment industry in general and public pension funds in particular.

The Total Fund reflects an asset allocation to six primary asset classes. As of June 30, 2009, the actual asset allocation is as follows: Liquidity Reserves 2%, Fixed Income 17%, Domestic Equities 41%, International Equities 25%, Real Estate 9% and Alternative Investments 6%. The investment objective for the Total Fund is to earn, over moving 20-year periods, an annualized return that equals or exceeds the actuarial rate of return, approved by the State Teachers Retirement Board ("Board") to value STRS Ohio liabilities. As of June 30, 2009, the current actuarial rate of return is 8.0%.

As part of the Total Fund strategy, certain asset classes may use derivatives and/or leverage. The following asset classes may use derivatives and/or leverage to gain exposure to certain sectors of the market:

- Fixed Income: Exposure to derivatives for internally managed fixed-income investments may not exceed 5% of Total Fund assets. A variety of derivatives may be used to adjust the exposure to interest rates, individual securities or to market sectors in the fixed-income asset class.
- Domestic Equities: Exposure to derivatives, including, but not limited to, futures, stock options and index options may not exceed 10% of Total Fund assets.
- International Equities: Exposure to derivatives, including swap agreements, may not exceed 10% of Total Fund assets.
- Real Estate: Activities may include borrowing funds on a secured or unsecured basis with leverage limited to 50% of the internally managed direct real estate assets. At June 30, 2009 and 2008, debt as a percentage of these assets was 33% and 26%, respectively. Derivatives may also be used and cannot exceed 1% of Total Fund assets.

[1]The one-year returns for the fiscal years ended June 30, 2009, 2008 and 2007, have been examined by Vincent Performance Services LLC. A copy of the examination report is available upon request.

[2]The International Equity Blended Benchmark is calculated using 80% of the MSCI World ex USA Index (50% hedged) and 20% of the MSCI EMF Index for all periods beginning on or after Jan. 1, 2006, and 75% MSCI World ex USA Index (50% hedged) and 25% MSCI EMF Index from July 1, 2003, through Dec. 31, 2005.

[3]Effective Nov. 3, 2008, the Lehman Brothers indexes were rebranded to the Barclays Capital indexes.

[4]The Real Estate Blended Benchmark is calculated quarterly using 85% NCREIF Property Index (NPI) and 15% Wilshire REIT Index for all periods beginning on or after Oct. 1, 2007, and 80% NPI, 10% NCREIF Timberland Index and 10% Dow Jones Wilshire REIT Index for periods prior to Oct. 1, 2007.

[5]The Alternative Investments benchmark is 3% above the five-year annualized return of the Russell 3000 Index. Given the long-term nature of the asset class, no benchmark return for alternative investments is displayed for the one- and three-year periods.

[6]The Total Fund Blended Benchmark is calculated and rebalanced monthly using a blend of the asset class benchmarks based on the Total Fund's policy weights in effect during the respective period. Information concerning asset class benchmarks and policy weights is available upon request.

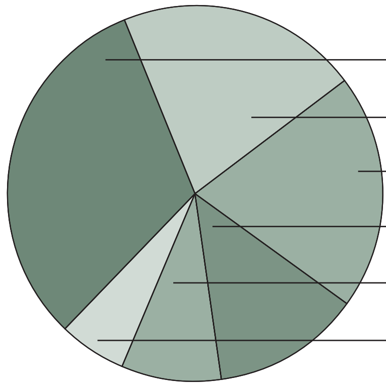
[7]Returns are supplemental to the Total Fund composite returns.

Summary of Investment Assets
As of June 30, 2009 and 2008 (dollar amounts in thousands)

	June 30, 2009 Fair Value	%	June 30, 2008 Fair Value	%
Short term				
Commercial paper	$ 4,447,350	8.13%	$ 4,826,059	6.65%
Short-term investment funds	36,500	0.07%	33,000	0.04%
Repurchase agreements	250,000	0.45%	–	0.00%
Total short term	4,733,850	8.65%	4,859,059	6.69%
Fixed income				
U.S. government agency obligations and U.S. government obligations	1,178,321	2.15%	2,161,765	2.98%
Corporate bonds	3,665,020	6.70%	4,771,333	6.57%
High yield and emerging market	1,097,661	2.00%	1,417,563	1.95%
Mortgages and asset-backed	5,060,816	9.25%	6,823,684	9.40%
Total fixed income	11,001,818	20.10%	15,174,345	20.90%
Domestic common and preferred stock	17,376,344	31.75%	24,209,249	33.35%
Real estate				
East region	2,123,500	3.88%	2,822,350	3.89%
Midwest region	1,016,300	1.86%	1,143,424	1.58%
South region	662,411	1.21%	797,096	1.10%
West region	1,735,802	3.17%	2,168,644	2.99%
REITs	461,832	0.84%	914,075	1.25%
Other	1,023,905	1.87%	1,276,945	1.76%
Total real estate	7,023,750	12.83%	9,122,534	12.57%
Alternative investments	3,133,958	5.72%	3,621,415	4.99%
International	11,466,789	20.95%	15,603,705	21.50%
Total investments	$ 54,736,509	100.00%	$ 72,590,307	100.00%

Investment asset schedule excludes invested securities lending collateral.

Investment Distribution by Fair Value — as of June 30, 2009



Ohio Investment Profile — as of June 30, 2009 (in thousands)

STRS Ohio continues to engage in quality Ohio investments. As of June 30, 2009, STRS Ohio investments in companies with headquarters in Ohio are valued at nearly $1 billion.

Liquidity reserves	$ 30,086
Fixed income	143,337
Common stock	517,187
Alternative investments	147,335
Real estate	159,860
Total Ohio-headquartered investments	$ 997,805

Schedule of U.S. Stock Brokerage Commissions Paid
(for the year ended June 30, 2009)

Brokerage Firm	Shares Traded*	Commissions Paid	Avg. Cents Per Share
Weeden & Company LP	81,313,614	$ 1,396,431.57	1.7
Nomura	168,757,437	1,270,303.74	0.8
ITG, Inc.	45,515,324	1,052,051.57	2.3
Liquidnet Inc.	52,062,584	972,204.43	1.9
Citigroup	22,204,091	724,828.49	3.3
JP Morgan Securities	17,723,134	699,485.32	3.9
Cantor Fitzgerald	31,326,499	683,069.07	2.2
Banc of America Securities	15,862,198	590,130.74	3.7
UBS Investment Bank	15,616,350	547,430.96	3.5
Baird (Robert) & Company	15,524,373	511,800.12	3.3
Goldman Sachs	15,667,475	489,124.79	3.1
RBC Capital Markets	15,697,952	472,870.42	3.0
Bernstein (Sanford C.) & Company	10,162,729	454,591.91	4.5
Morgan Stanley	33,650,870	426,509.72	1.3
Deutsche Bank Securities	12,172,625	418,739.84	3.4
Barclays Capital	15,440,510	404,157.11	2.6
Jefferies & Company	12,746,252	402,868.18	3.2
Credit Suisse First Boston	9,902,051	376,874.65	3.8
Cowen & Company	9,941,845	344,046.90	3.5
Knight Equity Markets LP	14,234,238	339,666.12	2.4
ICAP Corporates LLC	10,984,181	309,566.85	2.8
Merrill Lynch	10,844,381	303,107.47	2.8
Lehman Brothers	9,282,700	299,261.80	3.2
Fidelity Capital Market Services	19,864,842	269,267.91	1.4
Piper Jaffray	8,583,769	267,394.07	3.1
Others (includes 75 brokerage firms and external managers)	250,942,369	5,373,054.11	2.1
Total	**926,024,393**	**$19,398,837.86**	**2.1**

* Includes option equivalent shares

Schedule of Largest Investment Holdings*
(as of June 30, 2009)

Domestic Equities — Top 20 Holdings

	Shares	Fair Value
Exxon Mobil Corp.	8,142,260	$569,225,397
Microsoft Corp.	16,879,470	$401,225,002
Johnson & Johnson	5,000,654	$284,037,147
JPMorgan Chase & Co.	8,033,964	$274,038,512
AT&T Inc.	10,982,441	$272,803,834
International Business Machines Corp.	2,485,862	$259,573,710
Procter & Gamble Co.	4,959,100	$253,410,010
General Electric Co.	20,949,796	$245,531,609
Cisco Systems	12,969,921	$241,759,327
ChevronTexaco Corp.	3,497,191	$231,688,904
Apple Computer Inc.	1,572,164	$223,923,319
Hewlett-Packard Co.	5,727,220	$221,357,053
Wal Mart Stores Inc.	3,855,300	$186,750,732
Intel Corp.	11,280,011	$186,684,182
Philip Morris International	4,251,670	$185,457,845
Pfizer Inc.	12,354,248	$185,313,720
Coca Cola Co.	3,845,882	$184,563,877
Wells Fargo Co.	7,474,145	$181,322,758
Verizon Communications	5,663,067	$174,026,049
Bank of America	13,118,273	$173,161,204

International Equities — Top 20 Holdings

	Shares	Fair Value
BP PLC (United Kingdom)	15,533,608	$122,247,004
GlaxoSmithKline (United Kingdom)	6,294,937	$110,786,196
Telefonica SA (Spain)	4,657,879	$105,329,251
Total SA (France)	1,803,624	$ 97,359,161
Sanofi-Aventis (France)	1,650,545	$ 96,945,149
Credit Suisse Group (Switzerland)	1,900,848	$ 86,712,095
Royal Dutch Shell (United Kingdom)	3,131,052	$ 78,285,583
Vodafone (United Kingdom)	40,228,875	$ 77,657,828
Astrazeneca (United Kingdom)	1,741,333	$ 76,593,894
Cheung Kong Holdings (Hong Kong)	6,107,000	$ 70,212,612
ENI SPA (Italy)	2,933,097	$ 69,330,141
Arcelor Mittal (Netherlands)	2,055,948	$ 67,458,721
BNP Paribas (France)	1,036,230	$ 67,230,084
BHP Billiton (Australia)	2,387,757	$ 67,043,621
Ericsson Telefon (Sweden)	6,692,335	$ 65,403,602
Sun Hung Kai Properties Ltd. (Hong Kong)	5,043,000	$ 62,990,322
Deutsche Bank (Germany)	1,018,729	$ 61,728,810
HSBC Holdings (United Kingdom)	6,682,136	$ 55,305,855
Samsung Electronics (South Korea)	118,632	$ 55,134,357
Statoil Hydro (Norway)	2,774,855	$ 54,596,644

Fixed Income — Top 20 Holdings

	Par Value	Fair Value
CSFB 2001-CP4 A4, 6.180%, due 12/15/2035, NR	162,386,967	$166,578,174
FNMA POOL #735578, 5.000%, due 06/1/2035, AAA	153,733,424	$157,112,485
Federal Home Loan Bank, 3.880%, due 07/16/2009, AAA	147,115,000	$147,150,308
FUBOA 2001-C1 A2, 6.136%, due 03/15/2033, AAA	142,448,128	$144,827,011
FNMA POOL #960605, 5.000%, due 08/1/2037, AAA	130,933,768	$133,811,693
U.S. Treasury, 3.125%, due 05/15/2019, AAA	126,200,000	$ 122,029,090
FHLMC 10/20 #H09112, 5.500%, due 11/1/2037, AAA	114,358,301	$ 117,784,476
Federal Home Loan Bank, 3.099%, due 08/5/2009, AAA	112,000,000	$ 112,057,344
Hilton Hotels, 7.020%, due 10/3/2015, AAA	111,800,000	$ 111,514,910
FHLMC GOLD #G02086, 5.000%, due 02/1/2036, AAA	106,926,238	$ 109,199,490
JPMCC 2001-C1 A3, 5.857%, due 10/12/2035, NR	106,425,000	$ 108,184,205
CSFB 2001-CK3 A4, 6.530%, due 06/15/2034, AAA	101,635,000	$ 104,208,398
CCCIT 2007-A1 A1, 5.340%, due 03/22/2012, AAA	95,000,000	$ 94,506,418
PMCF 2001-ROCK A2, 6.605%, due 05/10/2034, AAA	88,016,762	$ 90,505,876
GCCFC 2005-GG3 A2, 4.305%, due 08/10/2042, AAA	87,219,760	$ 85,320,985
FUNBC 2000-C2 A2, 7.202%, due 10/15/2032, NR	82,187,554	$ 84,057,321
BA Credit Card Trust, 4.070%, due 07/16/2012, AAA	82,200,000	$ 83,481,391
U.S. Treasury, 3.250%, due 06/30/2016, AAA	77,700,000	$ 77,936,985
BAFU 2001-3 A2, 5.464%, due 04/11/2037, NR	75,704,000	$ 76,706,321
JPMCC 2005-LDP2 A3, 4.697%, due 07/15/2042, AAA	86,660,000	$ 74,851,708

*A complete list of investment holdings is available from STRS Ohio.

Schedule of External Managers
(as of June 30, 2009)

Domestic Equity

Large Cap Enhanced	Goldman Sachs Asset Management
	Intech
Small Cap	Chartwell Investment Partners
	Neuberger Berman
	Eagle Asset Management
	Fuller & Thaler Asset Management
	Lord, Abbett & Company
	M.A. Weatherbie & Company
	Next Century Growth Investors

International

EAFE	Arrowstreet Capital
	Alliance Bernstein
	Marvin & Palmer Associates
Emerging Market	First State Investments
	Genesis Asset Managers
	Marvin & Palmer Associates
	Alliance Bernstein

Fixed Income

High Yield	Pacific Investment Management Company
	Oaktree Capital Management
Emerging Market	Pyramis Global Advisors
	Stone Harbor Investment Partners

PRICEWATERHOUSECOOPERS

November 10, 2009

PricewaterhouseCoopers LLP
One North Wacker
Chicago IL 60606
Telephone (312) 298 2000
Facsimile (312) 298 2001

The Retirement Board
State Teachers Retirement System of Ohio
275 East Broad Street
Columbus, Ohio 43215

Ladies and Gentlemen:

This report presents the results of the annual valuation of the assets and liabilities of The State Teachers Retirement System of Ohio (STRS Ohio) as of July 1, 2009, prepared in accordance with Section 3307.51 of Chapter 3307 of the Ohio Revised Code. This valuation takes into account all of the promised pension and survivor benefits to which members are entitled. A separate valuation of the retiree health care benefits provided by the System is performed as of January 1 of each year.

The valuation was based on the actuarial assumptions and methods as adopted by the Board of Trustees, including a valuation interest rate of 8% per annum, compounded annually. The actuarial methods and assumptions are unchanged from the prior valuation.

Actuarial Assumptions

The actuarial assumptions and methods comply with the parameters set forth in Governmental Accounting Standards No. 25. The demographic assumptions, including the withdrawal, active death, retirement, and retiree mortality rates reflect the past experience and the expected future experience of the System. The inflation assumption is 3.0%. The real rate of return is 5.0%, resulting in an interest rate of 8.0%. The payroll growth assumption is 3.5% for the next nine years and 4.0% thereafter.

Assets and Membership Data

The State Teachers Retirement System of Ohio reported to the actuary the individual data for members of the System as of the valuation date. While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness. The amount of assets in the trust fund taken into account in the valuation was based on statements prepared by The State Teachers Retirement System of Ohio.

Funding Adequacy

The total contribution rate from employers and members is 24%. The Board allocates the total contribution rate between pension and survivor benefits and health care. For fiscal 2009 and after, the Board has allocated 1% toward health care, leaving 23% for pension and survivor benefits. The valuation indicates that the contribution rate of 23% for fiscal 2009 and after is insufficient to provide for the payment of the promised pension and survivor benefits, as the funding period is infinite. An infinite funding period means the contributions collected will never amortize the unfunded accrued liability unless changes are made. The funding period has increased from 41.2 years as of July 1, 2008 to infinite years as of July 1, 2009. This increase was primarily due to investment losses as well as net demographic losses.

The valuation indicates that for the fiscal year ending June 30, 2009, the actuarial experience of STRS Ohio was unfavorable and generated a net actuarial loss of $17.8 billion.

Financial Results and Membership Data

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

In preparing the results presented in this report, we have relied upon information provided to us regarding the benefit provisions, System members, unaudited plan assets, and benefit payments. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness but have not audited it. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.

The undersigned actuaries are members of the Society of Actuaries and other professional actuarial organizations and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. There is no relationship between PricewaterhouseCoopers and STRS Ohio that impairs our objectivity.

Respectfully submitted,

PricewaterhouseCoopers LLP

Kim M Nicholl

Kim Nicholl
Fellow of the Society of Actuaries
Member of the American Academy of Actuaries

Denis Roy

Denis Roy
Fellow of the Society of Actuaries
Member of the American Academy of Actuaries

Statement of Actuarial Assumptions and Methods

The assumptions below have been adopted by the State Teachers Retirement Board after consulting with the actuary.

Financing Objective: To establish contributions as a level percentage of active member payroll which, when invested, will be sufficient to provide specified benefits to STRS Ohio members and retirees.

Interest Rate: 8% per annum, compounded annually. (Adopted 2003)

Mortality Rates: According to the RP 2000 Combined (Projection 2018 — Scale AA). Males' ages are set back two years. Females younger than age 85 are set back three years, while females age 85 and over are set back two years. Special mortality tables are used for the period after disability retirement. (Adopted 2008)

Future Expenses: The assumed interest rate is net of the anticipated future administrative expenses of the fund.

Actuarial Cost Method: Projected benefit method with level percentage entry age normal cost and open-end unfunded accrued liability. Gains and losses are reflected in the accrued liability.

Annual Rates of Separation and Salary Increase

Age	Non-Vested Withdrawal	Vested Withdrawal	Mortality	Disability	Salary Increase*
MEN					
20	24.70%	15.00%	.02%	.01%	12.00%
25	13.60%	15.00%	.03%	.01%	12.00%
30	12.75%	3.20%	.04%	.02%	8.00%
35	14.50%	2.61%	.06%	.04%	7.25%
40	13.75%	2.16%	.09%	.10%	6.00%
45	13.40%	1.90%	.13%	.18%	5.25%
50	13.40%	1.80%	.29%	.24%	4.50%
55	13.40%	1.80%	.40%	.30%	4.00%
60	13.40%	1.80%	.52%	.35%	3.50%
65	13.40%	—	.85%	.40%	3.25%
WOMEN					
20	19.50%	20.00%	.01%	.02%	12.00%
25	9.99%	19.00%	.01%	.02%	12.00%
30	9.99%	6.40%	.02%	.02%	8.00%
35	11.75%	3.60%	.03%	.07%	7.25%
40	9.00%	2.25%	.04%	.12%	6.00%
45	9.00%	1.80%	.07%	.17%	5.25%
50	9.00%	2.00%	.10%	.24%	4.50%
55	9.00%	2.40%	.21%	.30%	4.00%
60	7.25%	2.40%	.40%	.35%	3.50%
65	7.25%	—	.70%	.40%	3.25%

*Includes an inflation adjustment of 3.00%.

Asset Valuation Method: A four-year moving market average value of assets that spreads the difference between the actual investment income and the expected income (based on the valuation interest rate) over a period of four years. The actuarial value shall not be less than 91% or more than 109% of market value. (Adopted 1997)

Payroll Growth: 3.50% per annum compounded annually for the next 10 years, 4.00% thereafter. (Adopted 2008)

Separations From Active Service and Salary Increases: Representative values of the assumed rates of separation and annual rates of salary increase are shown in the table below. (Adopted 2008)

Replacement of Retiring Members: The majority of members who retire do so effective July 1. These members are replaced by new members who are hired after July 1. As a result, new members are not reported on the census data. To compensate for this disparity, assumed payroll for these new members is equal to the difference between actual total system payroll for the fiscal year just ended and reported payroll for members reported on the valuation date.

Census and Assets: The valuation was based on members of the system as of July 1, 2009, and does not take into account future members. All census and asset data was supplied by the system.

Definition of Active Member: Members employed on the valuation date who have earned at least 0.25 years of service are considered active.

Marital Status: 80% of male members and 60% of female members are assumed to be married, with husbands assumed to be three years older then their spouse.

Retirement Rates

Age	Under 25 Years of Service	25–29 Years of Service	30–34 Years of Service	35+ Years of Service
MEN				
52	0%	0%	20%	40%
55	0%	18%	12%	60%
60	13%	9%	15%	45%
65	17%	20%	10%	30%
70	12%	15%	10%	20%
75	100%	100%	100%	100%
WOMEN				
52	0%	0%	20%	80%
55	0%	14%	12%	50%
60	22%	15%	25%	40%
65	20%	32%	25%	45%
70	12%	20%	15%	35%
75	100%	100%	100%	100%

Benefit Recipients Added to and Removed From the Rolls, 2002–2009

Fiscal Year Ended	Beginning Number of Benefit Recipients	Beginning Annual Allowances (in thousands)	Benefit Recipients Added	Payments Added (in thousands)	Benefit Recipients Removed	Payments Removed (in thousands)	Ending Number of Benefit Recipients	Ending Annual Allowance (in thousands)
2002	102,132	$2,595,549	6,500	$261,243	3,332	$50,310	105,300	$2,806,482
2003	105,300	$2,806,482	6,299	$267,889	3,305	$52,546	108,294	$3,021,825
2004	108,294	$3,021,825	7,038	$310,262	3,479	$60,009	111,853	$3,272,078
2005	111,853	$3,272,078	6,929	$330,284	3,387	$62,121	115,395	$3,540,241
2006	115,395	$3,540,241	7,194	$354,245	3,405	$66,091	119,184	$3,828,395
2007	119,184	$3,828,395	7,289	$370,503	3,539	$74,241	122,934	$4,124,657
2008	122,934	$4,124,657	7,182	$373,385	3,610	$79,243	126,506	$4,418,799
2009	**126,506**	**$4,418,799**	**6,675**	**$366,645**	**3,522**	**$78,480**	**129,659**	**$4,706,964**

Schedule of Valuation Data — Active Members, 2000–2009

Valuation Date	Number	Annualized Salaries (in thousands)	Annual Average Pay	% Increase in Average Pay
2000	174,072	$7,386,122	$42,431	3%
2001	177,013	$7,721,258	$43,620	3%
2002	178,557	$8,063,134	$45,157	4%
2003	179,944	$8,425,838	$46,825	4%
2004	179,063	$8,646,404	$48,287	3%
2005	176,692	$8,757,200	$49,562	3%
2006	175,065	$8,894,400	$50,806	3%
2007	174,110	$9,051,842	$51,989	2%
2008	173,327	$9,187,562	$53,007	2%
2009	**174,807**	**$9,502,701**	**$54,361**	**3%**

Schedule of Valuation Data — Retirees/Beneficiaries, 2000–2009

Valuation Date	Number	Annual Allowances (in thousands)	% Increase in Annual Allowances	Average Annual Allowances
2000	99,011	$2,391,680	14%	$24,156
2001	102,132	$2,595,549	9%	$25,414
2002	105,300	$2,806,482	8%	$26,652
2003	108,294	$3,021,825	8%	$27,904
2004	111,853	$3,272,078	8%	$29,253
2005	115,395	$3,540,241	8%	$30,679
2006	119,184	$3,828,395	8%	$32,122
2007	122,934	$4,124,657	8%	$33,552
2008	126,506	$4,418,799	7%	$34,930
2009	**129,659**	**$4,706,964**	**7%**	**$36,303**

Solvency Test, 2000–2009 (dollar amounts in thousands)

Valuation Date	Accrued Liability for: (1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employer-Financed Portion)	Valuation Assets*	Portion of Accrued Liabilities Covered by Valuation Assets (1)	(2)	(3)
2000	$7,174,675	$27,604,436	$20,994,941	$51,293,815	100%	100%	79%
2001	$7,445,894	$30,145,012	$21,834,394	$54,194,672	100%	100%	76%
2002	$7,771,703	$32,639,291	$22,804,650	$48,958,824	100%	100%	37%
2003	$8,155,685	$34,938,341	$22,842,331	$48,899,215	100%	100%	25%
2004	$8,600,068	$37,870,700	$23,396,658	$52,253,799	100%	100%	25%
2005	$8,940,971	$40,937,540	$23,938,603	$53,765,570	100%	100%	16%
2006	$9,284,076	$44,219,489	$23,867,459	$58,008,050	100%	100%	19%
2007	$9,563,124	$47,526,142	$24,037,375	$66,671,511	100%	100%	40%
2008	$9,737,926	$51,874,103	$25,820,319	$69,198,008	100%	100%	29%
2009	**$10,295,816**	**$54,909,046**	**$26,236,093**	**$54,902,859**	**100%**	**81%**	**0%**

*Excludes health care assets. Years prior to 2008 included the health care assets in prior disclosures, but have been restated to exclude these assets.

Analysis of Financial Experience

Gains and Losses in Accrued Liabilities Resulting From Differences Between Assumed Experience and Actual Experience (in thousands)

Type of Activity:	Gain (loss) for year ended June 30: 2009	2008	2007	2006	2005
Investment income. If there is greater investment income than assumed, there is a gain. If less, there is a loss.	$ (17,353,396)	$ (593,933)	$5,865,787	$1,492,303	$(1,389,574)
Payroll growth. If more contributions from payroll growth are received than expected, there is a gain. If less, there is a loss.	(35,590)	(55,621)	(312,644)	(456,690)	(469,877)
Salary increases. If there are smaller salary increases than assumed, there is a gain. If greater increases, there is a loss.	133,050	327,750	54,930	57,775	60,217
Retirement and other separation experience. If members retire from service at an older age or with a lower final average salary than assumed, there is a gain. If separation claims are less than expected, there is a gain. If new members don't enter the system as expected, there is a loss.	(493,354)	(436,523)	(329,777)	(197,519)	(262,267)
Death after retirement. If retirees live shorter than expected, there is a gain. If retirees live longer than assumed, there is a loss.	(66,627)	(136,493)	(46,727)	(64,720)	(246,023)
Defined Contribution Plan administrative expenses. If there is more expense than participant income, there is a loss.	0	0	(49)	(3,642)	(5,144)
Final plan reselection. If the account value from defined contribution accounts is greater than the reestablished defined benefit account balance, there is a gain.	14,538	821	2,951	2,873	
Gain (or loss) during year from financial experience	(17,801,379)	(893,999)	5,234,471	830,380	(2,312,668)
Nonrecurring items adjustment for plan amendments	0	0	0	127,300	0
Composite gain (or loss) during the year	$ (17,801,379)	$ (893,999)	$ 5,234,471	$ 957,680	$(2,312,668)

Summary of Benefit and Contribution Provisions — Defined Benefit Plan

Eligibility for Membership

Immediate upon commencement of employment.

Service Retirement

Eligibility

Any age with 30 years of service, age 55 with 25 years of service, or age 60 with five years of service. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts.

Amounts

Annual amount equal to the greater of (a) 2.2% of final average salary for the three highest paid years, multiplied by years of total Ohio service credit, or 2.5% of final average salary for the three highest paid years if the member has 35 or more years of contributing service credit, multiplied by years of total service credit — except that for years of Ohio contributing service credit in excess of 30 the following formula percentage will apply:

Year	Percentage
31	2.5%
32	2.6%
33	2.7%
34	2.8%
35	2.9%
36	3.0%
37	3.1%
38	3.2%
39	3.3%

or (b) $86 multiplied by years of service credit, and adjusted by the following percentage:

Attained Age	Years of Ohio Service Credit	Percentage of Base Amount
58	25	75%
59	26	80%
60	27	85%
61		88%
	28	90%
62		91%
63		94%
	29	95%
64		97%
65	30 or more	100%

Annual salary is subject to the limit under Section 401(a)(17).

Maximum benefit — The lesser of: (a) 100% of average annual salary for the three highest paid years, or (b) the limit as established by Section 415 of the Internal Revenue Code.

Minimum benefit — The sum of the annuity provided by: (a) the member's contribution with interest, (b) a pension equal to the annuity, and (c) an additional pension of $40 multiplied by the number of years of prior and military service.

Disability Retirement

Eligibility

A member may qualify if the following criteria are met: membership before July 30,1992, and election of this benefit; completion of five or more years of service; under age 60; and incapacitated for the performance of regular job duties for at least 12 months.

Amount

(1) Annuity with a reserve equal to the member's accumulated contributions, plus

(2) The difference between (1) (noted above) and the greater of 2% of the average salary during the three highest paid years times total service plus years and months from date of disability to age 60, or $86 times total service plus years and months from date of disability to age 60. Maximum allowance is 75% of final average salary. Minimum allowance is 30% of final average salary.

Disability Allowance

Eligibility

A member may qualify if the following criteria are met: membership after July 29,1992, or membership on or before July 29,1992, and election of this benefit; completion of five or more years of service; and incapacitated for the performance of regular job duties for at least 12 months.

Amount

The amount is 2.2% of the average salary during the three highest paid years times total service. Maximum allowance is 60% of final average salary. Minimum allowance is 45% of final average salary. The disability allowance payment terminates at age 65 (or later if payment begins after age 60). After termination of the disability allowance, the member may apply for service retirement.

Death After Retirement

Lump-sum payment of $1,000 upon death after service or disability retirement.

Survivor Benefits

Eligibility

A member may qualify for this benefit after at least 1-1/2 years of credit for Ohio service with at least 1/4 year of such service in the 2-1/2 years preceding death; or upon death of a disability retiree.

Amount

If a member was eligible for retirement, a spouse or other sole dependent beneficiary may elect to receive Option 1 benefits in lieu of return of contributions. If a member was not eligible for retirement, qualified beneficiaries may elect to receive dependent-based benefits in lieu of return of contributions (see chart below) or service-based benefits, which provide a minimum benefit of a percentage of final average salary based on years of credited service ranging from 29% with 20 years of service to 60% with 29 years of service.

Qualified beneficiaries are spouse, dependent children and/or dependent parents age 65 or older.

Number of Qualified Dependents	% of Average Annual Salary for Three Highest Paid Years	Minimum Annual Benefit
1	25%	$ 1,152
2	40%	2,232
3	50%	2,832
4	55%	2,832
5 or more	60%	2,832

Lump-Sum Withdrawal Option

In lieu of any other pension or survivor benefits, a member who leaves the system can receive his or her member contributions with interest in a lump sum according to the following schedule:

Credited Service	Lump-Sum Amount
Less than three years	Member contributions with 2% interest
Three or more years but less than five years	Member contributions with 3% interest
Five or more years	150% of member contributions with 3% interest

The board has the authority to modify the interest credited to member contributions.

Optional Forms of Benefit

Option 1 — 100% joint and survivorship. Reduced retirement allowance payable to the member and continuing for life to the member's sole beneficiary (named at retirement) after the member's death.

Option 2 — A joint and survivorship annuity payable during the lifetime of the member, with the member's sole beneficiary (named at retirement) to receive some other portion of the member's annuity after the member's death.

Option 3 — The member's reduced retirement allowance provided under Option 1 or Option 2 paid for life to the member's sole beneficiary (named at retirement) after the member's death. In the event of the death of the sole beneficiary or termination of marriage between the retiree and the sole beneficiary, the retiree may elect to return to a single lifetime benefit equivalent, available for an actuarially computed charge as determined by the Retirement Board. In the case of termination of marriage, the election may be made with the written consent of the beneficiary or by court order.

Option 4 — A life annuity payable during the lifetime of the member with a guarantee that, upon the member's death before the expiration of a certain period, the benefit will continue for the remainder of such period to the beneficiary. Joint beneficiaries may receive the present value of any remaining payments in a lump-sum settlement. If all beneficiaries die before the expiration of the certain period, the present value of all remaining payments is paid to the estate of the beneficiary last receiving benefits.

Option 5 — A plan of payment established by the Retirement Board combining any of the features of Options 1, 2 and 4.

Partial Lump-Sum Option Plan (PLOP) — A lump-sum payment totaling between six and 36 times the member's monthly retirement benefit value. Lifetime monthly benefit payments then start at a reduced amount to account for the sum taken up front in a single payment.

Refund of Contributions

A member's contributions with interest are refunded upon termination of employment where no other benefit is payable. Upon death after retirement or upon death of a survivor in receipt of benefits, the member's accumulated contributions, less payments made, are returned to the designated beneficiary.

Cost-of-Living Benefits

The basic benefit is increased each year by 3% of the original base benefit.

Health Care

Retirees, their spouse and dependents have access to a medical expense health care plan as may be offered by the Retirement Board and which is subject to changes in terms and conditions from time to time.

Contribution

By members: 10% of salary.

By employers: 14% of salaries of their employees who are members.

Summary of Benefit and Contribution Provisions — Combined Plan

Eligibility for Membership

New members hired on or after July 1, 2001, may elect in writing to participate in the Combined Plan.

Service Retirement

Eligibility

Age 60 with five years of service.

Amount

The balance in the member's defined contribution account plus an annual amount equal to 1% of final average salary for the three highest paid years multiplied by years of total Ohio service credit.

Annual salary is subject to the limit under Section 401(a)(17) of the Internal Revenue Code.

Vesting

Eligibility

Completion of five years of service for the defined benefit portion. Member contributions and earnings are 100% vested at all times.

Amount

A member who terminates with five or more years of service credit can receive the actuarial equivalent present value of the defined benefit formula. Before age 50, a withdrawal must include both the defined benefit and defined contribution portions of the account.

Early Retirement

Eligibility

Before age 60 with five years of service.

Amount

The normal retirement benefit commencing at age 60. At age 50 or after, a member who elects to withdraw the full value of his or her defined contribution account may receive the withdrawal value of the formula benefit in a single sum, or leave the formula benefit on account for a benefit payable at age 60. The member may withdraw the defined benefit portion of the account only if he or she is also withdrawing the defined contribution account.

Late Retirement

Eligibility

After age 60 with five years of service.

Amount

The formula benefit described in the service retirement section based on service credit and final average salary at termination without any actuarial adjustment.

Disability Benefits

Eligibility

Completion of five or more years of service and incapacitated for the performance of regular job duties for at least 12 months.

Amount

Members have the option of receiving disability benefits. All contributions and investment gains in the member's defined contribution account are used to fund the benefit. At age 65, the disability benefit converts to a service retirement benefit with a 2.2% formula. Alternatively, the member's defined contribution account is available upon termination of employment.

Survivor Benefits

Eligibility

Upon death after at least 1-1/2 years of credit for Ohio service with at least 1/4 year of such service in the 2-1/2 years preceding death or upon death of a disability retiree.

Amount

Qualified surviving members have the option of receiving survivor benefits paid as an annuity. All contributions and investment gains in the member's defined contribution account are used to fund the benefit. If a member had 30 years of service, was age 55 with 25 years of service or age 60 with five years of service, the spouse or other sole dependent beneficiary may elect to receive an Option 1 benefit in lieu of return of contributions.

If a member did not meet the eligibility requirements described above, qualified beneficiaries may elect to receive the following benefits in lieu of return of contributions.

Number of Qualified Dependents	% of Average Annual Salary for Three Highest Paid Years	Minimum Annual Benefit
1	25%	$ 1,152
2	40%	2,232
3	50%	2,832
4	55%	2,832
5 or more	60%	2,832

Service-based benefits provide a minimum benefit of a percentage of final average salary based on years of credited service ranging from 29% with 20 years of service to 60% with 29 years of service.

Alternatively, the member's defined contribution account is available.

Qualified beneficiaries are spouse, dependent children and/or dependent parents age 65 or older.

Optional Forms of Payment of Defined Benefit Portion

A lump sum of the actuarial equivalent of the defined benefit formula benefit. If a member withdraws the defined contribution account before age 50, the formula benefit is paid in a lump sum.

Joint and Survivorship Options — Options 1 through 5 described in the Defined Benefit Plan provisions are available, as well as the PLOP. All alternative forms of payment are the actuarial equivalent of the Single Life Annuity benefit payable at age 60.

Optional Forms of Payment of Member's Defined Contribution Account

The actuarial equivalent of the member's defined contribution account can be paid on or after age 50 as a lifetime annuity. Options 1 through 5, described in the Defined Benefit Plan provisions, are also available. The monthly annuity must be $100 or more to receive the member's defined contribution account in the form of an annuity.

The vested amount of the member's defined contribution account upon termination of employment can be paid as a single lump sum. If a member takes a lump sum of the defined benefit formula benefit, the member must simultaneously withdraw the lump-sum value of the member's defined contribution account in a single lump sum.

Cost-of-Living Benefits

Not available on the service retirement benefit. For disability and survivor benefits, the basic benefit is increased by 3% each year.

Health Care

Retirees, their spouse and dependents have access to a medical expense health care plan as may be offered by the Retirement Board and which is subject to changes in terms and conditions from time to time.

Contribution

By members: 10% of salary is deposited into the member's defined contribution account.

By employers: 13.7% of salaries is used to fund the defined benefit formula and health care; 0.3% of salaries is used to fund administrative expenses for the Defined Contribution Plan.

Summary of Benefit and Contribution Provisions — Defined Contribution Plan

Eligibility for Membership

New members hired on or after July 1, 2001, may elect in writing to participate in the Defined Contribution Plan.

Service Retirement

Eligibility

Termination after age 50.

Amount

The balance in the member's defined contribution account.

Vesting

Eligibility

Employer contributions and earnings on the member's account are vested after the first anniversary of membership. Member contributions and earnings are 100% vested at all times.

Amount

The balance in the member's defined contribution account.

Early Retirement

Eligibility

Termination before age 50.

Amount

The balance in the member's defined contribution account.

Disability Benefit

Not available. However, members who terminate employment may withdraw their account.

Survivor Benefits

Eligibility

Upon death.

Amount

The balance in the member's defined contribution account.

Optional Forms of Payment

The actuarial equivalent of the member's defined contribution account can be paid on or after age 50 as a lifetime annuity. Options 1 through 5, described in the Defined Benefit Plan provisions, are also available. The monthly annuity must be $100 or more to receive the member's defined contribution account in the form of an annuity.

Cost-of-Living Benefits

Not available.

Health Care

Not available.

Contribution

By members: 10% of salary is deposited into the member's defined contribution account.

By employers: 10.5% of salary is deposited into the member's defined contribution account; 3.5% of salaries is used to amortize the unfunded liability of the Defined Benefit Plan.

The objective of the statistical section is to provide financial statement users with historical perspective, context and detail to assist in using the information in the financial statements and the notes to the financial statements to better understand and assess STRS Ohio's economic condition.

The schedules on Pages 64–65 show financial trend information that assists users in understanding and assessing how STRS Ohio's financial position has changed over time. The financial trend schedules presented are:

- Changes in Net Assets
- Net Assets by Plan
- Benefit Expenses by Type

Demographic and economic information begins on Page 66. This information is intended to assist users in understanding the environment in which STRS Ohio operates and to provide information that facilitates comparisons of financial statement information over time and among governments. The demographic and economic information presented are:

- Actuarial Funded Ratio and Funding Period
- Selected Funding Information — Defined Benefit Plan
- Number of Benefit Recipients by Type
- Summary of Active Membership Data

Operating information, which begins on Page 68, is intended to provide contextual information about STRS Ohio's operation to assist in using financial statement information. The operating information presented is:

- Benefit Payments by Type
- Average Benefit Payments for Service Retirees
- Number of Reporting Employers by Type
- Principal Participating Employers

Changes in Net Assets
Years Ending June 30, 2000–2009 (in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Defined Benefit Plan										
Additions:										
Member contributions	$ 755,146	$ 785,009	$ 815,339	$ 868,157	$ 967,234	$ 969,226	$ 987,900	$ 1,002,876	$ 1,017,720	$ 1,041,248
Employer contributions	470,473	779,274	817,742	1,164,734	1,206,439	1,232,317	1,255,053	1,272,559	1,305,027	1,347,741
Investment income (loss)	5,197,638	(3,472,421)	(4,039,314)	857,081	7,685,568	6,101,662	7,550,742	12,693,905	(3,926,797)	(14,371,713)
Other	50,190	35,000	193	21,486	20,777	20,488	18,974	36,313	37,945	35,324
Total additions	6,473,447	(1,873,138)	(2,406,040)	2,911,458	9,880,018	8,323,693	9,812,669	15,005,653	(1,566,105)	(11,947,400)
Deductions:										
Benefit payments	2,290,972	2,486,505	2,638,953	2,845,503	3,108,753	3,383,605	3,684,385	4,007,705	4,338,617	4,613,751
Refunds	105,759	93,868	83,859	76,453	99,538	110,018	121,290	128,587	133,832	121,863
Administrative expenses	54,543	65,884	69,991	69,085	62,768	59,093	63,398	60,002	59,467	58,679
Total deductions	2,451,274	2,646,257	2,792,803	2,991,041	3,271,059	3,552,716	3,869,073	4,196,294	4,531,916	4,794,293
Net increase (decrease)	4,022,173	(4,519,395)	(5,198,843)	(79,583)	6,608,959	4,770,977	5,943,596	10,809,359	(6,098,021)	(16,741,693)
Net assets held in trust, beginning of year	50,578,190	54,600,363	50,080,968	44,882,125	44,802,542	51,411,501	56,182,478	62,126,074	72,935,433	66,837,412
Net assets held in trust, end of year	$54,600,363	$50,080,968	$44,882,125	$44,802,542	$51,411,501	$56,182,478	$62,126,074	$72,935,433	$66,837,412	$50,095,719
Post-Employment Health Care Plan										
Additions:										
Employer contributions	$ 615,652	$ 363,166	$ 380,437	$ 88,587	$ 91,589	$ 93,066	$ 94,610	$ 96,287	$ 98,342	$ 101,221
Health care premiums	60,375	68,582	79,590	103,913	156,970	188,835	189,432	201,537	214,700	225,627
Investment income (loss)	306,499	(221,700)	(267,250)	54,800	470,125	361,600	433,999	713,400	(217,501)	(778,556)
Medicare D reimbursement	0	0	0	0	0	0	17,947	36,312	36,915	37,956
Total additions	982,526	210,048	192,777	247,300	718,684	643,501	735,988	1,047,536	132,456	(413,752)
Deductions:										
Health care provider payments	343,512	369,354	434,287	456,214	425,709	443,615	490,122	503,407	540,493	558,344
Administrative expenses	3,274	3,860	3,909	3,903	3,763	3,879	3,204	3,027	2,913	3,349
Total deductions	346,786	373,214	438,196	460,117	429,472	447,494	493,326	506,434	543,406	561,693
Net increase (decrease)	635,740	(163,166)	(245,419)	(212,817)	289,212	196,007	242,662	541,102	(410,950)	(975,445)
Net assets held in trust, beginning of year	2,783,366	3,419,106	3,255,940	3,010,521	2,797,704	3,086,916	3,282,923	3,525,585	4,066,687	3,655,737
Net assets held in trust, end of year	$ 3,419,106	$ 3,255,940	$ 3,010,521	$ 2,797,704	$ 3,086,916	$ 3,282,923	$ 3,525,585	$ 4,066,687	$ 3,655,737	$ 2,680,292
Defined Contribution Plan										
Additions:										
Member contributions			$ 11,571	$ 18,774	$ 23,612	$ 28,641	$ 33,070	$ 36,709	$ 40,829	$ 44,490
Employer contributions			6,536	10,136	13,147	16,270	19,280	21,645	24,471	26,873
Investment income (loss)			(1,469)	2,677	11,741	13,560	19,830	37,023	(31,120)	(59,251)
Transfers between retirement plans			19,792	0	0	0	0	(15,845)	(14,399)	(14,644)
Total additions			36,430	31,587	48,500	58,471	72,180	79,532	19,781	(2,532)
Deductions:										
Refunds			218	1,076	2,656	4,533	5,918	6,407	9,086	7,427
Administrative expenses		$ 2,533	3,225	931	849	733	491	358	240	256
Total deductions		2,533	3,443	2,007	3,505	5,266	6,409	6,765	9,326	7,683
Net increase (decrease)		(2,533)	32,987	29,580	44,995	53,205	65,771	72,767	10,455	(10,215)
Net assets held in trust, beginning of year		0	(2,533)	30,454	60,034	105,029	158,234	224,005	296,772	307,227
Net assets held in trust, end of year		$ (2,533)	$ 30,454	$ 60,034	$ 105,029	$ 158,234	$ 224,005	$ 296,772	$ 307,227	$ 297,012

Net Assets by Plan
Years Ending June 30, 2000–2009 (in thousands)

Fiscal Year	Defined Benefit Plan	Post-Employment Health Care Plan	Defined Contribution Plan	Total Net Assets
2000	$54,600,363	$3,419,106	—	$58,019,469
2001	$50,080,968	$3,255,940	$(2,533)	$53,334,375
2002	$44,882,125	$3,010,521	$30,454	$47,923,100
2003	$44,802,542	$2,797,704	$60,034	$47,660,280
2004	$51,411,501	$3,086,916	$105,029	$54,603,446
2005	$56,182,478	$3,282,923	$158,234	$59,623,635
2006	$62,126,074	$3,525,585	$224,005	$65,875,664
2007	$72,935,433	$4,066,687	$296,772	$77,298,892
2008	$66,837,412	$3,655,737	$307,227	$70,800,376
2009	**$50,095,719**	**$2,680,292**	**$297,012**	**$53,073,023**

Benefit Expenses by Type
2000–2009 (in thousands)

Fiscal Year Ended	Service Retirement	Disability Benefits	Survivor Benefits	Supplemental Benefit	Other	Total
2000	$2,019,521	$152,365	$62,346	$48,493	$8,247	$2,290,972
2001	$2,203,280	$160,775	$65,591	$50,386	$6,473	$2,486,505
2002	$2,395,318	$168,704	$69,214	$0	$5,717	$2,638,953
2003	$2,588,800	$175,620	$73,680	$0	$7,403	$2,845,503
2004	$2,840,334	$182,889	$77,089	$0	$8,441	$3,108,753
2005	$3,106,371	$187,426	$81,589	$0	$8,219	$3,383,605
2006	$3,393,968	$193,329	$86,023	$0	$11,065	$3,684,385
2007	$3,708,919	$198,581	$90,092	$0	$10,113	$4,007,705
2008	$4,029,937	$201,949	$94,167	$0	$12,564	$4,338,617
2009	**$4,299,310**	**$204,939**	**$99,139**	**$0**	**$10,363**	**$4,613,751**

Actuarial Funded Ratio and Funding Period
2000–2009 (dollar amounts in thousands)

At July 1	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Funding Period
2000	$51,293,815	$55,774,052	$4,480,237	92.0%	23.1 Yrs.
2001	$54,194,672	$59,425,300	$5,230,628	91.2%	27.5 Yrs.
2002	$48,958,824	$63,215,643	$14,256,819	77.4%	39.0 Yrs.
2003	$48,899,215	$65,936,357	$17,037,142	74.2%	42.3 Yrs.
2004	$52,253,798	$69,867,425	$17,613,627	74.8%	42.2 Yrs.
2005	$53,765,570	$73,817,114	$20,051,544	72.8%	55.5 Yrs.
2006	$58,008,050	$77,371,024	$19,362,974	75.0%	47.2 Yrs.
2007	$66,671,511	$81,126,642	$14,455,131	82.2%	26.1 Yrs.
2008	$69,198,008	$87,432,348	$18,234,340	79.1%	41.2 Yrs.
2009	**$54,902,859**	**$91,440,955**	**$36,538,096**	**60.0%**	**Infinite Yrs.**

Selected Funding Information — Defined Benefit Plan
2000–2009

As of July 1	Member Contribution Rate	Employer Contribution Rate				Interest Rate Assumption	Payroll Growth Assumption
		Normal	Health Care	Unfunded Actuarial Accrued Liability	Total Employer Rate		
2000	9.30%	6.02%	4.50%	3.48%	14.00%	7.75%	4.50%
2001	9.30%	6.02%	4.50%	3.48%	14.00%	7.75%	4.50%
2002	9.30%	6.02%	1.00%	6.98%	14.00%	7.75%	4.50%
2003	10.00%	4.89%	1.00%	8.11%	14.00%	8.00%	4.50%
2004	10.00%	4.90%	1.00%	8.10%	14.00%	8.00%	4.50%
2005	10.00%	4.90%	1.00%	8.10%	14.00%	8.00%	4.50%
2006	10.00%	4.82%	1.00%	8.18%	14.00%	8.00%	4.50%
2007	10.00%	4.81%	1.00%	8.19%	14.00%	8.00%	4.50%
2008	10.00%	4.24%	1.00%	8.76%	14.00%	8.00%	3.50%
2009	**10.00%**	**4.34%**	**1.00%**	**8.66%**	**14.00%**	**8.00%**	**3.50%**

Number of Benefit Recipients by Type
2000–2009

As of July 1	Service Retirement	Disability Benefits	Beneficiaries Receiving Optional Allowances	Survivor Benefits	Total
2000	81,111	6,367	6,152	5,381	99,011
2001	83,918	6,449	6,340	5,425	102,132
2002	86,666	6,498	6,623	5,513	105,300
2003	89,257	6,552	6,885	5,600	108,294
2004	92,574	6,531	7,079	5,669	111,853
2005	95,843	6,514	7,314	5,724	115,395
2006	99,248	6,588	7,574	5,774	119,184
2007	102,771	6,480	7,859	5,824	122,934
2008	106,099	6,417	8,151	5,839	126,506
2009	**109,031**	**6,340**	**8,387**	**5,901**	**129,659**

Summary of Active Membership Data
2000–2009 (dollars in thousands)

Defined Benefit Plan

	Females				Males				Total			
As of July 1	Active Members	Annual Salaries	Average Age	Average Service	Active Members	Annual Salaries	Average Age	Average Service	Active Members	Annual Salaries	Average Age	Average Service
2000	121,025	$4,839,360	43.14	12.52	53,047	$2,546,762	44.52	14.07	174,072	$7,386,122	43.56	12.99
2001	123,703	$5,101,368	43.15	12.38	53,310	$2,619,890	44.52	13.75	177,013	$7,721,258	43.57	12.79
2002	123,198	$5,312,351	43.37	12.56	52,792	$2,674,763	44.54	13.70	175,990	$7,987,114	43.72	12.90
2003	123,850	$5,567,951	43.03	12.52	52,862	$2,758,722	44.11	13.41	176,712	$8,326,673	43.35	12.78
2004	123,320	$5,738,523	43.22	12.65	52,034	$2,787,446	44.21	13.38	175,354	$8,525,969	43.51	12.87
2005	121,940	$5,832,249	43.37	12.80	50,738	$2,787,043	44.36	13.42	172,678	$8,619,292	43.66	12.98
2006	121,106	$5,937,660	43.45	12.85	49,923	$2,808,086	44.38	13.33	171,029	$8,745,746	43.72	12.99
2007	120,641	$6,058,709	43.50	12.84	49,201	$2,829,219	44.41	13.21	169,842	$8,887,928	43.76	12.95
2008	120,514	$6,176,798	44.05	13.12	48,500	$2,837,340	44.95	13.37	169,014	$9,014,138	44.31	13.19
2009	**121,544**	**$6,402,337**	**43.98**	**13.09**	**48,763**	**$2,909,210**	**44.90**	**13.18**	**170,307**	**$9,311,547**	**44.24**	**13.12**

Combined Plan

	Females				Males				Total			
As of July 1	Active Members	Annual Salaries	Average Age	Average Service	Active Members	Annual Salaries	Average Age	Average Service	Active Members	Annual Salaries	Average Age	Average Service
2002	1,973	$58,023	36.21	2.39	594	$17,997	39.94	2.22	2,567	$76,020	37.07	2.35
2003	2,474	$75,715	35.80	2.41	758	$23,449	38.83	2.18	3,232	$99,164	36.51	2.35
2004	2,833	$91,090	35.85	2.82	876	$29,345	38.99	2.55	3,709	$120,435	36.59	2.76
2005	3,081	$104,158	36.13	3.28	933	$33,750	39.22	3.02	4,014	$137,908	36.85	3.22
2006	3,144	$112,499	36.60	3.76	892	$36,155	39.81	3.68	4,036	$148,654	37.31	3.74
2007	3,342	$124,417	36.90	4.16	926	$39,497	40.12	4.04	4,268	$163,914	37.60	4.13
2008	3,387	$132,008	37.91	4.91	926	$41,416	40.86	4.79	4,313	$173,424	38.54	4.88
2009	**3,528**	**$145,617**	**38.46**	**5.39**	**972**	**$45,537**	**41.24**	**5.22**	**4,500**	**$191,154**	**39.06**	**5.35**

Total Active Membership

	Females				Males				Total			
As of July 1	Active Members	Annual Salaries	Average Age	Average Service	Active Members	Annual Salaries	Average Age	Average Service	Active Members	Annual Salaries	Average Age	Average Service
2000	121,025	$4,839,360	43.14	12.52	53,047	$2,546,762	44.52	14.07	174,072	$7,386,122	43.56	12.99
2001	123,703	$5,101,368	43.15	12.38	53,310	$2,619,890	44.52	13.75	177,013	$7,721,258	43.57	12.79
2002	125,171	$5,370,374	43.25	12.40	53,386	$2,692,760	44.49	13.57	178,557	$8,063,134	43.62	12.75
2003	126,324	$5,643,666	42.89	12.32	53,620	$2,782,171	44.04	13.25	179,944	$8,425,837	43.23	12.60
2004	126,153	$5,829,613	43.05	12.43	52,910	$2,816,791	44.12	13.20	179,063	$8,646,404	43.37	12.66
2005	125,021	$5,936,407	43.20	12.56	51,671	$2,820,793	44.27	13.23	176,692	$8,757,200	43.51	12.76
2006	124,250	$6,050,159	43.45	12.85	50,815	$2,844,241	44.30	13.16	175,065	$8,894,400	43.58	12.77
2007	123,983	$6,183,126	43.32	12.60	50,127	$2,868,716	44.33	13.04	174,110	$9,051,842	43.61	12.73
2008	123,901	$6,308,806	43.88	12.90	49,426	$2,878,756	44.87	13.21	173,327	$9,187,562	44.16	12.99
2009	**125,072**	**$6,547,954**	**43.82**	**12.87**	**49,735**	**$2,954,747**	**44.83**	**13.02**	**174,807**	**$9,502,701**	**44.11**	**12.92**

Note: Members enrolled in STRS Ohio's Defined Contribution Plan and reemployed retirees are not reflected in the above figures.

Benefit Payments by Type
As of July 1, 2009

Age Last Birthday	Number	Annual Allowance (in thousands)	Average Annual Allowance
Service Retirees			
Under 60	12,136	$ 587,561	$ 48,415
60–64	25,039	1,151,853	46,002
65–69	22,400	914,010	40,804
70–74	17,038	626,084	36,746
75–79	13,193	429,044	32,521
Over 79	19,225	495,165	25,756
Total	**109,031**	**$4,203,717**	**$ 38,555**
Beneficiaries Receiving Optional Allowances			
Under 60	442	$ 10,179	$ 23,029
60–64	444	13,662	30,771
65–69	724	21,750	30,042
70–74	1,083	29,093	26,863
75–79	1,501	36,891	24,578
Over 79	4,193	80,962	19,309
Total	**8,387**	**$ 192,537**	**$ 22,957**
Survivor Benefit Beneficiaries			
Under 60	1,913	$ 26,812	$ 14,016
60–64	800	18,107	22,633
65–69	744	16,199	21,772
70–74	692	13,171	19,033
75–79	612	10,722	17,519
Over 79	1,140	18,596	16,312
Total	**5,901**	**$ 103,607**	**$ 17,558**
Disability Beneficiaries			
Under 60	2,075	$ 71,646	$ 34,528
60–64	1,545	54,376	35,195
65–69	986	33,800	34,279
70–74	670	20,535	30,650
75–79	490	13,773	28,109
Over 79	574	12,973	22,601
Total	**6,340**	**$ 207,103**	**$ 32,666**
Grand Total	**129,659**	**$4,706,964**	**$ 36,303**

Average Benefit Payments for Service Retirees, 2000–2009

		Years of Service Credit						Average/
		5–9	10–14	15–19	20–24	25–29	>=30	Total
2000	Average monthly benefit	$297	$673	$1,125	$1,664	$2,040	$3,148	$2,714
	Average final average salary	$20,921	$32,083	$40,307	$47,625	$49,164	$54,644	$51,370
	Number of recipients	205	168	216	304	586	4,370	5,849
2001	Average monthly benefit	$316	$745	$1,157	$1,637	$2,092	$3,330	$2,827
	Average final average salary	$21,600	$35,718	$40,218	$46,271	$50,934	$56,954	$52,969
	Number of recipients	217	197	195	260	484	3,869	5,222
2002	Average monthly benefit	$321	$706	$1,128	$1,765	$2,188	$3,472	$2,910
	Average final average salary	$21,452	$33,672	$39,517	$50,993	$53,932	$58,872	$54,481
	Number of recipients	248	202	203	243	548	3,776	5,220
2003	Average monthly benefit	$301	$672	$1,182	$1,710	$2,232	$3,668	$3,003
	Average final average salary	$20,067	$30,751	$42,129	$48,616	$55,395	$62,109	$56,242
	Number of recipients	259	208	214	275	459	3,439	4,854
2004	Average monthly benefit	$317	$704	$1,175	$1,803	$2,365	$3,815	$3,149
	Average final average salary	$22,873	$34,369	$43,591	$52,442	$58,161	$63,780	$58,440
	Number of recipients	261	223	231	261	476	3,704	5,156
2005	Average monthly benefit	$392	$746	$1,187	$1,904	$2,392	$4,003	$3,419
	Average final average salary	$29,291	$33,986	$42,990	$54,611	$58,866	$66,075	$61,763
	Number of recipients	188	137	225	272	516	4,075	5,413
2006	Average monthly benefit	$399	$859	$1,370	$1,911	$2,537	$4,068	$3,505
	Average final average salary	$27,055	$42,280	$50,235	$54,608	$62,027	$67,315	$63,649
	Number of recipients	156	159	247	298	577	4,379	5,816
2007	Average monthly benefit	$425	$830	$1,279	$1,978	$2,578	$4,235	$3,592
	Average final average salary	$31,415	$39,215	$47,769	$57,835	$64,025	$69,713	$65,417
	Number of recipients	196	177	277	360	622	4,605	6,237
2008	Average monthly benefit	$406	$831	$1,352	$2,024	$2,600	$4,309	$3,611
	Average final average salary	$30,224	$40,804	$49,447	$60,033	$64,959	$71,113	$66,378
	Number of recipients	200	182	314	366	551	4,288	5,901
2009	**Average monthly benefit**	**$431**	**$822**	**$1,382**	**$2,193**	**$2,697**	**$4,497**	**$3,754**
	Average final average salary	**$28,623**	**$38,507**	**$51,590**	**$64,199**	**$67,168**	**$73,260**	**$68,136**
	Number of recipients	**199**	**158**	**288**	**310**	**429**	**3,698**	**5,082**

Number of Reporting Employers by Type, 2000–2009

Fiscal Year Ended	City School Districts	Local School Districts	County Educational Service Centers	Exempted Village School Districts	Vocational & Technical Schools	Colleges & Universities	County Boards of Developmental Disabilities	Community Schools	Other	Total
2000	194	369	61	49	49	37	82	51	8	900
2001	194	369	61	49	49	37	80	72	8	919
2002	194	369	60	49	49	37	77	101	8	944
2003	194	369	60	49	49	37	76	130	8	972
2004	194	369	60	49	49	37	76	142	9	985
2005	194	370	60	49	49	37	74	219	9	1,061
2006	194	369	60	49	49	37	73	246	9	1,086
2007	194	369	60	49	49	36	73	255	9	1,094
2008	194	370	59	49	49	36	73	272	9	1,111
2009	**194**	**370**	**58**	**49**	**49**	**36**	**71**	**280**	**10**	**1,117**

Principal Participating Employers
For the Year Ended June 30, 2009

Employer	Covered Members	Current Year Rank	Prior Year Rank	Percentage of Membership
Columbus City Schools	6,032	1	1	2.31%
Cleveland Municipal Schools	5,352	2	2	2.05%
The Ohio State University	5,043	3	3	1.93%
Akron City Schools	3,229	4	4	1.23%
Cincinnati City Schools	3,117	5	5	1.19%
Toledo City Schools	3,113	6	6	1.19%
Kent State University	2,979	7	7	1.14%
University of Cincinnati	2,915	8	8	1.11%
Cuyahoga Community College	2,389	9	10	0.91%
Univerity of Akron	2,381	10	9	0.91%
All Others	224,985			86.03%
Total Covered Members	**261,535***			**100.00%**

*Covered members include any participant in STRS Ohio who made contributions through a reporting employer during the fiscal year. Part-time teachers working in multiple school districts are included within each school's payroll data and, consequently, are reported more than once. Participating employers include every publicly funded school in Ohio employing a certified teacher. A complete listing of participating employers is available upon request. Years prior to the current year are not reflected since the participating employers do not change substantially from year to year.

State Teachers Retirement System of Ohio

STRS OHIO

275 E. Broad St., Columbus, OH 43215-3771 • 614.227.4090 • www.strsoh.org

50-143, 12/09/175

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's 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

The Retirement Board
State Teachers Retirement System of Ohio
and
The Honorable Mary Taylor, CPA
Auditor of State:

We have audited the basic financial statements of the State Teachers Retirement System of Ohio (STRS) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of STRS in a separate letter dated December 4, 2009.

This report is intended solely for the information and use of The Retirement Board of STRS; its management; The Honorable Mary Taylor, Auditor of State; and other oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Toledo, Ohio
December 4, 2009

Mary Taylor, CPA
Auditor of State

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

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
JANUARY 28, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us