Comprehensive Annual Financial Report

A Component Unit of the State of Ohio

Year Ending December 31, 2004

Richard A. Curtis, Executive Director

6161 Busch Boulevard, Suite 119
Columbus, Ohio 43229-2553

Auditor of State
Betty Montgomery

Board of Trustees
Ohio State Highway Patrol Retirement System

We have reviewed the Independent Auditor's Report of the Ohio State Highway Patrol Retirement System, Franklin County, prepared by Kennedy, Cottrell & Associates, LLC for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 30, 2005

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

Table of Contents

Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Highway Patrol Retirement System, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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

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

President

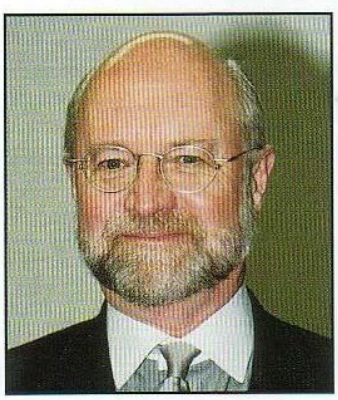
Executive Director

Highway Patrol Retirement System
Board of Trustees

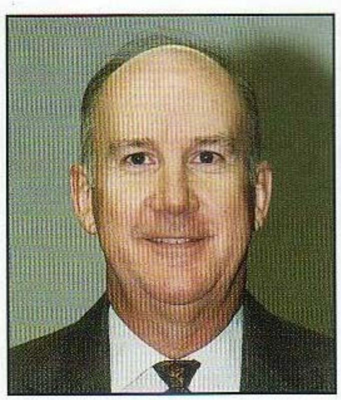
(front row, left to right) Major J.P. Allen, Elected Member; Colonel Paul McClellan, Statutory Member; Staff Lieutenant John Allard, Elected Member/Chair; Trooper Dennis Gorski, Elected Member/Vice Chair; Larry Davis, Governor's Retired Member Appointee

(back row, left to right) R. Dean Huffman, Elected Retired Member; Carl F. Hughes, Treasurer of State's Investment Designee; Captain John Born, Governor's Active Member Appointee; Dan Lohmeyer, General Assembly's Investment Expert Appointee

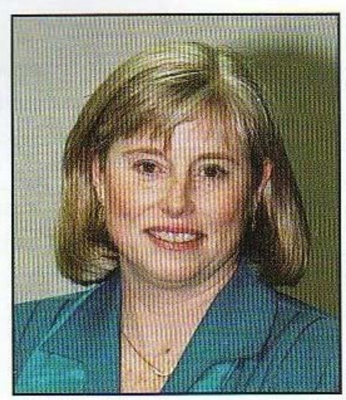
(not pictured) Sergeant Walter Davis, Elected Member; Joseph H. Thomas, Governor's Investment Expert Appointee



Ken Brunke, Jr.
Callan Associates
Investment Consultant

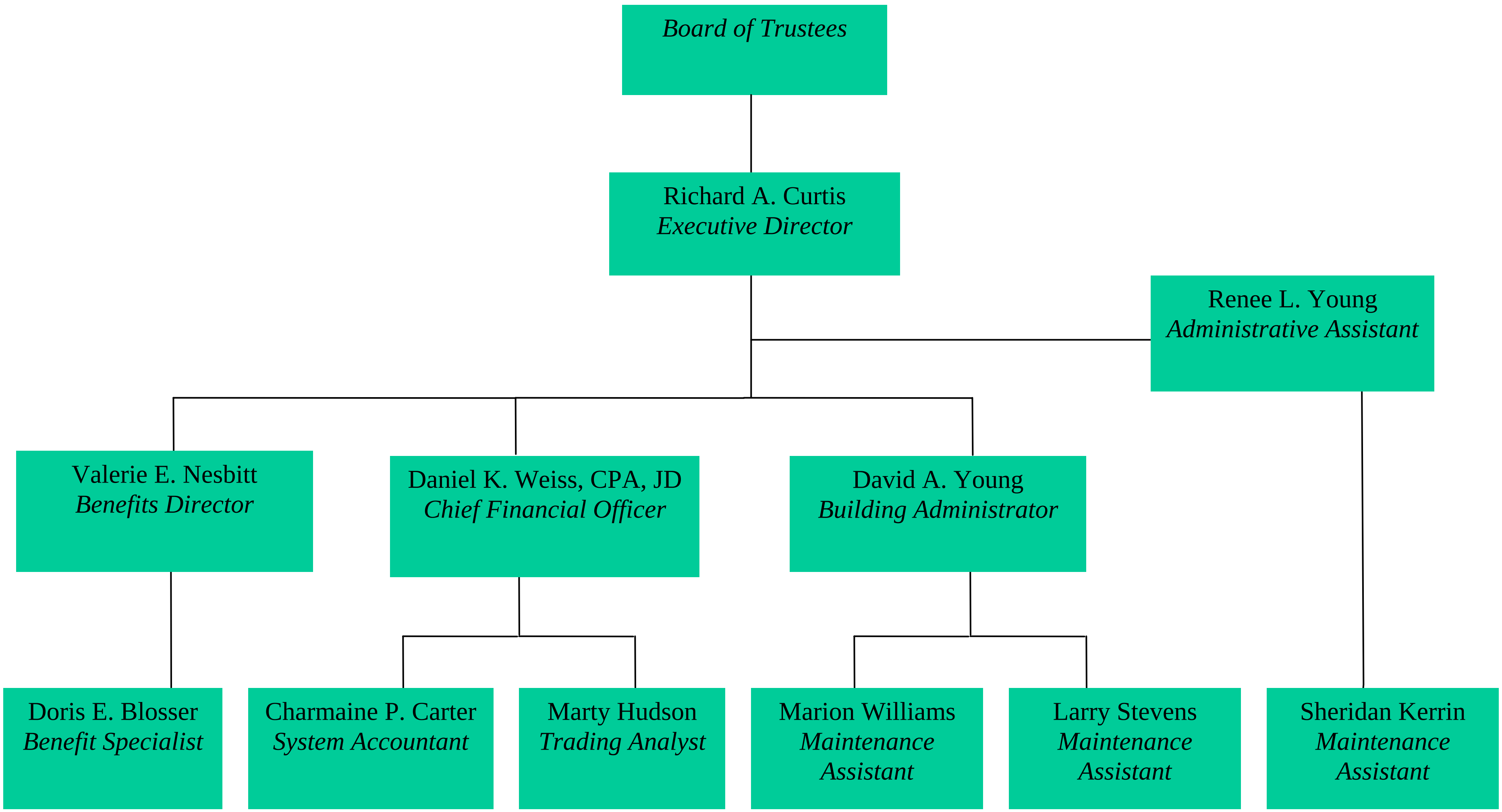


Richard A. Curtis
Executive Director



Cheryl Pokorny
Assistant Attorney General
Legal Counsel

Organizational Chart



Professional Consultants

Medical Advisor
Earl N. Metz, M.D.
Columbus, Ohio

Independent Auditor
Kennedy, Cottrell + Associates
Columbus, Ohio

Actuary
Gabriel, Roeder, Smith & Company
Southfield, Michigan

Investment Consultant
Callan Associates Inc.
Chicago, Illinois

Investment Managers

Bank of Ireland Asset Management
Greenwich, Connecticut
International Equity

Brandywine Asset Management
Wilmington, Delaware
Small/Mid Cap Value Equity

DePrince, Race & Zollo, Inc.
Orlando, Florida
Large Cap Value Equity

Eubel, Brady & Suttman
Dayton, Ohio
Small/Mid Cap Value Equity

Fidelity Management Trust Company
Boston, Massachusetts
Real Estate

INTECH
Palm Beach Gardens, Florida
Large Cap Growth Equity

JPMorgan Fleming Asset Management
New York, New York
International Equity

MacKay-Shields Financial Corporation
New York, New York
Large Cap Value Equity

Munder Capital Management
Birmingham, Michigan
Fixed Income

Oak Associates
Akron, Ohio
Large Cap Growth Equity

Pinnacle Associates LTD.
New York, New York
Small/Mid Cap Core Equity

SSR Realty Advisors, Inc.
New York, New York
Real Estate

State Street Global Advisors
Boston, Massachusetts
Large Cap Indexed

Timbervest
Atlanta, Georgia
Timberland Real Estate

Western Asset
Pasadena, California
Fixed Income

Westfield Capital Management
Boston, MA
Small/Mid Cap Growth Equity

World Asset Management
Birmingham, Michigan
Small-Mid Cap Indexed
International Equity

See page 44

Legislative Summary

During 2003, the Ohio legislature debated several bills that would change the way each public pension plan invested its assets, reported transactions, and complied with Ohio ethics regulations. That year ended without a piece of legislation being passed. In 2004, the debate proceeded until Senate Bill 133 was passed on May 25, 2004.

Senate Bill 133 contains numerous provisions that required a great deal of staff time and financial resources for compliance. Some of the more restrictive provisions of debated bills were removed from the final draft and the pension systems were permitted to follow the "prudent person" rule for investing, but the systems were required to establish goals to increase participation of Ohio-based and minority-owned investment managers and brokers.

Other provisions of SB 133 have proven to be poorly drafted and a corrections bill will likely have to be passed in 2005.

President Bush initiated a national discussion on Social Security reform. Several issues quickly surfaced as lightning rod issues. The national debate centered on solvency, but the numerous special interest groups quickly challenged any provisions that would increase contributions or reduce benefits. Some supporters of change quickly re-introduced the notion of removing the windfall and offset provisions of Social Security as they relate to public employees, but it is hard to imagine how these provisions could be eliminated when the funding level of Social Security is so poor and these provisions result in substantial savings to the Social Security Administration.

6161 BUSCH BOULEVARD
SUITE 119
COLUMBUS, OHIO 43229

PHONE (614) 431-0781
(614) 466-2268
FAX (614) 431-9204

Highway Patrol RETIREMENT SYSTEM

May 31, 2005

Letter of Transmittal

Dear Members of the Board of Trustees:

It is our privilege to submit to you the *Comprehensive Annual Financial Report* for the Highway Patrol Retirement System (HPRS) for the fiscal year ending December 31, 2004. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the system. We believe this report reflects a careful stewardship of the system's assets and dedicated service to our members and our retirees.

The Ohio General Assembly established the Highway Patrol Retirement System in 1944 as a retirement system whose membership was limited to state troopers and communications personnel employed by the Highway Patrol. This creation of a statewide defined benefit plan followed eleven years of membership in the Public Employees Retirement System of Ohio. Today, membership in the Highway Patrol Retirement System is limited to troopers with arrest authority, trooper cadets in training while at the Highway Patrol Training Academy, and members of the radio division hired prior to November 2, 1989.

Benefits provided to plan participants include age and service pensions, disability retirement, survivor pensions, death benefits, and health care coverage for pension benefit recipients and their eligible dependents. A more detailed pension and benefits description is provided in the Plan Summary in the Actuarial Section.

The *Comprehensive Annual Financial Report* is divided into five sections -- (1) the Introductory Section including this letter of transmittal and information about the organization of HPRS, (2) the Financial Section containing the basic financial statements, Management's Discussion and Analysis of the financial data, and the Independent Auditor's Report, (3) the Investment Section containing portfolio listings, statistical charts, and the Investment Policy adopted by the Board, (4) the Actuarial Section detailing the results of annual actuarial valuations, the independent actuary's opinion as to the financial stability of the system, and the system's Plan Summary, and (5) the Statistical Section including historical data to identify progress of the system.

Major Initiatives and Changes Enacted

The Highway Patrol Retirement System was created to provide quality benefits for members, retirees, and surviving dependents. Although health care benefits are not required by statute, HPRS has provided this coverage at no cost to retirees and surviving widows, and to eligible dependents at a modest premium, since July 1974. Providing quality health care coverage while controlling costs continues to be a major responsibility of the Board. HPRS health care benefits are pre-funded, and each year the Board evaluates the preceding year's health care expenditures and implements any needed changes in plan design, co-payments, deductibles, and premiums. In August 1999, the system began providing vision coverage to benefit recipients at no additional cost, and in January 2000, dental coverage was also added at no additional cost. The Board will continue to monitor the benefits and costs of health care and seek to provide the best coverage possible at an affordable cost.

In the past five years, increases in prescription drug costs have far exceeded those of other health care costs. Plan design changes implemented in 2001, 2002, 2003, and 2004 have reduced the rate of increase but the rate is still well in excess of the actuarial projected rate of 4% per year. While there has been an accelerated trend toward drug therapy instead of clinical treatment, ostensibly to reduce hospitalizations and otherwise limit health care costs, the system's experience indicates that the increased costs of prescription drugs has far exceeded any savings offset. Marketing efforts by drug manufacturing companies resulted in physicians changing prescriptions from older, but very effective drugs, to new and more expensive drugs, without appreciable improvement in treatment.

Investments

The funds of the system are invested to maximize both current income yield and long-term appreciation. The HPRS investment policy objective is to assure that the system meets the responsibility of providing quality benefits for retirees and their surviving dependants. The portfolio is diversified to earn the highest possible rate of return while operating within the *prudent person* parameters of risk to protect the fund from severe depreciation during adverse market conditions.

The Highway Patrol Retirement System portfolio increased to $671.5 million (excluding collateral on loaned securities) as of December 31, 2004, representing a 10.3% increase from 2003. Investment returns for the total fund in 2004 were 12.13%, with a three-year total return of 8.69%, and a five-year return of 4.50%. A new asset allocation was implemented on January 1, 2005.

For a detailed analysis of financial operations, please refer to Management's Discussion and Analysis on pages 13 through 15.

Funding

HPRS funding is authorized by Ohio Revised Code Section 5505.15. In 2004, the member contribution was calculated as 10.0% of gross payroll and deducted prior to the calculation of federal taxes.

Every even-numbered year, the Board of HPRS certifies the employer contribution rate to the Ohio Office of Budget and Management for inclusion in the biennial budget beginning the first day of July of the following year. In 2004, the employer contribution rate was 24.5% of gross payroll. Effective July 1, 2005, the employer contribution rate will increase to 25.5%.

The employer contribution rate includes contributions related to both pension benefits and postemployment health care. The portions of the employer contribution rate allocated to pension benefits and health care are 21.00% and 3.50%, respectively. Unfunded actuarially accrued pension liabilities are amortized over a forty-year period from December 31, 2003. Based on IRS restrictions, no portion of the member contribution rate may be allocated to postemployment health care.

The goal of the Board has been to limit the period of unfunded liability to no more than 30 years. This has been accomplished every year since 1992; however, the soft financial markets of 2000 through 2002 resulted in the current forty-year unfunded liability. Based upon the system's strong investment performance in 2003 and 2004, the HPRS is expected to return to a less than 30-year unfunded period in 2005. All of the losses of 2000, 2001, and 2002 will be factored into the funding analysis until the close of 2004.

Since 1991, the unfunded liabilities for pension obligations and health care costs have been reported separately.

Certificate of Achievement for Excellence in Financial Reporting

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Highway Patrol Retirement System for its comprehensive annual financial report for the fiscal year ended December 31, 2003. In order to be awarded a *Certificate of Achievement*, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A *Certificate of Achievement* is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the *Certificate of Achievement* program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Professional Services

To aid in efficient and effective management of the system, professional services are provided to the Highway Patrol Retirement System by consultants appointed by the Board. Gabriel, Roeder, Smith & Company of Southfield, Michigan provides actuarial services. The investment advisor to the Board is Callan Associates of San Francisco, California. Under contract with the Auditor of the State of Ohio, Kennedy, Cottrell + Associates, Certified Public Accountants of Columbus, Ohio, audited the financial records of the system.

Acknowledgments

The preparation of this report reflects the combined efforts of the system's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, a means for determining compliance with legal provisions, and a means for determining responsible stewardship over the assets contributed by the members and their employer, the State of Ohio.

This report is being mailed to all Highway Patrol facilities where members are assigned, to professional services used by the Highway Patrol Retirement System, to legislative members in a leadership position, and to any person or agency who requests a copy.

Respectfully Submitted,

Richard A. Curtis

Richard A. Curtis, Executive Director

Daniel K. Weiss

Daniel K. Weiss, CPA, JD, Chief Financial Officer

Financial Section

Kennedy, Cottrell + Associates

Independent Auditor's Report

The Retirement Board
Ohio State Highway Patrol Retirement System:

We have audited the accompanying combining statement of plan net assets of the Ohio State Highway Patrol Retirement System (HPRS), a component unit of the State of Ohio, as of December 31, 2004 and the related combining statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of HPRS' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects the plan net assets of the Ohio State Highway Patrol Retirement System as of December 31, 2004 and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2005 on our consideration of the Ohio State Highway Patrol Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 13-15 and the Required Supplementary Information on pages 25-26 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as Additional Supplementary Schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The introductory section on pages 1 through 10, the investment section on pages 31 through 47, the actuarial section on pages 48 through 56, and the statistical section on pages 57 thorough 60 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.

Kennedy, Cottrell + Associates LLC

Columbus, Ohio
March 31, 2005

certified public accountants
business and government consultants

the arena district • 383 north front street • columbus ohio 43215
614.358.4682 tele • 614.888.8634 fac • www.kca-cpa.com

Management's Discussion and Analysis

Financial Highlights

• At December 31, 2004, the assets of HPRS exceeded liabilities by $684,569,250. All of the net assets are held in trust for pension and health benefits, and are available to meet HPRS's ongoing obligation to plan participants and their beneficiaries.

• HPRS's total net assets increased by $60,582,513, or 9.7%, with 123.7% of this increase attributable to investment activity.

• HPRS's funding objective is to meet long-term benefit obligations through contributions and investment income. At December 31, 2003, the date of the latest actuarial valuation, HPRS funds totaled 77.7% of projected obligations.

• Revenues (Additions to Plan Net Assets) for the year were $104,081,893, which includes member and employer contributions of $29,122,651 and investment income of $74,959,242.

• Expenses (Deductions in Plan Net Assets) increased 3.4% over the prior year. Of this amount, pension benefits increased by 6.4%, health care expenses decreased by 3.2%, and administrative expenses decreased by 7.3%.

Overview of the Financial Statements

HPRS's financial statements consist of these components:

1. Combining Statement of Plan Net Assets.
2. Combining Statement of Changes in Plan Net Assets.
3. Notes to the Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

The *Combining Statement of Plan Net Assets* provides a snapshot of account balances at year-end, indicating the assets available for future payments to retirees, less any current liabilities of the system.

The *Combining Statement of Changes in Plan Net Assets* provides a summary of current year additions and deductions to the plan. At December 31, 2003, the date of the latest actuarial valuation, HPRS's current funding ratio was 77.7%. This means that HPRS's fund had approximately $0.78 available for each $1.00 of projected pension liability.

The *Combining Statement of Plan Net Assets* and the *Combining Statement of Changes in Plan Net Assets* report information about HPRS's activities and financial position. These statements reflect the full accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date rather than settlement date. Investments are shown at fair value, reflecting both realized and unrealized gains and losses. Capital assets are depreciated over their useful lives.

The difference between HPRS assets and liabilities is reported on these statements as *Net Assets Held in Trust for Pension and Postemployment Health Care Benefits.* Over time, increases and decreases in HPRS's net assets are one indicator of whether the fund's financial health is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring HPRS's overall health (see HPRS's financial statements on pages 16-17 of this report).

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements (see *Notes to the Financial Statements* on pages 18-24 of this report).

Other Information

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning HPRS's progress in funding its obligations to provide pension benefits to members (see *Required Supplementary Schedules* on page 25 of this report).

The schedules of administrative expenses, investment expenses, and payments to consultants are presented immediately following the required supplementary information.

HPRS Activities

Revenues - Additions to Plan Net Assets. Employer and member contributions, as well as income from investments, provide reserves needed to finance retirement benefits. In 2004, total contributions, plus investment gains in a favorable market, resulted in positive additions of $104.1 million. Employer and member contributions increased by 1.6% and 0.7%, respectively, primarily because of increases in the employer and member contribution rates.

Revenues - Additions to Plan Net Assets (In 000's)

	2004	2003	$ Change	% Change
Net Appreciation in Fair Value of Investments	$61,335	$112,899	($51,564)	(45.7%)
Interest and Dividend Income	16,705	13,447	3,258	24.2%
Real Estate Operating Income, Net	192	230	(38)	(16.5%)
Investment Expenses	(3,465)	(2,768)	(697)	(25.2%)
Security Lending Activity, Net	193	191	2	1.0%
Employer Contributions	20,073	19,757	316	1.6%
Member Contributions	8,193	8,137	56	0.7%
Transfers from Other Ohio Systems	856	763	93	12.2%
Total Additions	$104,082	$152,656	($48,574)	(31.8%)

The investment section of this report summarizes the result of investment activity for the year ending December 31, 2004.

Expenses - Deductions from Plan Net Assets. The HPRS was created to provide retirement, disability, and survivor benefits to qualified members and their beneficiaries. The cost of these programs includes benefit payments as designated by the plan, refunded contributions, and the administrative costs of the system. In 2004, total deductions from plan net assets increased 3.4%. This increase was attributable to an increase in the number of benefit recipients and cost of living adjustments. Offsetting these increases, were a 3.2% decrease in health care costs, a 59.7% decrease in refunds of member contributions, a 23.7% decrease in transfers of contributions to other Ohio retirement systems, and a 7.3% decrease in administrative expenses.

Expenses - Deductions from Plan Net Assets (In 000's)

	2004	2003	$ Change	% Change
Pension Benefits	$35,187	$33,075	$2,112	6.4%
Refunds of Member Contributions	156	387	(231)	(59.7%)
Health Care	6,949	7,181	(232)	(3.2%)
Administrative Expenses	605	653	(48)	(7.3%)
Transfers to Other Ohio Systems	602	789	(187)	(23.7%)
Total Deductions	$43,499	$42,085	$1,414	3.4%

Changes in Net Assets

In 2004, *Net Assets Held in Trust for Pension and Postemployment Health Care Benefits* increased by $60,582,513, or 9.7%. Investment income attributable to the appreciation in fair values of investments equaled $61,334,763, or 101.2% of the increase in net assets. All of the net assets are available to meet HPRS's ongoing obligation to plan participants and their beneficiaries.

Changes in Net Assets (In 000's)

	2004	2003
Beginning Balance	$623,987	$513,416
Ending Balance	684,569	623,987
Total Change	$60,582	$110,571
% Change	9.7%	21.5%

Capital Assets

As of December 31, 2004, HPRS's investment in capital assets totaled $30,723 (net of accumulated depreciation), a decrease of $10,668, or 25.8% from December 31, 2003. This investment in capital assets includes office equipment, software, and furniture for administrative use. The decrease in HPRS's net investment in capital assets for the current year was largely attributable to the depreciation of assets.

Total Assets

In 2004, total assets increased by $100,386,413, or 12.7%. The increase in total assets attributable to a higher level of securities lending activity was $40,060,421. Without this increase, total assets would have increased by $60,325,992, or 7.6%, primarily because of investment gains.

Assets (In 000's)

	2004	2003	$ Change	% Change
Cash & Short-Term Investments	$10,837	$12,856	($2,019)	(15.7%)
Receivables	4,577	4,329	248	5.7%
Investments, at Fair Value	671,174	609,005	62,169	10.2%
Collateral on Loaned Securities	207,010	166,950	40,060	24.0%
Other Assets	37	109	(72)	(66.1%)
Total Assets	$893,635	$793,249	$100,386	12.7%

Total Liabilities

As with total assets, total liabilities increased by $39,803,900, or 23.5%, primarily as a result of an increase in securities lending activity. The increase in total liabilities attributable to a higher level of securities lending activity was $40,060,421. Without this increase, total liabilities would have decreased by $256,521, or 0.2%.

Liabilities (In 000's)

	2004	2003	$ Change	% Change
Current Liabilities	$209,066	$169,262	$39,804	23.5%
Total Liabilities	$209,066	$169,262	$39,804	23.5%

Summary

Despite three consecutive years of negative investment returns from 2000 through 2002, HPRS rebounded in 2003 and 2004 to show strong gains in the securities markets. Both management and HPRS's actuary concur that HPRS remains in a financial position to meet its obligations to the plan participants and beneficiaries. The current financial position of HPRS is the result of a very strong and successful investment program, risk management, and strategic planning.

Requests for Information

This financial report is designed to provide retirees, members, trustees, and investment managers with a general overview of HPRS's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, HPRS, 6161 Busch Boulevard, Suite 119, Columbus, OH 43229-2553.

Combining Statement of Plan Net Assets

December 31, 2004

	Pension	Postemployment Health Care	Total
Assets			
Cash and Short-Term Investments	$9,295,477	$1,541,368	$10,836,845
Receivables			
Accrued Investment Income	2,400,505	398,050	2,798,555
Employer Contributions Receivable	665,235	110,873	776,108
Member Contributions Receivable	936,422	---	936,422
Tenant Rent Receivable	56,645	9,393	66,038
Total Receivables	4,058,807	518,316	4,577,123
Investments, at Fair Value			
Domestic Equity	320,247,712	53,103,188	373,350,900
Fixed Income	122,995,290	20,394,968	143,390,258
Real Estate	45,538,837	7,551,209	53,090,046
International Equity	86,928,758	14,414,449	101,343,207
Total Investments	575,710,597	95,463,814	671,174,411
Collateral on Loaned Securities	177,566,257	29,443,877	207,010,134
Prepaid Expenses	4,949	821	5,770
Property and Equipment, Net	26,353	4,370	30,723
Total Other Assets	31,302	5,191	36,493
Total Assets	766,662,440	126,972,566	893,635,006
Liabilities			
Accrued Health Care Benefits	---	698,681	698,681
Accounts Payable	1,001,553	166,077	1,167,630
Other Liabilities	40,373	6,694	47,067
Accrued Payroll and Withholdings	122,012	20,232	142,244
Obligations Under Securities Lending	177,566,257	29,443,877	207,010,134
Total Liabilities	178,730,195	30,335,561	209,065,756
Net Assets Held in Trust for Pension and Postemployment Health Care Benefits	$587,932,245	$96,637,005	$684,569,250

(A *Schedule of Funding Progress* is presented on page 25.)
See accompanying *Notes to Financial Statements*.

Combining Statement of Changes in Plan Net Assets

Year Ending December 31, 2004

	Pension	Postemployment Health Care	Total
Additions			
Contributions			
Employer	$17,205,609	$2,867,602	$20,073,211
Member	8,192,944	---	8,192,944
Transfers from Other Systems	856,496	---	856,496
Total Contributions	26,255,049	2,867,602	29,122,651
Investment Activity			
Net Appreciation in Fair Value of Investments	51,220,666	10,114,097	61,334,763
Interest and Dividend Income	14,328,882	2,376,002	16,704,884
Real Estate Operating Income, Net	164,613	27,296	191,909
	65,714,161	12,517,395	78,231,556
Less: Investment Expenses	2,972,585	492,911	3,465,496
Net Income from Investment Activity	62,741,576	12,024,484	74,766,060
Income from Security Lending Activity			
Gross Income	2,081,378	345,132	2,426,510
Less: Borrower Rebates	1,833,130	303,968	2,137,098
Less: Management Fees	82,543	13,687	96,230
Net Income from Security Lending Activity	165,705	27,477	193,182
Total Net Investment Income	62,907,281	12,051,961	74,959,242
Total Additions	89,162,330	14,919,563	104,081,893
Deductions			
Benefits Paid Directly to Participants	35,187,531	---	35,187,531
Refunds of Member Contributions	155,989	---	155,989
Health Care Expenses	---	6,948,650	6,948,650
Administrative Expenses	518,834	86,031	604,865
Transfers to Other Systems	602,345	---	602,345
Total Deductions	36,464,699	7,034,681	43,499,380
Net Increase	52,697,631	7,884,882	60,582,513
Net Assets Held in Trust for Pension and Postemployment Health Care Benefits			
Balance, December 31, 2003	535,234,614	88,752,123	623,986,737
Balance, December 31, 2004	$587,932,245	$96,637,005	$684,569,250

See accompanying *Notes to Financial Statements.*

Notes to Financial Statements

Year Ending December 31, 2004

Plan Description

Organization **-** HPRS is a single-employer retirement system for uniformed and certain radio personnel of the Ohio State Highway Patrol. It was created by Ohio Revised Code Chapter 5505 and is administered by a Board of Trustees comprised of five active members, two retired members, three appointed members, and one ex-officio member. The Board appoints an executive director, actuary, investment consultant, and employees.

HPRS administers both a defined benefit pension plan and a postemployment health care plan. All financial information for pensions and health care is presented separately in the combining financial statements. HPRS, a separate financial reporting entity in accordance with criteria established by Governmental Accounting Standards Board Statement No. 14, is a component unit of the State of Ohio.

Membership - HPRS membership consisted of the following at December 31, 2003 (the latest available actuarial data):

Pension Benefits	
Retirees & beneficiaries currently receiving benefits	1,253
Terminated members not yet receiving benefits	5
Current members	
Vested	292
Nonvested	1,250

Contributions - The Ohio Revised Code requires contributions by active members and the Ohio State Highway Patrol. The member contribution rate is established by the Ohio General Assembly and any change in the rate requires legislative action. The employer contribution rate is established by the Board of HPRS and certified to the State of Ohio every two years. By law, the employer rate may not exceed three times the member contribution rate.

In 2004, active members and the Ohio State Highway Patrol were required to contribute the following percentages of active member payroll:

Member	
January 1 to December 31	10.0%
Employer	
January 1 to December 31	24.5%

The Board of HPRS allocated the employer contribution rate to basic retirement benefits and health care benefits as follows:

Basic Retirement	Health Care	Total
21.00%	3.50%	24.5%

The allocation of the employer contribution rate to basic retirement benefits has been established as the rate necessary to cover normal cost, plus the amortization of the unfunded actuarially accrued liabilities based on a forty (40) year amortization schedule. The contribution rate allocated to health care benefits is sufficient to cover normal costs, and to provide level cost financing of the unfunded actuarially accrued liabilities. The adequacy of the employer contribution rate is determined using the entry age normal cost method.

Contributions may be refunded to a member who terminates employment with the Ohio State Highway Patrol or to the member's beneficiary following the member's death, if no survivor benefits are payable.

Members with credited service in Ohio Public Employees Retirement System (OPERS), School Employees Retirement System (SERS), State Teachers Retirement System (STRS), Cincinnati Retirement System (CRS), or the military are eligible to receive transferred credited service from any or all of these systems. Any service, except for military service, that is not concurrent with service within HPRS will be included in the determination of retirement benefits. Similarly, a member with credited service and funds in HPRS may transfer such service to OPERS, SERS, STRS, or CRS upon retirement.

Benefits - Members are eligible for normal retirement benefits upon reaching age 52 and accumulating at least 20 years of Ohio State Highway Patrol service credit. The benefit is a percentage of the member's final average salary, defined as the average of the member's three highest salaried years. The percentage is determined by multiplying 2.5% times the first 20 years of service, plus 2.25% for the next 5 years of service, plus 2.0% for each year in excess of 25 years of service. A member's pension may not exceed 79.25% of the final average salary. Early retirement with reduced benefits is available upon reaching age 48 with 20 years of service credit. Early retirement with normal benefits is available upon reaching age 48 with 25 years of service credit.

In addition to retirement benefits, HPRS also provides for disability, survivor, and health care benefits. All members receiving a benefit are eligible to receive medical coverage. Qualified dependents of a deceased member are eligible for monthly survivor benefits.

HPRS provides access to health care for all benefit recipients and reimburses Medicare Part B basic premiums to eligible benefit recipients.

Summary of Significant Accounting Policies

Basis of Accounting - HPRS financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded when they are earned and become measurable. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investment purchases and sales are substantially recorded as of their trade date. Administrative expenses are financed by investment income. HPRS funding is determined on an actuarial basis using the entry age normal cost method.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,* HPRS follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

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

GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and Statement No. 26, *Financial Reporting for Postemployment Health Care Plans Administered by Defined Benefit Pension Plans,* require that plan assets be split between pension benefits and health care. To meet this requirement, plan assets and liabilities not specifically identifiable to a plan were proportionately allocated to the pension and postemployment health care plans.

Investments -- Income on all investments is recognized on the accrual basis. Gains and losses on sales and exchanges, recognized on the trade date, are determined using the average cost of the security sold for equity securities and the specific cost of securities sold for all other investments.

All investments are reported at fair value. Fair value is the amount that the plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. Fair values of real estate investments are based on information provided by the fund's managers or by independent appraisal for assets not managed independently.

Net appreciation, or depreciation, in fair value of investments is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expense consists of those expenses directly related to HPRS investment operations, as well as an allocation of certain administrative expenses.

Accrued Health Care Benefits - Accrued health care benefits are based upon estimates furnished by the claims administrators. These estimates have been developed from prior claims experience.

In general, costs of retiree health care benefits are recognized as claims are incurred and premiums are paid. Health care benefit expenses in 2004 of $6,948,650 are shown on the accompanying *Combining Statement of Changes in Plan Net Assets.*

Federal Income Tax Status - HPRS is a qualified entity under Section 501(a) of the Internal Revenue Code and is therefore exempt from federal income taxes.

Deposits and Investment Risk Disclosures

Deposits – HPRS cash balances represent both operating cash accounts held by US Bank and the State Highway Patrol Federal Credit Union, and investment cash on deposit with US Bank as the investment custodian. Cash balances are either interest-bearing or invested in highly liquid debt instruments with an original maturity of three months or less. At December 31, 2004, the carrying value of all HPRS's book deposits was $10,836,845 (which includes money market funds of $9,669,412), as compared to bank balances of $10,937,265. The difference in the carrying amount and the bank balances is caused by outstanding warrants and deposits in transit.

Investments – Ohio Revised Code Section 5505.06 authorizes HPRS to invest in various instruments (meeting various guidelines), including the following:

- commercial paper issued by a U. S. corporation,
- obligations of the U. S. Treasury, federal agencies, government-sponsored corporations, and government-backed repurchase agreements,
- bonds, notes and other debt securities,
- equities approved by an outside investment advisor,
- high quality money-market instruments, and
- real estate and related securities including improved or unimproved real property, mortgage collective investment funds, notes secured by real property, mortgage-backed bonds, and pass-through securities backed by mortgages.

Total Investments at Fair Value, December 31, 2004	
Domestic Equity	$373,350,900
U.S. Government Obligations	9,099,630
U.S. Government Guaranteed Mortgages	2,581,100
U.S. Government Agency Obligations	48,453,566
Collateralized Mortgages	7,002,444
Corporate Bonds	28,945,325
Asset-Backed Securities	12,089,314
Fixed Income Funds	35,218,879
Real Estate	53,090,046
International Equity	101,343,207
Total Investments	$671,174,411
Collateral on Loaned Securities	$207,010,134

All investments, including domestic and international, are registered in the name of HPRS.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. HPRS does not have a policy to limit credit risk.

HPRS exposure to credit risk, based on S&P Quality Ratings, is as follows:

Quality Rating	Total
AAA	$66,567,180
AA+	504,509
AA	13,451,600
AA-	2,629,196
A+	9,183,086
A	5,198,257
A-	5,540,654
BBB+	2,073,657
BBB	2,730,334
BBB-	431,100
BB	13,176,164
BB-	10,223,791
Total Credit Risk Debt Securities	$131,709,528
U.S. Government Obligations and Guaranteed Securities	11,680,730
Total Debt Securities	$143,390,258

Concentration of Credit Risk – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. Investment managers are expected to maintain diversified portfolios by sector and issuer. Pursuant to its investment policy, HPRS has no more than ten percent of the fixed income portfolio invested in the securities of any one issuer, and no more than five percent in any one issue, with the exception of U.S. government securities.

Interest Rate Risk – Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value.

HPRS does not have a policy to limit interest rate risk.

The reporting of effective duration in the table below quantifies, to the fullest extent possible, the interest rate risk of the system's fixed income assets.

Effective Duration of Fixed Income Investments

	Investment Maturities				
	<1 Year	1-5 Years	>5-10 Years	>10 Years	
U.S. Government Obligations		$979,005		$8,120,625	
U.S. Government Guaranteed Mortgages				2,581,100	
U.S. Government Agency Obligations		8,137,122	$12,206,833	28,109,611	
Collateralized Mortgages		1,405,329		5,597,115	
Asset-Backed Securities		8,889,202	1,501,045	1,699,067	
Corporate Bonds	$3,175,700	10,420,126	7,976,388	7,373,111	
Commingled Funds		10,223,791	24,995,088		
Totals	$3,175,700	$40,054,575	$46,679,354	$53,480,629	$143,390,258

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, HPRS will be unable to recover the value of deposits, investments, or collateral securities in the possession of an outside party. At December 31, 2004, all debt securities were registered in the name of HPRS and held in the custody of US Bank.

The Federal Deposit Insurance Corporation (FDIC) insured $137,694 of HPRS bank balances. The remaining bank balance was collateralized with securities held in the name of US Bank in a pooled collateral fund for all public funds, as required by state statute. HPRS does not have a policy to limit custodial credit risk.

Foreign Currency Risk – Foreign Currency Risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. HPRS does not have a policy to limit foreign currency risk. HPRS exposure to currency exchange risk is as follows:

International Equity Securities, December 31, 2004

Currency	Allocation	Fair Value
Argentina	0.03%	$31,914
Australia	1.91%	1,937,782
Austria	0.21%	214,652
Bahamas	0.03%	25,889
Belgium	1.45%	1,467,986
Belize	0.00%	2,110
Bermuda	0.26%	263,568
Brazil	0.83%	837,313
British Virgin Islands	0.02%	16,198
Canada	3.10%	3,143,201
Cayman Islands	0.04%	39,200
Chile	0.18%	183,063
China	0.34%	344,457
Columbia	0.00%	2,992
Denmark	0.22%	226,977
Emerging Markets	2.35%	2,381,805
Finland	1.09%	1,107,698
France	10.14%	10,268,232
Germany	6.05%	6,135,877
Greece	0.18%	178,162
Hong Kong	2.97%	3,004,865
Hungary	0.02%	24,328
Iceland	0.00%	1,986
India	0.26%	264,422
Indonesia	0.05%	50,564
Ireland	0.86%	876,086
Israel	0.17%	176,668
Italy	3.93%	3,981,068
Japan	16.33%	16,543,940
Luxembourg	0.05%	49,249
Malaysia	0.02%	20,075
Mexico	0.48%	488,735
Netherlands	4.99%	5,056,314
Netherlands Antilles	0.00%	1,897
New Zealand	0.05%	49,127
Norway	0.43%	434,888
Panama	0.00%	4,945
Peru	0.02%	24,161
Philippines	0.03%	28,014
Poland	0.03%	25,807
Portugal	0.12%	116,861
Russia	0.55%	560,857
Singapore	0.36%	360,987
South Africa	0.41%	420,254
South Korea	0.45%	460,503
Spain	2.86%	2,903,240
Sweden	1.13%	1,148,655
Switzerland	9.47%	9,592,359
Taiwan	0.36%	369,715
Thailand	0.06%	57,450
Turkey	0.06%	61,847
United Kingdom	23.42%	23,719,705
Venezuela	0.01%	8,687
Total Securities Subject to Foreign Currency Risk	98.38%	$99,697,335
United States Dollars	1.62%	1,645,872
Total	**100.00%**	**$101,343,207**

Securities Lending -- Ohio Revised Code Section 5505.06 and the Board of Trustees authorizes HPRS to participate in a securities lending program. Under this program, administered by US Bank, securities are loaned to investment brokers/dealers (borrowers). In return, HPRS receives cash collateral and agrees to return the collateral for the same securities in the future. Cash collateral from securities loaned is, simultaneous to the loan, reinvested in repurchasing agreements ("repo's"). Securities loaned and repo's are collateralized at a minimum of 102 percent of the fair value of loaned securities. Collateral is marked-to-market daily. If the fair value of the collateral held falls below 102 percent of the fair value of securities loaned, additional collateral is provided. The maturity of the repo's is always identical to the maturity of the securities loaned. Further, there is always a positive spread between the cost of funds raised from securities loaned and the income earned from the associated repo's. At year-end, HPRS had no credit risk exposure to borrowers because the fair value of collateral HPRS held exceeded the fair value of securities loaned. Either HPRS or the borrowers can terminate all loans on demand. The custodial bank and its affiliates are prohibited from borrowing HPRS securities. HPRS cannot pledge or sell collateral securities received unless the borrower defaults.

As of December 31, 2004, the fair values of loaned securities and associated collateral (repo agreements and short-term investments) were $200,409,055 and $207,010,134 respectively.

Total net proceeds from securities lending was $193,182 in 2004.

Derivatives – Derivatives are instruments on which the cash flows or fair values are derived from the value of some other asset or index. HPRS investment managers may use a variety of derivatives in order to maximize yields and offset volatility from interest rate and currency fluctuations. The system is exposed to general credit, market, and legal risks associated with these types of investments. HPRS investment managers monitor these investments with extreme care and are not aware of any undue risks from them. HPRS did not own any derivatives at December 31, 2004.

Property and Equipment

Capital Assets – An item of property or equipment in excess of $5,000 is capitalized at cost when acquired. An improvement in excess of $5,000 that extends the useful life of an asset is capitalized. An expenditure for maintenance or repair of an asset is expensed as incurred. Depreciation is computed using the straight-line method over the following range of useful lives of the assets:

Furniture and Fixtures	3 - 10 years
Office Equipment	3 - 10 years

The following is a summary of equipment, at cost, less accumulated depreciation, at December 31, 2004:

Cost, 12/31/03	$148,372
+ Additions	13,490
- Retirements	7,782
Cost, 12/31/04	$154,080
Accumulated Depreciation, 12/31/03	$106,981
+ Depreciation	23,523
- Retirements	7,147
Accumulated Depreciation, 12/31/04	$123,357
Book Value, 12/31/04	$30,723

Pension Benefits for Employees

The employees of HPRS are members of the Ohio Public Employee Retirement System (OPERS), which administers three separate pension plans as described below:

1. The Traditional Pension Plan — a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan — a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan — a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor, and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-6701 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans. The 2004 member contribution rate was 8.5% of covered payroll. The 2004 employer contribution rate was 13.55% of covered payroll. HPRS employer contributions to OPERS for the years ending December 31, 2004, 2003, and 2002 were $70,264, $68,486, and $62,664, respectively, which were equal to the required contributions for each year.

Other Postemployment Benefits for Employees

As described above, Ohio Public Employees Retirement System (OPERS) administers three separate pension plans — the Traditional Pension Plan, the Member-Directed Plan, and the Combined Plan. OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for postretirement health care coverage, Age & Service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions to fund postretirement health care. The 2004 employer contribution rate was 13.55% of covered payroll, of which 4.00% was used to fund health care for the year – a total of $20,742.

The assumptions and calculations below are based on OPERS' latest actuarial review performed as of December 31, 2003:

- Funding Method — An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarially accrued liability.

- Assets Valuation Method — All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used under which assets are adjusted annually to reflect 25% of unrealized market appreciation (or depreciation).
- Investment Return — The investment assumption rate is 8.00%.
- Active Employee Total Payroll — An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, are assumed to range from 0.50% to 6.30%.
- Health Care — Health care costs are assumed to increase at the projected wage inflation rate. plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs are assumed to increase at 4% (the projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. At December 31, 2004, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885. The actuarial value of OPERS' net assets available for OPEB at December 31, 2003 was $10.5 billion. The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were $26.9 billion and $16.4 billion, respectively.

In 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

Risk Management

HPRS purchases insurance policies in varying amounts providing coverage for general liability, property damage, employee, and public official liability. No settlements exceeded insurance coverage over the past three years and coverage has not been significantly reduced.

Contingent Liabilities

HPRS is a party to various litigation actions. 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 financial position of HPRS.

Required Supplementary Schedules

Schedule of Employer Contributions

Years Ending December 31, 1999-2004

Year	Annual Required Contribution	% Contributed
1999	13,569,730	100
2000	13,210,189	100
2001	13,901,313	100
2002	14,923,893	100
2003	16,361,339	100
2004	17,205,610	100

The amounts reported in this schedule do not include contributions for postemployment health care benefits.

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

Schedule of Funding Progress

Years Ending December 31, 1998-2003

Valuation Year	Actuarially Accrued Liab. (AAL)	Valuation Assets	Unfunded Actuarially Accrued Liab. (UAAL)	Assets as a % of AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
1998	532,956,745	509,859,924	23,096,821	95.7	65,153,864	35.4
1999 ▲	577,010,085	546,510,779	30,499,306	94.7	66,017,381	46.2
2000 ►	594,222,603	570,039,631	24,182,972	95.9	69,028,285	35.0
2001	636,715,458	551,279,438	85,436,020	86.6	76,344,002	111.9
2002 ►	663,069,805	527,604,456	135,465,349	79.6	78,997,065	171.5
2003	702,799,017	545,981,513	156,817,504	77.7	81,737,962	191.9

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

▲ Plan amendment.

► Assumption or method change.

Notes to the Trend Data

Information in the *Required Supplementary Schedules* is from the actuarial valuation for each year indicated.
Additional information from the latest actuarial valuation is as follows:

Valuation Date	December 31, 2003
Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	40 years for retirement allowances
Asset valuation method	4 year smoothed market, 20% corridor

<u>Actuarial assumptions:</u>

Investment rate of return	8.0%
Projected salary increases	4.3 – 7.7%, including wage inflation of 4.0%
Cost-of-living adjustments for retirees	3% CPI increases for years after age 53

Notes to Required Supplementary Schedules

Description of Schedule of Funding Progress

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

In an inflationary economy, the value of the dollar decreases over time. This environment results in member pay increasing in dollar amounts, resulting in unfunded accrued liabilities increasing in dollar amount, all at a time when the actual substance of these items may be decreasing. Looking at just dollar amounts of unfunded accrued liabilities can be misleading. Unfunded accrued liabilities divided by active member payroll provides an index, which aids understanding. The smaller the ratio of unfunded liabilities to active member payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

Actuarial Assumptions and Methods

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at December 31, 2003.

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

The assets were valued on a market basis that recognizes each year's gain or loss between actual and assumed investment return over a closed four-year period.

Other actuarial assumptions and methods are as follows:

- a rate of return on investments of 8.0% as of December 31, 2003, compounded annually, net of administration expenses,
- projected salary increases of 4.0%, compounded annually, attributable to inflation,
- additional projected salary increases ranging from 0.3% to 3.7% per year, depending on service, attributable to seniority and merit,
- postretirement mortality life expectancies of members based on the 1983 Group Annuity Mortality Male and Female Tables,
- rates of withdrawal from active service before retirement for reasons other than death, rates of disability, and expected retirement ages developed on the basis of actual plan experience,
- projected health care premium increases of 4.0%, compounded annually, attributable to inflation,
- health care benefit recipients are eligible for Medicare on attainment of age 65, or immediately, if retired for disability, and
- employer contributions paid in equal installments throughout the employer fiscal year.

The following employer, member, and retiree data is from the latest actuarial valuation, dated December 31, 2003:

Actuarial Value of Pension Benefits Payable	
Retirees & beneficiaries currently receiving benefits & terminated members not yet receiving benefits	$412,818,959
Current members	
Accumulated member contributions including allocated investment income	73,358,075

Additional Information

Schedule of Administrative Expenses

Year Ending December 31, 2004

Personnel	$265,254
Professional and Technical Services	
Computer services	16,589
Actuary	79,000
Training and seminars	16,738
Medical Consulting	2,086
Audit	19,323
Miscellaneous services by others	15,990
Medical services	13,123
Total Professional and Technical Services	162,849
Communications	
Printing	6,957
Postage	13,264
Telephone	12,299
Total Communications	32,520
Other Expenses	
Office Rent	65,923
Depreciation	23,523
Insurance	19,151
Equipment repairs and maintenance	3,807
Supplies	7,185
Miscellaneous	11,762
Loss on disposal of equipment	634
Retirement study commission	4,124
Travel	5,696
Membership and subscriptions	2,428
New equipment	9
Total Other Expenses	144,242
Total Administrative Expenses	$604,865

Above amounts do not include investment department administrative expenses.

Schedule of Investment Expenses

Year Ending December 31, 2004

Personnel	$254,852
Professional Services	
Investment services	3,011,329
Monitor services	172,790
Total Professional Services	3,184,119
Other Expenses	
Computer Services	16,589
Memberships and subscriptions	3,642
Printing and supplies	6,294
Total Other Expenses	26,525
Total Investment Expenses	$3,465,496

Payments to Consultants

Year Ending December 31, 2004

Consultant	Fee	Service
Gabriel, Roeder, Smith & Co.	$79,000	Actuarial
Clark, Schaefer, Hackett & Co.	16,590	Auditing
Callan Associates	162,790	Investment
Elkins/McSherry	10,000	Investment

Kennedy, Cottrell + Associates

Independent Auditor's Report on Compliance
and on Internal Controls Required By
Government Accounting Standards

The Retirement Board
Ohio State Highway Patrol Retirement System:

We have audited the combining statement of plan net assets of the Ohio State Highway Patrol Retirement System (HPRS), as of December 31, 2004, and the related combining statement of changes in plan net assets for the year then ended, and have issued our report thereon dated March 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Ohio State Highway Patrol Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ohio State Highway Patrol Retirement System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters that we consider to be material weaknesses.

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

Kennedy, Cottrell + Associates LLC

Columbus, Ohio
March 31, 2005

certified public accountants
business and government consultants

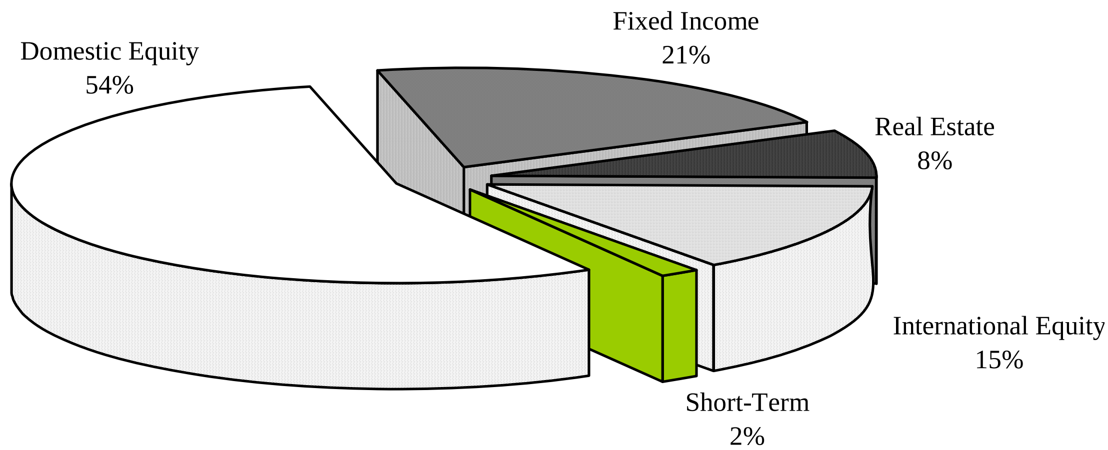
the arena district • 383 north front street • columbus ohio 43215
614.358.4682 tele • 614.888.8634 fac • www.kca-cpa.com

[this page intentionally left blank]

Investment Section

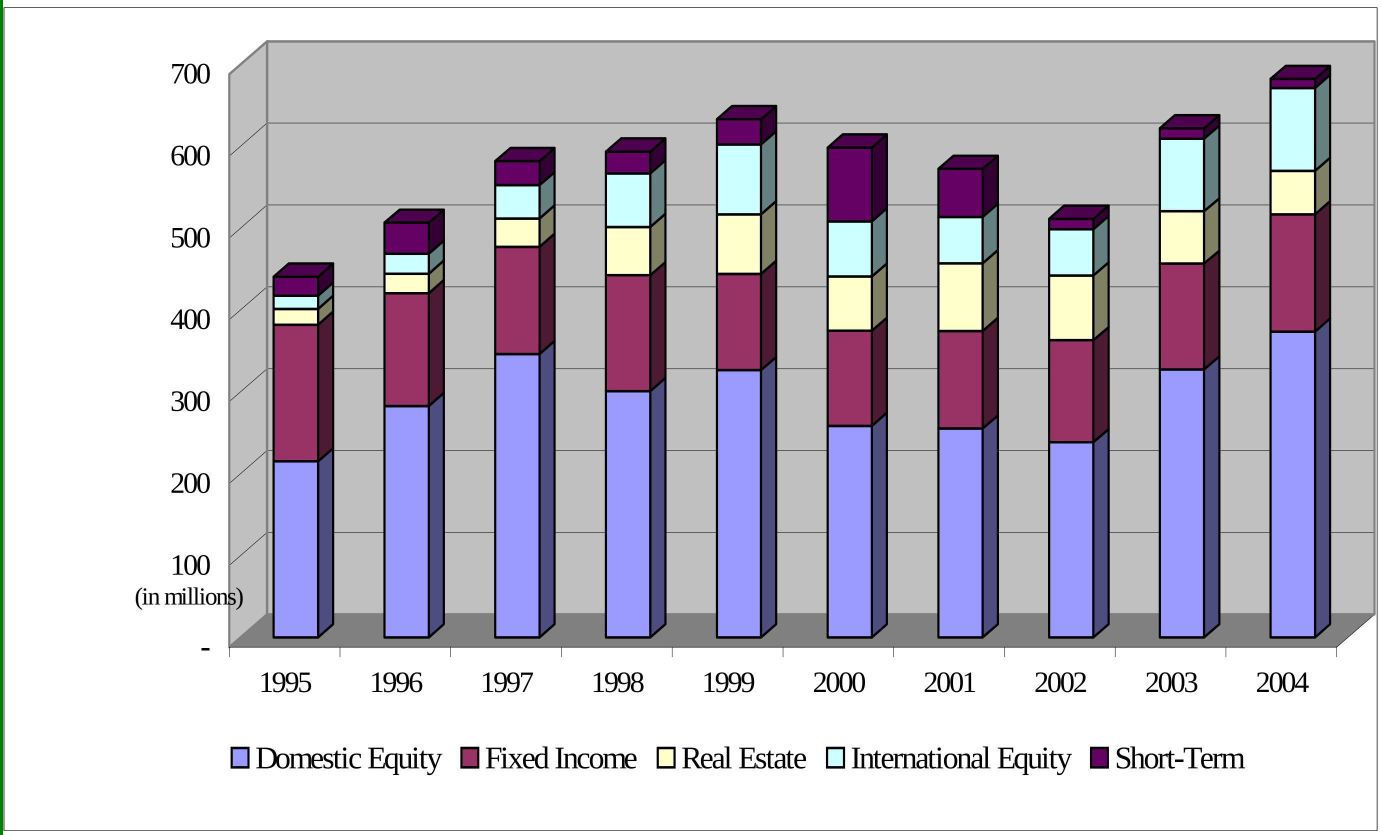
Investment Distribution

at Fair Value, December 31, 2004



Ten-Year Investment Comparison

at Fair Value, December 31, 2004



Investment Review

Year Ending December 31, 2004

General Market & Economic Conditions

Most of the 2004 gains in the U.S. stock markets came in the fourth quarter. A decisive outcome in the nation's presidential election helped ignite the year-end rally, lifting the NASDAQ (+14.9%), Dow (+7.6%), and S&P 500 (+9.2%) in the fourth quarter. The latter two indices were showing losses for the year as of mid-October. The stock market recorded its first back-to-back positive years since 1999, in spite of rising oil prices, the Iraq war, and Fed tightening.

Small stocks, as measured by the Russell 2000, have dominated large caps for six consecutive years. The S&P 500 Barra Value led the S&P 500 Barra Growth for the quarter (+9.9%) and year (+15.7%). Strong global demand (especially from China) boosted commodities such as energy, utilities, and materials. Real estate continued to be a darling asset class for investors seeking high-dividend income.

Small and value stocks were not the only surprises last year. Despite the Fed raising interest rates five times during the year, the fixed income market showed resilience. The Lehman Aggregate moved up 0.95% for the quarter and 4.3% for the year. For the second year in a row, corporate bonds topped all sectors of the fixed income market, benefiting from a strong economy, improved credit fundamentals, and demand from foreign investors.

An already weakened dollar retreated further in the fourth quarter, bolstering returns of overseas investments. Asia soared with MSCI Pacific advancing 14.0%. The momentum in emerging markets continued with Latin America leading the way, anchored by a strong consumer sector in Brazil and Mexico. Small and mid cap stocks propelled European markets upward for a second consecutive year. MSCI EAFE climbed 15.3% in the fourth quarter.

Source: Callan Associates

Investment Operations

Given the outstanding performance achieved by most public pension funds in 2003 – the HPRS investment return was over 25% – many market analysts predicted that 2004 would return to more normal levels. For the HPRS, that would be about 8%. Instead, the 2004 return was over 12%. Combined with the return from 2003, the 2004 return helped to erase the investment losses of 2000, 2001, and 2002. Across the HPRS portfolio, managers in all asset classes recorded strong performance. According to Callan Associates, the HPRS investment consultant, the HPRS return in 2004 placed within the top 25% of all public pension funds. Over the next two years, the negative effects of 2000-2002 will drop out of the 5-year numbers and the HPRS performance will return to more normal and expected levels.

A measurement of pension fund solvency is the unfunded period. This period refers to the number of years it would take to pay for the benefits earned by members for which there are no current assets to cover. It is normal for a pension fund to have an unfunded period, and typically those periods are between 20 and 30 years. Under Ohio Law, the public pension funds are expected to have an unfunded period of 30 years or less. If that period exceeds 30 years, the funds are required to develop a plan to reduce that unfunded period and report the plan and progress on the plan to the legislature. The unfunded period can increase when benefits are added and made retroactive to retired members. The unfunded period can also increase when investment expectations are not achieved. For example, if salary increases exceeded the level expected, or if investment returns were below the level expected, the unfunded period would increase. During the last 10 years, both of these conditions occurred.

To address the unfunded period in recent years, the HPRS increased and decreased the employer and employee contribution rates. When the unfunded period was unusually low, the HPRS reduced either the employer or employee contribution rate, or both. Likewise, when the unfunded period was above acceptable levels, contribution rates were increased.

In September of 2004, the HPRS Board increased the employer contribution rate by 1% to lower the unfunded period below 30 years. It is expected that, over the next few years, the unfunded period will fluctuate and that other increases/decreases in contribution rates may be necessary. Considering the almost-daily news that private sector corporations are increasing their contributions to their pension plans, this continuous process should not be a cause for concern.

With regard to monitoring system costs and maintaining financial solvency, the HPRS continually makes minor adjustments to preclude the need to make drastic changes to contributions and/or benefits that may adversely impact members in the short-term. Good examples of these adjustments are the changes made to the asset allocation strategy approved by the Board in December 2004. These changes will position the investment portfolio to meet or exceed the 8% expected rate of return during the next three years. The changes were made after considering the expected rates of return for all asset classes. The Board intentionally modified the investment portfolio to minimize the level of risk so that 8% could be attained in the next few years with less risk.

Summary by Richard A. Curtis, Executive Director

Schedule of Investment Results

Year Ending December 31, 2004

	2004	2003	3-Year	5-Year
Domestic Equity	**14.74%**	**37.58%**	**8.64%**	**1.84%**
Standard & Poors 500 (large cap)	10.88	28.68	3.59	(2.30)
Russell 2500 (small/mid cap)	18.29	45.51	12.27	8.35
International Equity	**17.59**	**32.49**	**9.10**	**0.13**
MSCI EAFE Index	20.25	38.59	11.89	(1.14)
Fixed Income	**5.61**	**6.87**	**7.66**	**8.49**
Lehman Brothers Aggregate	4.34	4.10	6.20	7.71
Real Estate	**9.06**	**8.15**	**6.85**	**9.49**
NCREIF Classic Index	14.43	7.35	8.78	9.26
Domestic Short Term	**1.76**	**1.00**	**1.75**	**3.10**
Total Fund	**12.13**	**25.34**	**8.69**	**4.50**
Absolute Objective	8.00	8.00	8.00	7.95
Relative/Composite Benchmark ►	12.20	23.82	8.02	3.45

► Relative/Composite Benchmark: 32% S&P 500, 16% Russell 2500, 25% L/B Aggregate, 15% MSCI EAFE Index, and 12% NCREIF Classic Index.

All returns are reported gross of fees, using time-weighted annualized rates of return, in accordance with the Association for Investment Management and Research (AIMR) standards.

Source: Callan Associates

Investment Summary

December 31, 2004

Portfolio Type	Fair Value	% of Total Fair Value	Policy %
Domestic Equity	$373,350,900	54.7	48.0
Fixed Income	143,390,258	21.0	25.0
Real Estate	53,090,046	7.8	12.0
International Equity	101,343,207	14.9	15.0
Short-Term	10,836,845	1.6	0.0
Total	$682,011,256	100.0	100.0

For a complete list of portfolio holdings, please contact the Chief Financial Officer, HPRS, 6161 Busch Boulevard, Suite 119, Columbus, OH 43229-2553.

Largest Equity Holdings (by Fair Value)

December 31, 2004

	Shares	Fair Value
Exxon Mobil Corp	101,650	$5,210,579
General Electric Co	90,700	3,310,550
Kimberly Clark Corp	47,600	3,132,556
Citigroup Inc	65,000	3,131,700
Pfizer Inc	106,300	2,858,407
Microsoft Corp	105,000	2,805,600
General Mills Inc	52,200	2,594,862
Sara Lee Corp	97,000	2,341,580
Reliant Energy Inc	168,200	2,295,930
Verizon Communications Inc	56,600	2,292,866

Largest Fixed-Income Holdings (by Fair Value)

December 31, 2004

	Coupon %	Maturity	Rating	Par Value	Fair Value
US Treasury Bond	6.500	11/15/26	AAA/AAA	$2,800,000	$3,402,000
FHLMC 2783-NL	3.500	06/15/19	AAA/Aaa	2,500,000	2,487,675
FHLMC 2700-PD	4.500	02/15/27	AAA/Aaa	2,200,000	2,205,962
Federal National Mortgage Assn	5.500	03/15/11	AAA/Aaa	2,035,000	2,182,538
FNMA #788908	6.000	08/01/34	AAA/Aaa	1,991,542	2,060,370
Bank of America Mtg Sec	4.021	07/25/34	AAA/Aaa	2,000,000	2,009,440
Federal Home Loan Mortgage	5.125	11/07/13	AAA/Aaa	2,000,000	2,008,125
FHR Series 2668 OX	4.000	06/15/22	AAA/Aaa	2,000,000	2,000,560
FNMA #684968	5.000	09/01/33	AAA/Aaa	1,856,245	1,845,349
FNMA #747536	5.000	11/01/33	AAA/Aaa	1,811,972	1,801,335

Investment Portfolio

December 31, 2004

Fixed Income

	Coupon %	Maturity	Par Value	Fair Value
US Treasury Inflation Index	3.875	01/15/09	$750,000	$979,004
US Treasury Bond	7.500	11/15/16	1,000,000	1,277,813
US Treasury Bond	8.000	11/15/21	1,200,000	1,647,375
US Treasury Bond	6.500	11/15/26	2,800,000	3,402,000
US Treasury Bond	6.250	05/15/30	1,500,000	1,793,438
Total US Government Obligations			$7,250,000	$9,099,630
Govt National Mrg Assoc	5.881	03/16/24	$650,000	$689,351
GNMA #423876	7.500	07/15/26	93,869	101,096
GNMA #423906	7.500	07/15/26	100,810	108,571
GNMA #575876	6.500	12/15/31	395,392	416,581
GNMA #781598	5.000	05/15/33	1,263,151	1,265,501
Total US Government Guaranteed Mortgages			$2,503,222	$2,581,100
Federal Home Loan Bank	5.800	09/02/08	$1,500,000	$1,606,406
Federal Home Loan Bank	5.375	08/15/18	1,500,000	1,552,969
Federal Home Loan Mortgage	6.875	09/15/10	1,500,000	1,712,344
Federal Home Loan Mortgage	5.125	11/07/13	2,000,000	2,008,125
Federal Home Loan Mortgage	4.750	12/08/10	1,500,000	1,507,500
Federal Home Loan Mortgage	6.250	03/05/12	1,500,000	1,568,438
Federal Home Loan Mortgage	5.125	07/15/12	250,000	262,813
Federal Home Loan Mortgage	4.875	11/15/13	800,000	822,750
Federal National Mortgage	3.375	02/15/08	1,000,000	987,188
Federal National Mortgage	2.375	02/15/07	700,000	687,094
Federal National Mortgage Assn	6.000	05/15/11	1,000,000	1,100,313
Federal National Mortgage Assn	7.125	01/15/30	825,000	1,037,695
Federal National Mortgage Assn	5.500	02/15/06	250,000	256,639
Federal National Mortgage Assn	5.500	03/15/11	2,035,000	2,182,538
FHLMC 1531-M	6.000	06/15/08	578,791	590,460
FHLMC 1617-PJ	6.200	01/15/23	401,536	404,082
FHLMC 1669-G	6.500	02/15/23	443,141	446,394
FHLMC 2123-PE	6.000	12/18/27	334,381	340,744
FHLMC 2587-WB	5.000	11/15/16	1,300,000	1,323,023
FHLMC 2694-QE	4.500	10/15/26	1,500,000	1,504,680
FHLMC 2700-PD	4.500	02/15/27	2,200,000	2,205,962
FHLMC 2783-NL	3.500	06/15/19	2,500,000	2,487,675
FHLMC 2802 NC	5.000	05/15/28	500,000	511,675
FHR Series 2668 OX	4.000	06/15/22	2,000,000	2,000,560
FHMA 1993-208J	6.250	02/25/23	589,673	593,117
FNMA 1993-223VD	6.150	08/28/06	50,728	51,483
FNMA 2002-70PL	5.000	04/25/15	1,274,082	1,285,727
FNMA Grantor Trust	4.717	08/25/12	1,500,000	1,519,095
FNMA Series 2003-32 CI KB	5.000	03/25/17	1,000,000	1,014,270
FHLMC Gold Pool #C00492	7.500	01/01/27	51,935	55,785
FHLMC Gold Pool #E00476	6.500	03/01/12	183,073	194,023
FNMA DUS Pool #385278	6.110	07/01/12	976,849	1,064,804
FNMA Pool #313708	7.500	08/01/12	186,666	198,209
FNMA #323406	5.993	11/01/08	694,158	738,008
FNMA #525908	7.000	12/01/29	40,149	42,596
FNMA #535466	7.000	08/01/30	27,860	29,543
FNMA #684968	5.000	09/01/33	1,856,245	1,845,349
FNMA #737646	3.144	09/01/33	970,101	976,368
FNMA #747536	5.000	11/01/33	1,811,972	1,801,335

Fixed Income (continued)

	Coupon %	Maturity	Par Value	Fair Value
FNMA #757571	5.500	01/01/34	1,521,356	1,545,819
FNMA #767413	5.500	01/01/34	1,357,009	1,378,463
FNMA #779668	5.500	07/01/34	1,452,589	1,475,554
FNMA #788908	6.000	08/01/34	1,991,542	2,060,370
FNMA #788520	5.500	07/01/34	1,452,615	1,475,581
Total U.S. Government Agency Obligations			$47,106,452	$48,453,566
Banc of Amer Coml Mtg	7.109	11/15/31	$536,374	$571,968
Bank of America Mtg Sec	4.021	07/25/34	2,000,000	2,009,440
Bear Stearns Alt	4.912	10/25/34	1,442,457	1,458,064
First Union Natl Bank 99-C4	7.390	11/17/09	1,240,000	1,405,329
Merrill Lynch Mortgage	7.120	06/18/29	522,610	549,143
Morgan Stanley Cap	4.830	04/14/40	1,000,000	1,008,500
Total Collateralized Mortgages			$6,741,441	$7,002,444
Distribution Financial	1.220	04/15/08	$1,000,000	$1,001,290
Centex Home Equity	6.470	07/25/29	1,204,452	1,223,326
Champion Home Equity Loan	6.710	09/28/29	471,013	475,742
CPL Transition Funding	5.010	01/15/10	1,700,000	1,742,075
Capitol One Multi Asst	2.950	08/17/09	975,000	968,195
Citibank Credit Card Issuance	2.530	12/17/07	1,375,000	1,375,261
MBNA Credit Card Master	2.200	12/15/11	1,000,000	1,001,300
Standard Credit Card Master Trust	7.250	04/07/06	1,700,000	1,784,319
M & I Auto Loan Trust	3.450	02/21/11	500,000	499,745
Navistar Financial Owner	2.240	11/15/09	900,000	881,604
Navistar Financial Corp	2.010	08/15/08	1,155,065	1,136,457
Total Asset-Backed Securities			$11,980,529	$12,089,314
AT & T Broadband Corp	8.375	03/15/13	$145,000	$178,799
Archer-Daniels-Midland	7.000	02/01/31	900,000	1,080,065
Becton Dickinson	6.700	08/01/28	800,000	916,643
British Telecom PLC	8.375	12/15/10	500,000	600,430
Coca Cola Enterprises	8.500	02/01/22	1,000,000	1,333,365
Constellation Energy Group	7.000	04/01/12	500,000	569,925
Deluxe Corp	5.000	12/15/12	500,000	486,415
First Data Corp	4.700	11/01/06	1,500,000	1,533,527
Knight-Ridder Inc	6.875	03/15/29	1,000,000	1,169,194
May Department Stores Co	6.875	11/01/05	1,500,000	1,543,023
Block Financial Corp	5.125	10/30/14	600,000	586,544
Citicorp	6.375	11/15/08	775,000	843,723
Countrywide Home Loan	5.500	08/01/06	1,000,000	1,031,218
Deutsche Bank Financial Inc	6.700	12/13/06	1,115,000	1,182,638
Ford Motor Credit Co	7.375	02/01/11	400,000	431,100
General Electric Capital	6.000	06/15/12	1,000,000	1,090,037
Goldman Sachs Group Inc	6.345	02/15/34	750,000	780,978
Household Finance Corp	8.000	07/15/10	1,000,000	1,176,937
Independence Comm Bank	3.750	04/01/14	455,000	438,587
International Lease Financial Corp	5.875	05/01/13	1,000,000	1,060,758
KeyCorp	2.300	07/23/07	1,000,000	1,000,099
Landesbank Baden NY	6.350	04/01/12	450,000	504,509
Morgan Stanley	5.300	03/01/13	1,000,000	1,029,726
National City Bank of IN	4.000	09/28/07	1,250,000	1,264,101
SLM Corp	5.125	08/27/12	260,000	267,324
SLM Corp FRN	2.220	01/25/07	220,000	220,220

Fixed Income (continued)

	Coupon %	Maturity	Par Value	Fair Value
SunTrust Capital II	7.900	06/15/27	1,000,000	1,092,168
Swiss Bank Corp NY	6.750	07/15/05	1,600,000	1,632,675
US Bank NA MN	6.375	08/01/11	1,200,000	1,332,664
UnionBancal Corp	5.750	12/01/06	1,500,000	1,567,235
Virginia Electric & Power	4.100	12/15/38	1,000,000	1,000,698
Total Corporate Bonds			$26,920,000	$28,945,325

Western Asset High Yield Portfolio	$10,223,791
Western Asset Strategic Emerging Markets	13,176,164
Western Asset Strategic Non-Hedged	11,818,924
Total Commingled Funds	$35,218,879
Total Fixed Income	**$143,390,258**

Domestic Equity

	Shares	Fair Value
3M Co	4,100	$336,487
A A R Corp	21,600	294,192
ATMI Inc	19,400	437,082
Aames Investment Corp	60,490	647,243
Abbott Labs	34,100	1,590,765
Abercrombie & Fitch Co Class A	20,900	981,255
Abgenix Inc	5,400	55,836
Acambis PLC ADR	22,900	224,626
Actuant Corporation	12,700	662,305
Adaptec Inc	15,700	119,163
Adobe System Inc	3,900	244,686
Advanced Medical Optics Inc	5,400	222,156
Advanced Micro Devices Inc	10,300	226,806
Affymetrix Inc	16,100	588,455
Air Products & Chemicals Inc	9,700	562,309
Alcoa Inc	71,200	2,237,104
Alexander & Baldwin Inc	2,800	118,776
Allegheny Energy Inc	57,400	1,131,354
Allegheny Technologies Inc	3,500	75,845
Allergan Inc	1,700	137,819
Alliance Data Systems Corp	9,700	460,556
Alliance Gaming Corp	28,400	392,204
Allstate Corp	15,650	809,418
Alltel Corp	26,300	1,545,388
Altria Group Inc	7,300	446,030
Amdocs Ltd	57,000	1,496,250
Amerada Hess Corp	5,500	453,090
American Express Co	300	16,911
American Home Mortgage Invt Corp	27,850	953,863
American International Group Inc	7,300	479,391
American Power Conversion Corp	35,400	757,560
American Standard Cos	30,250	1,249,930
AmeriCredit Corp	39,350	962,108
Ametek Inc	16,800	599,256
Amgen Inc	11,000	705,650
Anheuser Busch Companies Inc	20,200	1,024,746
Apollo Group Inc Class A	11,400	920,094
Apple Computer Inc	5,600	360,640
Applied Materials Inc	29,000	495,900
Arch Capital Group Ltd	14,000	541,800
Arch Chemicals Inc	22,200	638,916
Arrow Electric Inc	4,800	116,640
Arvin Meritor Inc	7,700	172,249
Ashford Hospitality Trust Inc	53,890	585,784
Ask Jeeves Inc	8,900	238,075
Aspect Communications Corp	73,400	817,676
Atmel Corp	29,900	117,208
Autodesk Inc	18,500	702,075
Automatic Data Processing Inc	22,800	1,011,180
Avaya Inc	1,000	17,200
Avery Dennison Corp	33,400	2,002,998
Avid Technology Inc	6,100	376,675
Avon Products Inc	47,200	1,826,640
Aztar Corp	3,300	115,236

	Shares	Fair Value
BJs Wholesale Club	29,100	$847,683
BJ Services Co	26,900	1,251,926
BMC Software Inc	38,500	716,100
Baker Hughes Inc	4,700	200,549
Ball Corp	12,700	558,546
Bank New York Inc	36,400	1,216,488
Bank of America Corp	36,482	1,714,289
Bank of Hawaii Corp	5,800	294,292
Bard, C R Inc	12,400	793,352
Baxter International Inc	12,000	414,480
Becton Dickinson & Co	30,700	1,743,760
BellSouth Corp	63,350	1,760,497
Bemis Inc	43,100	1,253,779
Biomet Inc	8,000	347,120
Black & Decker Corp	9,200	812,636
Blockbuster Inc Class A	108,300	1,033,182
Blyth Inc	13,500	399,060
Boeing Co	17,750	918,918
Borg Warner Inc	18,200	985,894
Boston Scientific Corp	7,200	255,960
Bowater Inc	45,850	2,016,025
Bristol-Myers Squibb Co	39,400	1,009,428
Broadcom Corp	2,400	77,472
Broadwing Corp	3,820	34,800
Brooks Automation Inc	8,600	148,092
Brown Forman Corp Class B	3,300	160,644
Burlington Northern Santa Fe	6,350	300,419
CAE Inc	25,600	108,800
CEC Entertainment Inc	22,050	881,339
CMS Energy Corp	10,100	105,545
CONSOL Energy Inc	40,700	1,670,735
CP Ships Limited	44,100	632,835
CVS Corp	22,250	1,002,808
Cablevision Systems NY Group Class A	12,340	307,266
Cadbury Schweppes plc (ADR)	27,200	1,025,440
Cadence Design Systems Inc	8,400	116,004
Caesars Entertainment Inc	16,900	340,366
Cameco Corp	6,200	650,132
Campbell Soup Co	47,900	1,431,731
Capital Leasing Funding Inc	51,630	645,375
CapitalSource Inc	9,500	243,865
Career Education Corp	7,000	280,000
Celgene Corp	26,200	694,824
Centennial Cellular Corp	18,300	145,119
CenterPoint Energy Inc	3,500	39,550
CenturyTel Inc	16,000	567,520
Check Free Corp	6,300	239,904
Check Point Software Technologies Ltd	8,900	219,207
Checkpoint Systems Inc	25,400	458,470
Chesapeake Energy Corp	87,000	1,435,500
ChevronTexaco Corp	28,600	1,501,786
Cimarex Energy Co	2,695	102,141
Cincinnati Bell Inc	34,400	142,760
CINRAM Ltd	57,000	1,020,300

Domestic Equity (continued)

	Shares	Fair Value
Circuit City Stores Inc	5,600	$87,584
Cisco Systems Inc	51,500	994,980
Citigroup Inc	65,000	3,131,700
Citizens Communications	53,100	732,249
Clorox Co	10,600	624,658
CNF Transportation Inc	6,600	330,660
Coco Cola Co	1,900	79,116
Cognizant Technology Solutions	10,100	427,533
Colgate Palmolive Co	32,700	1,672,932
Comerica Inc	14,900	909,198
Commerce Bancshares Inc	18,646	936,029
Computer Assoc International Inc	6,500	201,890
Computer Sciences Corp	18,000	1,014,660
Conagra Foods Inc	19,800	583,110
Concur Technologies Inc	40,600	361,746
ConocoPhillips	8,150	707,665
Corinthian Colleges Inc	45,300	853,679
Corning Inc	15,600	183,612
Corrections Corp of America	22,200	897,990
Corus Bankshares Inc	15,800	758,558
Cost Plus Inc	13,800	443,394
Crown Media Holdings Inc	7,800	67,080
Cummins Inc	4,100	343,539
CV Therapeutics Inc	5,300	121,900
Cytyc Corp	16,100	443,877
DPL Inc	27,300	685,503
DTE Energy Co	6,950	299,754
Danaher Corp	21,000	1,205,610
Del Monte Foods Co	104,100	1,147,182
Dell Inc	18,000	758,520
Denbury Resources Inc	10,900	299,205
Deutsche Telekom	1	23
Devon Energy Corp	4,000	155,680
Direct General Corp	30,200	969,420
Dominion Resources Inc	18,600	1,259,964
Donnelley R R & Sons Co	39,493	1,393,708
Dow Chemical Co	21,000	1,039,710
Dow Jones & Co Inc	28,500	1,227,210
Dress Barn Inc	19,000	334,400
DuPont E I de Nemours & Co	30,900	1,515,645
Duke Energy Corp	22,100	559,793
Dycom Industries Inc	20,100	613,452
eBay Inc	18,400	2,140,656
EMC Corp	45,500	676,585
East West Bancorp Inc	11,800	495,128
Ecolab Inc	13,800	484,794
Edwards A G Inc	35,600	1,538,276
Elan Corp plc (ADR)	20,800	566,800
Electronic Arts Inc	12,700	783,336
Electronics for Imaging Inc	51,900	903,579
Eli Lilly & Co	7,300	414,275
EMCOR Group Inc	19,100	862,938
Emerson Electric Co	17,600	1,233,760
Encore Capital Group Inc	3,600	85,608

	Shares	Fair Value
Energen Corp	5,800	$341,910
Energy East Corp	30,367	810,192
ENSCO International Inc	24,600	780,804
Equifax Inc	2,700	75,870
Everest RE Group Ltd	10,100	904,556
Express Scripts Inc	1,700	129,948
Exxon Mobil Corp	101,650	5,210,579
Federated Investors Inc	3,300	100,320
First Data Corp	34,100	1,450,614
First Energy Corp	7,550	298,301
Fleetwood Enterprises Inc	11,100	149,406
Fluor Corp	1,400	76,314
Flushing Financial Corp	4,725	94,784
Forest Laboratories Inc	18,200	816,452
Foundry Networks Inc	65,000	855,400
Friedman Billings Ramsey	25,366	491,847
Fuller H B Co	20,100	573,051
Gap Inc	62,300	1,315,776
Gemstar TV Guide	133,000	787,360
General Electric Co	90,700	3,310,550
General Mills Inc	52,200	2,594,862
Genzyme Corp	2,600	150,982
Gilead Sciences Inc	6,000	209,940
Gillette Co	47,700	2,136,006
Global Power Equipment Group	69,700	685,848
Goldcorp Inc	28,500	428,640
Goldman Sachs Group Inc	7,650	795,906
Goodrich Corp	7,000	228,480
Goodyear Tire & Rubber Co	1,900	27,854
Gray Television Inc	1,900	29,450
Guidant Corp	16,400	1,182,440
HCA Inc	14,650	585,414
Halliburton Co	300	11,772
Harley Davidson Inc	2,800	170,100
Harman Intl Industries Inc/DE/	2,800	355,600
Harmonic Inc	16,800	140,112
Harrahs Entertainment Inc	1,300	86,957
Harsco Corp	11,900	663,306
Hartford Financial Services	12,900	894,099
Health Net Inc	14,000	404,180
Heidrick & Struggles International Inc	3,800	130,226
Heinz H J Co	45,200	1,762,348
Helmerich & Payne Inc	6,100	207,644
Hercules Inc	4,700	69,795
Hershey Foods Corp	16,300	905,302
Hewitt Associates Inc	10,600	339,306
Hewlett Packard Co	29,200	612,324
Hibernia Corp	6,800	200,668
Hillenbrand Industries Inc	10,800	599,832
Home Depot Inc	3,300	141,042
HomeBanc Corp	97,120	940,122
Honeywell International Inc	34,700	1,228,727
Hospira Inc	1,800	60,300
Houston Exploration Co	7,700	433,587

Domestic Equity (continued)

	Shares	Fair Value
Humana Inc	12,900	$383,001
Hunt, J B Transportation Services Inc	17,100	766,935
Huntington Bancshares Inc	50,300	1,244,422
IMS Health Inc	300	6,963
IPSCO Inc	10,200	487,560
ITT Educational Services Inc	18,300	870,165
IDEX Corp	10,800	437,400
Illinois Took Works Inc	3,500	324,380
Infinity Property & Casualty Co	15,700	552,640
Insight Communications Inc	60,000	556,200
Integrated Alarm Services	62,000	340,380
Intel Corp	14,200	332,138
International Business Machines Corp	22,900	2,257,482
International Game Tech	18,400	632,592
International Paper Co	31,100	1,306,200
Investment Technology Group	42,500	850,000
ITLA Capital Corp	16,100	946,519
J M Smucker Co	15,200	715,464
J P Morgan Chase & Co	36,344	1,417,779
Jefferson Pilot Corp	20,400	1,059,984
Johnson & Johnson	29,500	1,870,890
Jones Apparel Group Inc	9,400	343,758
Juniper Networks Inc	29,500	802,105
KLA - Tencor Corp	3,300	153,714
Keane Inc	20,900	307,230
Kellogg Co	25,100	1,120,966
Kerr McGee Corp	11,650	673,254
Key Energy Services Inc	22,000	259,600
KeyCorp	23,700	803,430
Kimberly Clark Corp	47,600	3,132,556
King Pharmaceuticals Inc	21,400	265,360
Knight Ridder Inc	25,600	1,713,664
Kraft Foods Inc	41,900	1,492,059
Kroger Co	45,350	795,439
La Quinta Corp	70,300	639,027
Lam Research Corp	7,600	219,716
LeapFrog Enterprises Inc	63,000	856,800
LECG Corp	23,800	443,870
Lee Enterprises Inc	6,900	317,952
Leucadia National Corp	8,000	555,840
Levitt Corp	22,500	687,825
Lexmark International Inc	11,000	935,000
Liberty Media Corp	16,328	179,281
Liberty Media International Inc	980	45,305
Linear Technology Corp	17,800	689,928
Lockheed Martin Corp	6,100	338,855
LodgeNet Entertainment Corp	9,700	171,593
Lone Star Steakhouse Saloon	18,000	504,000
MBNA Corp	24,000	676,560
MCG Capital Corp	21,800	373,434
Mair Holdings Inc	38,080	350,336
Manor Care Inc	16,100	570,423
Marriott International Inc	2,800	176,344
Martin Marietta Materials Inc	12,400	665,384

	Shares	Fair Value
Mattel Inc	81,800	$1,594,282
Maxim Integrated Products	23,700	1,004,643
May Department Stores Co	35,400	1,040,760
McGraw-Hill Cos Inc	700	64,078
McCormick & Co Inc	12,500	482,500
MeadWestvaco Corp	4,850	164,367
Mediacom Communications	181,200	1,132,500
Medimmune Inc	3,700	100,307
Medtronic Inc	22,700	1,127,509
Merck & Co Inc	31,500	1,012,410
Mercury General Corp	7,000	419,440
Meridan Resource Corp	21,900	132,495
Merrill Lynch & Co Inc	12,500	747,125
Microsoft Corp	105,000	2,805,600
Millennium Pharmaceuticals	10,292	124,945
Monster Worldwide Inc	13,800	464,232
Moody's Corp	3,100	269,235
Motorola Inc	57,750	993,300
Multimedia Games Inc	4,600	72,496
Murphy Oil Corp	11,900	957,355
Myriad Genetics Inc	11,400	256,614
NCI Building Systems Inc	17,100	641,250
NSTAR	5,300	287,684
NACCO Industries Inc	10,700	1,127,780
Nationwide Financial Services	27,900	1,066,617
Navistar International	18,500	813,630
NetBank Inc	10,274	106,952
Newell Rubbermaid Inc	62,200	1,504,618
Nextel Communications	2,800	84,028
NiSource Inc	34,600	788,188
Nike Inc	11,700	1,061,073
Nokia Corp (ADR)	72,500	1,136,075
North Fork Bancorporation	15,000	432,750
Northern Trust Corp	25,400	1,233,932
Northrop Grumman Corp	15,200	826,272
Novellus Systems Inc	7,600	211,964
NVR Inc	1,090	838,646
Omnicare Inc	10,300	356,586
P F Changs China Bistro	4,300	242,305
PNC Financial Services Corp	31,550	1,812,232
PPL Corp	21,300	1,134,864
PACCAR Inc	2,100	169,008
PacifiCare Health Systems	10,300	582,156
Pactiv Corp	9,100	230,139
Pall Corp	8,600	248,970
Peabody Energy Corp	5,500	445,005
Pepsi Bottling Group	24,900	673,296
PepsiCo Inc	11,100	579,420
Pfizer Inc	106,300	2,858,407
Pier 1 Imports Inc	38,600	760,420
Pioneer Natural Resources	11,300	396,630
Pitney Bowes Inc	4,900	226,772
PolyMedica Corp	11,900	443,751
Power Integrations Inc	17,100	338,238

Domestic Equity (continued)

	Shares	Fair Value
Precision Castparts Corp	5,200	$341,536
Pride International Inc	45,600	936,624
Procter & Gamble Co	30,000	1,652,400
Protein Design Labs Inc	12,500	258,250
Prudential Financial Inc	15,650	860,124
Public Service Enterprise Group Inc	14,800	766,196
Puget Energy Inc	24,700	610,090
Pulte Homes Inc	3,338	212,964
QLogic Corp	1,000	36,730
QUALCOMM Inc	44,100	1,869,840
Quanta Capital Holdings Ltd	59,050	544,441
Quest Diagnostics Inc	1,300	124,215
RF Micro Devices Inc	14,700	100,548
R H Donnelley Corp	4,100	242,105
RailAmerica Inc	41,000	535,050
Raytheon Co	14,300	555,269
Reliant Energy Inc	168,200	2,295,930
Renaissance RE Holdings Ltd	22,400	1,166,592
Rent-A-Center Inc	40,500	1,073,250
Republic Services Inc	8,000	268,320
RLI Corp	11,500	478,055
Robert Half International Inc	6,200	182,466
Rockwell Automation Inc	8,400	416,220
Rockwell Collins Inc	8,000	315,520
Rohm & Haas Co	22,000	973,060
Roper Industries Inc	8,300	504,391
Rowan Companies Inc	47,500	1,230,250
RAS Security Inc	16,400	328,984
Russ Berrie & Co Inc	14,700	335,748
SBC Communications Inc	70,800	1,824,516
SPX Corp	15,300	612,918
Sabre Holdings Corp	13,100	290,296
Sanmina-SCI Corp	15,000	127,050
Santarus Inc	49,400	446,576
Sappi Limited ADR	71,200	1,032,400
Sara Lee Corp	97,000	2,341,580
Saxon Capital Inc	18,770	450,292
Schering Plough Corp	17,000	354,960
Schlumberger Ltd	20,900	1,399,255
Schwab Charles Corp	92,300	1,103,908
Scientific Atlanta Inc	10,200	336,702
Sealed Air Corp	8,100	431,487
Semtech Corp	15,400	336,336
Sherwin Williams Co	26,600	1,187,158
Simon Property Group Inc	300	19,401
SLM Corp	6,900	368,391
Smith International Inc	6,700	364,547
Smurfit-Stone Container Corp	41,006	765,992
Sonoco Products Co	15,300	453,645
Southwest Bancorporation (TX)	18,600	433,194
Sovereign Bancorp Inc	26,700	602,085
Sprint Corp	52,100	1,294,685
SRA International Inc	8,500	545,700
St Jude Medical Inc	38,500	1,614,305

	Shares	Fair Value
St Paul Travelers Companies Inc	21,405	$793,483
Stanley Works	900	44,091
Starbucks Corp	30,400	1,895,744
State Street Corp	19,000	933,280
Stillwater Mining Co	7,700	86,702
Stone Energy Corp	13,300	599,697
Stryker Corp	23,800	1,148,350
Sunoco Inc	3,300	269,643
SunTrust Banks Inc	16,400	1,211,632
SUPERVALU Inc	35,000	1,208,200
Symantec Corp	55,100	1,419,376
Symbol Technologies Inc	60,000	1,038,000
Synopsys Inc	51,802	1,012,729
SYSCO Corp	3,600	137,412
TXU Corp	3,100	200,136
Target Corp	11,400	592,002
Teleflex Inc	9,200	477,848
Telephone & Data Systems Inc	7,200	554,040
Temple-Inland Inc	3,500	239,400
The Medicines Co	15,600	449,280
The Mosaic Co	11,100	181,152
The Topps Co	42,400	413,400
Thermo Electron Corp	8,800	265,672
Thomas Properties Group Inc	40,000	509,600
Time Warner Inc	30,000	583,500
Torchmark Corp	15,100	862,814
Tommy Hilfiger Corp	58,700	662,136
Tower Group Inc	50,000	600,000
Toys R Us Inc	17,400	356,178
Transaction Systems Architects Inc	27,800	551,830
Transocean Inc	31,650	1,341,644
Triad Hospitals Inc	8,400	312,564
Trinity Industries Inc	13,000	443,040
TriQuint Semiconductor Inc	28,300	125,935
U S Bancorp	28,700	898,884
UST Inc	14,300	687,973
Unifi Inc	18,000	68,940
Unilever N.V. (ADR)	19,900	1,327,529
UnitedGlobalCom Inc	25,832	249,537
United Health Group	14,800	1,302,844
United Online Inc	28,300	326,299
United Parcel Service Inc	11,900	1,016,974
United States Cellular Corp	6,600	295,416
United States Steel Corp	12,300	630,375
United Technologies Corp	1,300	134,355
Universal Health Services Inc	17,400	774,300
Unocal Corp	19,350	836,694
USA Mobility Inc	29,425	1,038,997
USF Corp	14,600	554,070
Valspar Corp	4,400	220,044
Varian Semiconductor	10,400	383,240
Vasogen Inc	9,100	46,228
Verizon Communications Inc	56,600	2,292,866
Vishay Intertechnology Inc	14,600	219,292

Domestic Equity (continued)

	Shares	Fair Value
Wabtec Corp	26,100	$556,452
Wachovia Corp	19,950	1,049,370
Waddell & Reed Financial Inc	22,100	527,969
Wal-Mart Stores Inc	29,300	1,547,626
Walgreen Co	400	15,348
Washington Federal Inc	33,557	890,603
Washington Mutual Inc	44,200	1,868,776
Waste Connections Inc	11,250	385,313
Waters Corp	12,000	561,480
Watson Pharmaceuticals Inc	20,800	682,448
Wells Fargo & Co	18,400	1,143,560
Western Wireless Corp	10,200	298,860
Westwood One Inc	15,400	414,722
Whirlpool Corp	3,000	207,630
Williams Sonoma Inc	8,900	311,856
Wintrust Financial Corp	9,700	552,512
Wrigley, William Jr Co	14,500	1,003,255
Wyeth	36,400	1,550,276
Xilinx Inc	10,900	323,403
XOMA Limited	20,800	53,872
YAHOO! Inc	26,800	1,009,824
Young Broadcasting Inc	5,800	61,248
Yum! Brands Inc	6,400	301,952
Zale Corp	16,800	501,816
Zenith National Insurance Corp	13,000	647,920
Zimmer Holdings Inc	16,800	1,346,016
Zions Bancorporation	18,900	1,285,767
Total Securities	10,511,938	$319,248,713

S&P 500	$41,642,462
Russell 2500	12,459,725
Total Indexed Funds	$54,102,187

Total Domestic Equity	$373,350,900

Summary Schedule of Investment Manager Fees

Year Ending December 31, 2004

Manager	Assets Managed, 12/31/04	Fees
Bank of Ireland Asset Management	--	$201,516
Brandywine Asset Management	$59,803,659	340,126
DePrince, Race & Zollo, Inc.	61,607,471	313,402
Eubel, Brady & Suttman	19,015,305	82,340
Fidelity Management Trust Company	7,364,650	108,043
HPRS Internal Staff (real estate)	6,600,000	--
INTECH	72,893,334	324,073
JPMorgan Fleming Asset Management	58,092,798	356,641
MacKay-Shields Financial Corporation	55,001,326	227,261
SSR Realty Advisors, Inc.	16,960,680	186,024
Munder Capital Management	108,171,379	161,870
Oak Associates	17,140,380	57,734
Pinnacle Associates LTD.	12,606,033	62,595
State Street Global Advisors	40,635,998	17,608
Timbervest	22,164,716	160,088
Western Asset	35,218,879	126,846
Westfield Capital Management	22,187,669	201,545
World Asset Management	55,710,134	14,621
Total	$671,174,411	$2,942,333

Summary Schedule of Broker Fees

Year Ending December 31, 2004

Brokers	Fees	Shares	Average Cost
Abel Noser	$11,663	583,160	$0.020
BNY Brokerage Inc	3,491	232,700	0.015
Capital Institutional Services	73,682	4,887,631	0.015
Citigroup Global Markets Inc	51,798	1,896,610	0.027
Deutsche Bank Alex Brown Inc	4,440	222,000	0.020
Donaldson & Co	36,938	2,465,617	0.015
Friedman, Billings & Ramsey	4,931	405,280	0.012
Goldman Sachs	11,358	623,000	0.018
Guzman & Co	3,371	174,100	0.019
Instinet	6,562	328,100	0.020
Jefferies & Co	12,255	607,740	0.020
Prudential Equity Group	6,210	281,200	0.022
Rosenblatt Securities Inc	11,770	588,520	0.020
UBS Securities LLC	4,654	236,600	0.020
Weeden & Co	9,142	457,100	0.020
Other	5060	1526200	0.003
Total	$257,325	15,515,558	$0.017

Investment Objectives, Policies, and Guidelines

Objectives

1. The purpose of this Investment Policy statement is to comply with the directive of Ohio Revised Code Section 5505.06, wherein the Board of Trustees is to adopt public "policies, objectives or criteria for the operation of the investment program." As such, this statement is intended to provide general guidelines within which the Board may take full advantage of its investment authority pursuant to ORC Section 5505.06, while complying with its fiduciary responsibility. This statement is not intended to restrict the Board from consideration of all lawful and legal investment opportunities.

2. The primary objective of the Highway Patrol Retirement System is to provide eligible members with scheduled pension benefits. Although the fund is not governed by the Employees Retirement Income Security Act of 1974 (ERISA), the basic provisions contained in that Act are recognized and will serve as guidance to the management of this fund. In particular, the *prudent person* guidelines are to be followed with regard to the investment management of the fund. These guidelines require that the Board and other system fiduciaries exercise the 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 with like aims.

3. A secondary objective of the fund is to maintain a sufficient degree of liquidity in order to meet unanticipated demands and changing environments.

4. Consistent with prudent standards for preservation of capital and maintenance of liquidity, the goal of the fund is to earn the highest possible rate of return consistent with the fund's tolerance for risk as determined periodically by the Board in its role as a fiduciary. This objective should ensure adequate funds to meet scheduled benefits while maintaining level contributions.

5. In meeting these objectives, the Board will give consideration to investments that enhance the welfare of the State of Ohio, and Ohio citizens, where such investments offer safety and quality of return comparable to other investments currently available. Equal consideration will be given to investments otherwise qualifying under this section that involve minority-owned and controlled firms, or firms owned and controlled by women, either alone or in joint venture with other firms.

Policies

1. Diversification of assets will ensure that adverse or unexpected results from a security class will not have a detrimental impact on the entire portfolio. Diversification is interpreted to include diversification by asset type, performance and risk characteristic, number of investments, and by investment style of management organizations.

   These guidelines may be implemented through specific directions or instructions to investment managers, and those directions or instructions may contain other more specific restrictions on diversification of assets by percentage holdings, by quality, or other factors.

2. Asset classes and ranges considered appropriate for investment of fund assets are to be determined by the Board in accordance with these investment guidelines.

3. Assignment of responsibilities for each asset category (components of each asset category) may be assigned to one or more management firms that may be "specialty" managers (i.e., managing only one type of asset class).

4. The Board shall, at least annually, establish a policy with the goal to increase utilization of Ohio-qualified investment managers, when an Ohio-qualified investment manager offers quality, services, and safety comparable to other investment managers otherwise available.

5. The Board shall, at least annually, establish a policy with the goal to increase utilization of Ohio-qualified agents for the execution of domestic equity and fixed income trades on behalf of the retirement system, when an Ohio-qualified agent offers quality, services, and safety comparable to other agents otherwise available.

Investment Guidelines for Specific Asset Classes

In order to achieve the return objectives, the fund will employ the following investment strategies:

1. U.S. equities will represent from 43 to 53 percent of the market value of total fund assets with a targeted average of 48 percent. The term "equities" includes common stock, convertible bonds, and convertible stock.

2. Non-U.S. equities will represent from 10 to 20 percent of the market value of total fund assets with a targeted average of 15 percent.

3. Real estate may represent 7 to 17 percent of total fund assets with a targeted average of 12 percent.

4. U.S. fixed income obligations, including cash, will represent from 20 to 30 percent of the market value of total fund assets with a targeted average of 25 percent. Intermediate-term bonds may include contractual payments, preferred stocks, and bonds with a maturity date greater than one year and less than or equal to ten years. Long-term bonds have a maturity date greater than ten years.

Asset Allocation

As the result of an asset allocation study, the following was adopted as part of the system's overall Investment Policy in December 2004:

1. Short-Term Investments.

When investing cash balances in order to provide effective cash management, emphasis will be placed on the protection of principal through the purchase of high-quality money market instruments, including money market open-end mutual funds, while attempting to achieve the highest available return.

Daily cash balances may be invested through the HPRS custodian, under contract with the office of the Treasurer of State of Ohio.

2. Fixed Income Investments.

The core bond portfolio will be diversified as to type of security, issuer, coupon, and maturity. Qualifying bonds, at the time of purchase, must be rated as investment-grade by at least two nationally-recognized bond rating services. Generally, the average maturity of the fixed income portfolio will be ten years or less, although individual securities may be longer.

An alternative bond portfolio may invest in (1) high-yield or other non-investment-grade bonds, (2) non-United States bonds, and (3) bonds issued by emerging countries.

No more than ten percent of the fixed income portfolio is to be invested in the securities of any one issuer, and no more than five percent in any one issue, with the exception of U.S. government securities. Diversification of the bond portfolio will be accomplished by investing in U.S. government bonds and U.S. agency bonds, and/or domestic corporate bonds.

Investment contracts with bond managers will delineate the limitations placed on investments, as described above.

3. Equities.

Equities may include common stock, preferred stock, and securities convertible into common stock. Equities must comply with the *prudent person* standard.

4. Real Estate.

Real estate and related securities permitted under Ohio Revised Code Section 5505.06 include improved or unimproved real property, mortgage collective investment funds (Real Estate Investment Trusts or Real Estate Funds), notes secured by real property, mortgage-backed bonds, and pass-through securities backed by mortgages.

The real estate portfolio will be constructed and managed to –

- provide sufficient diversity to protect against adverse conditions in any single market sector,
- provide diversity among geographical locations, property types, and property sizes,
- provide relatively stable returns consistent with the overall U.S. commercial real estate market,
- provide a strong current income stream with the potential for long-term principal growth,
- primarily contain fully developed, fully leased properties, and
- minimize the use of debt financing.

5. International Securities.

Pursuant to Ohio Revised Code Section 5505.06, both equity and fixed international securities are permitted investments. The fund may invest in securities issued by sovereign governments and corporations.

Performance

Comparative performance measurement of the total fund and its components will be conducted quarterly to insure that fund managers are providing added value to the general market values. Total equity returns are expected to exceed the S&P 500 benchmark (generally accepted as the "market") by 1% annually over a market cycle (generally three to five years). In addition, equity managers will be expected to exceed the median of their peer group as measured by style and capitalization. Small/mid capitalization managers are expected to exceed the Russell 2500 benchmark or some comparable benchmark by 1% annually over a market cycle. Fixed income returns are expected to exceed their individual benchmark, such as the Lehman Government Corporate or Lehman Aggregate for long duration managers, and Lehman Intermediate Government Corporate for intermediate duration managers, or short benchmarks as appropriate.

International managers will be measured against suitable international benchmarks such as EAFE (Europe, Australia, and the Far East). Real estate managers will be compared to suitable real estate benchmarks such as the NCREIF.

Over a market cycle, the total fund return is expected to exceed the following benchmarks:

- A minimum return target of 8 percent, representing the fund's actuarial assumption, and also representing the long-term inflation rate of 3 percent plus a risk premium of 5 percent.
- A composite reference fund comprised of 40 percent S&P 500 Index, 20 percent Russell 2500 Index, 20 percent Lehman Brothers Aggregate Index, 10 percent MSCI EAFE Index, and 10 percent NCREIF Classic Index. Results of each asset class will also be compared to the relevant market index.

Investment Responsibilities

The Board recognizes that its role is supervisory, and that discretion is delegated to the investment managers who must adhere to the general guidelines established by the Board. The primary role of the Board is to –

- establish performance goals,
- identify and review appropriate investment policy and guidelines,
- retain outside investment and actuarial counsel, and
- review the results of the fund on a regular basis, and implement changes in the investment policies, objectives, asset allocation, and investment managers as needed.

Annual Review

In light of rapid changes in the capital markets and in investment management techniques, these guidelines will be reviewed by the Board on an annual basis. Changes and exceptions to these guidelines may be made at any time with the approval of the Board.

Revised, June 16, 2005
Revised, June 26, 2003
Revised, November 15, 2001
Revised, June 22, 1999
Revised, March 13, 1997
Adopted and approved, September 7, 1994
Revised, June 29, 1994
Revised, September 5, 1990
Revised, June 1, 1988
Adopted and approved, June 11, 1986

Actuarial Section

GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

One Towne Square ● Suite 800 ● Southfield, Michigan 48076 ● 248-799-9000 ● 800-521-0498 ● fax 248-799-9020

June 10, 2005

The Retirement Board
Ohio State Highway Patrol Retirement System
6161 Busch Boulevard, Suite 119
Columbus, Ohio 43229

Dear Board Members:

The basic financial objective of the Highway Patrol Retirement System (HPRS) is to establish and receive contributions which:

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

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of December 31, 2003.

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

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

Actuarial Section

Summary of Assumptions

Funding Method, Asset Valuation Method, Interest Rate

Payroll Growth

Probabilities of Age & Service Retirement

Probabilities of Separation from Active Employment Before Age & Service Retirement

Health Care and Medicare

Short-Term Solvency Test

Recent Experience in the Health Care Fund

Membership Data

Analysis of Financial Experience

Supplementary Schedules

Schedule of Funding Progress

Schedule of Employer Contributions

Notes to Trend Data

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

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The assumptions used in the December 31, 2003 valuation were based upon a study of experience during the years 1995-99.

Investment return during 2003 was greater than assumed levels for HPRS, and helped to offset scheduled losses from prior years. The actuarial value of assets is now only 2% above the market value, compared with 20% one year ago, which indicates that prior investment losses have almost been completely recognized. However, partly due to the recognition of prior investment losses, the pension amortization period as of December 31, 2003 increased to 40 years from the prior 32 year figure. (The Board has since adopted an increase in the pension contribution rate to 22.00% effective July 1, 2005. In addition, the maximum retirement age has been increased to age 60 effective September, 2004. The combination of these two items reduces the computed amortization period as of December 31, 2003 to 29 years.) Experience in the Retiree Health Plan has improved, but continues to be cause for concern. Rapidly escalating health care costs, coupled with successive years of disappointing investment results are likely to lead to further restructuring of the Plan.

Based upon the results of the December 31, 2003 valuations, we are pleased to report to the Board that the Highway Patrol Retirement System of Ohio is meeting its basic financial objective with respect to pensions and continues in sound condition in accordance with actuarial principles of level percent of payroll financing. It is, however, important for HPRS as well as for most other retirement systems in the country that investment return continues at rates equal to or above assumed levels, and that retiree health costs begin to moderate. Continued cost containment efforts can have a positive effect on the Retiree Health Plan.

Respectfully submitted,

Brian B. Murphy, F.S.A., M.A.A.A.   Mita D. Drazilov, A.S.A., M.A.A.A.

BBM:mdd:dks

GABRIEL, ROEDER, SMITH & COMPANY

Summary of Assumptions

After consulting with the actuary, these assumptions have been adopted by the Highway Patrol Retirement System Board of Trustees, effective January 1, 2003.

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

Asset Valuation Method. The asset valuation method recognizes assumed investment income fully each year. Differences between actual and expected investment income are phased in over a closed four-year period.

Interest Rate. The investment return rate used in making valuations was 8.0% per year, compounded annually (net after administration expenses).

Payroll Growth. Base pay increases are assumed to be 4.0% annually, attributable to broad economic effects such as inflation and real wage growth. Additional merit and seniority increases are assumed as follows:

Service Years	Merit & Seniority	Base (Economic)	Total
0-4	3.7%	4.0%	7.7%
5-9	2.0	4.0	6.0
10-14	1.5	4.0	5.5
15 +	0.3	4.0	4.3

Health Care. Premiums are assumed to increase 4.0% annually. All retirees are assumed to receive a joint and survivor pension benefit. Medicare reimbursement is assumed to remain constant at $66.60 per month.

Medicare. Benefit recipients were assumed to be eligible for Medicare at age 65.

Other Assumptions.

Probabilities of Age & Service Retirement

Percentage of Eligible Members Retiring Within Next Year

Retirement Ages	Unreduced Benefit	Reduced Benefit
48	40%	2%
49	35	2
50	25	2
51	30	2
52	25	--
53	25	--
54	40	--
55 +	100	--

Postemployment mortality is based on the 1983 Group Annuity Mortality Male and Female Tables.

Rates of separation from active service before retirement are developed on the basis of actual plan experience.

Probabilities of Separation from Active Employment before Age & Service Retirement

Percentage of Active Members Separating Within Next Year

Sample Age	Disability	Death Men	Death Women	Other
20	0.08%	0.02%	0.01%	2.57%
25	0.08	0.02	0.01	2.24
30	0.23	0.03	0.02	1.91
35	0.42	0.04	0.02	1.56
40	0.70	0.06	0.03	0.84
45	0.85	0.11	0.05	0.41
50	1.13	0.20	0.08	0.15
55	1.32	0.31	0.13	0.00

Short-Term Solvency Test. The HPRS financing objective is to pay for benefits through contributions that remain approximately level from year to year as a percentage of member payroll. If the contributions to the system are level in concept and soundly executed, the system will pay all promised benefits when due - the ultimate test of financial soundness.

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (cash and investments) are compared with (1) active member contributions on deposit, (2) the liabilities for future benefits to present retired lives, and (3) the liabilities for service already rendered by active members. In a system that has been following the discipline of level percent financing, the liabilities for active member contributions on deposit (1) and the liabilities for future benefits to present retired lives (2) will be fully covered by present assets, except in rare circumstances. In addition, the liabilities for service already rendered by active members will be partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funded portion of column 3 will increase over time.

Accrued Liabilities and Assets Allocated to Retirement, Survivor, and Disability Allowances

Year	(1) Active Member Contributions	(2) Retirees, Beneficiaries & Vested Deferreds	(3) Active Members (Employer Financed Portion)	Valuation Assets	Percentage of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
1998	53,797,385	291,066,407	188,092,953	509,859,924	100	100	88
1999▲	55,558,145	333,340,728	188,111,212	546,510,779	100	100	84
2000►	59,455,707	358,422,165	176,344,731	570,039,631	100	100	86
2001	63,969,216	374,228,361	198,517,881	551,279,438	100	100	57
2002►	68,794,904	391,098,788	203,176,113	527,604,456	100	100	33
2003	73,358,075	412,818,959	216,621,983	545,981,513	100	100	28

▲ Plan Amendment
► Assumption or method change

Postemployment Health Care and Medicare Reimbursement

Year	Covered Lives	Med. B Reimb.	Medical	Prescriptions	Unallocated	Total Costs	Cost per Covered Life	Payroll	% of Payroll
1998	1,602	171,223	2,147,334	1,122,248	(311,917)	3,128,888	1,953	65,153,864	4.8
1999	1,772	197,606	3,315,914	1,364,990	619,894	5,498,404	3,103	66,017,381	8.3
2000	1,848	203,157	3,190,885	1,684,300	(358,082)	4,720,260	2,554	69,028,285	6.8
2001	1,900	231,045	3,730,167	1,960,825	257,059	6,179,096	3,252	76,344,002	8.1
2002	1,943	260,772	4,147,534	2,431,297	185,440	7,025,043	3,616	78,997,065	8.9
2003	1,912	290,506	4,256,046	2,681,414	(46,837)	7,181,129	3,756	81,737,962	8.8

Active Member Data

Year Ending December 31	Active Members	Annual Payroll	Average Annual Salary	% Increase in Average Pay
1998	1,446	65,153,864	45,058	4.6
1999	1,445	66,017,381	45,687	1.4
2000	1,489	69,028,285	46,359	1.5
2001	1,520	76,344,002	50,226	8.3
2002	1,548	78,997,065	51,032	1.6
2003	1,542	81,737,962	53,008	3.9

Retiree and Beneficiary Data

	Added to Rolls		Removed from Rolls		Rolls at End of Year		Increase in	Average
Year Ending December 31	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Annual Allowances	Annual Allowances
1998	96	3,427,377	20	205,641	1,060	22,969,092	16.3	21,669
1999	82	2,930,342	19	417,782	1,123	25,481,652	10.9	22,691
2000	78	2,640,298	27	516,382	1,174	27,605,568	8.3	23,514
2001	53	2,177,124	20	258,996	1,207	29,523,696	6.9	24,460
2002	55	2,211,612	31	498,012	1,231	31,237,296	5.8	25,376
2003	48	2,356,620	26	352,128	1,253	33,241,788		26,532

Analysis of Financial Experience

Gains and Losses in Pension Accrued Liabilities Resulting from Differences Between Assumed Experience and Actual Experience

Type of Activity	Gain (or Loss) for Year 2003	Gain (or Loss) for Year 2002
Age & Service Retirements. If members retire at older ages or with lower final average pay than assumed, there is a gain. If younger ages or higher average pays, a loss.	$360,013	$231,811
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	922,921	886,041
Death-in-Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, a loss.	(61,743)	(61,175)
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	16,440	(135,024)
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	544,991	2,461,513
Contribution Income. If more contributions are received than expected, there is a gain. If less, a loss.	0	0
Investment Income. If there is greater investment income than assumed, there is a gain. If less income, a loss.	(14,482,283)	(58,251,719)
Other. Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, valuation methods, and other events.	(4,693,807)	1,946,039
Gain (or Loss) During Year From Financial Experience	($17,393,468)	($52,922,514)
Non-Recurring Items. Adjustments for benefit and assumption changes.	0	5,536,127
Composite Gain (or Loss) During Year	($17,393,468)	($47,386,387)

Plan Summary

Purpose

The Highway Patrol Retirement System (HPRS) was created by the Ohio General Assembly in 1944 for the purpose of providing retirement and survivor benefits for its participants and beneficiaries.

Administration

The general administration and management of the Highway Patrol Retirement System are vested in the Highway Patrol Retirement System Board of Trustees under Ohio Revised Code Chapter 5505. The eleven-member Board consists of the Superintendent of the State Highway Patrol, three appointed members, five elected active members, and two elected retired members.

The appointed members are designated by the Governor, the Treasurer of State, and the legislature.

The active members are elected to four-year terms by members of the plan. Any contributing member is eligible to become an active member candidate, and all contributing members are eligible to vote in the active member election process. Any retiree who is an Ohio resident, and who has not served as a statutory or active member of the Board during the past three years, is eligible to become a retired member candidate. All retirees are eligible to vote in the retired member election process.

The Superintendent of the State Highway Patrol serves by virtue of the office held. The legal advisor of the Retirement Board is the Attorney General of the State of Ohio. A chairperson and vice chairperson are elected by the Board annually. All regular Board meetings are considered to be public meetings. The members of the Board serve without compensation, but are not expected to suffer any loss because of absence from regular employment while engaged in official Board duties, and are reimbursed for actual and necessary expenses.

Employer Contributions

State statute requires that the Board certify the employer contribution rate to the Office of Budget and Management on even-numbered years. The employer rate may not be lower than the member rate, nor may it exceed three times the member rate.

Member Contributions

All members of the HPRS, through payroll deductions, must contribute the percentage of their regular salary established by law. Individual member accounts are maintained by the HPRS and the amount contributed is refundable upon termination of employment.

Service Credit

Additional service credit may be purchased at any time prior to retirement if the service is (1) prior Highway Patrol Service, (2) military service, (3) prior full-time service as a contributing member of the Ohio Police & Fire Pension Fund, State Teachers Retirement System of Ohio, School Employees Retirement System of Ohio, Ohio Public Employees Retirement System, or the Cincinnati Retirement System. Prior full-time contributing service credit and member contributions may also be transferred directly from Ohio Public Employees Retirement System to HPRS. The following types of service credit may be used to meet the maximum number of years of service necessary to qualify for unreduced pension benefits: (1) military service pursuant to the Uniformed Services Employment and Re-employment Rights Act of 1994, (2) Ohio Police & Fire Pension Fund, and (3) contributing service in Ohio Public Employees Retirement System as a cadet at the Highway Patrol Training Academy.

Retirement

Service Retirement. A member is eligible to receive a service pension upon retirement from active service by (1) attaining age 52 and accumulating at least 20 years of Highway Patrol service credit or (2) attaining age 48 and accumulating at least 25 years of service credit. Benefit payments become effective the day following the last day of employment and are payable monthly throughout the retiree's lifetime.

Reduced Retirement. From ages 48 through 51, a member who has accumulated at least 20 but less than 25 years of service credit, may retire and be eligible to receive a lifetime reduced pension based on the following schedule:

Age	Reduced Pension
48	75 percent of normal service pension
49	80 percent of normal service pension
50	86 percent of normal service pension
51	93 percent of normal service pension

The election to receive a reduced pension may not be changed once a retiree has received a payment.

Deferred Retirement. In order to maximize pension benefits, a member who becomes eligible to receive a pension may elect deferred retirement benefits.

Resignation or Discharge. A member who voluntarily resigns or is discharged from the State Highway Patrol for any reason other than dishonesty, cowardice, intemperate habits, or conviction of a felony, and who has accumulated at least 15 but less than 20 years of total service credit, receives a pension equal to one and one-half percent of the final average salary, multiplied by the number of years of service. This pension becomes payable at age 55.

Disability Retirement. A member who retires as the result of a disability incurred in the line of duty receives a pension of not less than 61.25 percent, nor more than 79.25 percent, of the final average salary. A member who retires as the result of a disability that was not incurred in the line of duty receives a pension of not less than 50 percent, nor more than 79.25 percent, of the final average salary.

Payment Plans

Benefit payments vary in amount depending on the member's age, length of service, final average salary, and payment plan selection. The final average salary, which includes base pay, longevity, hazard duty, shift differential, and professional achievement pay, is determined by computing the average of the member's three highest years of salary.

Each member may select from the following three retirement payment plans:

Plan 1 -- Single Life Annuity. This plan pays the highest monthly amount; however, it is limited to the lifetime of the retiree. The pension benefit is calculated by multiplying the computed pension factor by the final average salary. The pension factor is computed by multiplying the number of years of service for years 1 through 20 by 2.5 percent, for years 21 through 25 by 2.25 percent, and for years 26 through 34 by 2.0 percent. A pension may not exceed 79.25 percent of the member's final average salary. Members approved for disability retirement may only receive the single life annuity.

Plan 2 -- Joint and Survivor Annuity. This plan is the actuarial equivalent of a single life annuity and is likewise limited to the lifetime of the retiree; however, the payment is reduced because it is based on the combined life expectancies of the retiree and the designated beneficiary. Survivor benefits are paid in addition to the amounts under this plan.

Plan 3 -- Life Annuity Certain and Continuous. This plan is an annuity, payable for a guaranteed period. If the retiree dies before the end of the guaranteed period, the pension amount is paid to the designated beneficiary for the remainder of the specified period. Survivor benefits are paid in addition to the amounts under this plan.

Partial Lump Sum (PLUS) Distribution. In addition to selecting one of the three retirement payment plans, a retiree may elect to receive a lump sum cash payment, either as a taxable distribution, or as a rollover to a tax-qualified plan. As a result, the retiree will receive a reduced monthly pension for life. To be eligible for a PLUS distribution, a retiree must have attained age 51 with at least 25 years of total service, or age 52 with at least 20 years of total service. The lump sum amount may not be less than six times the monthly single life pension and not more than sixty times the monthly single life pension.

Survivor Benefits

Survivor benefits are paid to eligible survivors of deceased members and retirees of the Highway Patrol Retirement System.

If a member was not eligible for a retirement pension at the time of death, the surviving spouse receives a monthly survivor benefit of $900.

The surviving spouse of a deceased retiree, or of a member who was eligible to receive a retirement pension at the time of death, receives a monthly benefit of $900 or one-half the monthly pension, whichever is greater.

Each surviving dependent child receives $150 monthly until age 18, or if a full-time college student, until age 23.

Health Care

A comprehensive Preferred Provider medical health care plan is currently offered to all benefit recipients and their dependents. Benefit recipients have the choice of selecting one of two offered networks. In addition, benefit recipients may elect to cover spouses and dependent children by authorizing the appropriate premium deduction.

Dental and vision coverage is also available to benefit recipients and dependent children. The Board, which has the authority to implement changes, annually evaluates the premiums and plan design.

Medicare

Benefit recipients who submit proof of Medicare Part B coverage are reimbursed for their basic Part B premium, up to $66.60 monthly.

Cost of Living

At age 53 and thereafter, retirees receive an annual cost of living adjustment (COLA) equal to 3.0%. Survivor benefit recipients are eligible for a COLA increase after receiving benefits for twelve months. Disability benefit recipients are eligible for a COLA increase after receiving benefits for sixty months, or at age 53, whichever occurs first.

Death After Retirement

Upon the death of a retiree, a lump sum payment of $5,000 is paid to the surviving spouse, or to the retiree's estate if there is no surviving spouse.

Statistical Section

Additions by Source

Pension Benefits

Year	Member Contributions	Employer Contributions	Net Investment Income▲	Transfers from Other Systems	Total
1997	$6,146,774	$12,236,515	$66,159,004	$330,119	$84,872,412
1998	6,573,762	13,101,039	13,029,413	503,509	33,207,723
1999	6,708,497	13,569,730	33,612,434	444,135	54,334,796
2000	6,954,301	13,210,189	(14,120,288)	925,998	6,970,200
2001	7,042,044	13,901,313	(17,920,157)	999,380	4,022,580
2002	7,563,173	14,923,893	(42,921,956)	999,176	(19,435,714)
2003	8,136,974	16,361,339	105,112,725	763,419	130,374,457
2004	8,192,944	17,205,610	63,191,361	856,496	89,446,411

Other Postemployment Benefits

Year	Employer Contributions	Net Investment Income▲	Total
1997	$2,543,372	$11,536,686	$14,080,058
1998	2,687,150	1,396,472	4,083,622
1999	2,783,534	6,878,890	9,662,424
2000	3,346,581	(3,114,980)	231,601
2001	3,521,665	(2,900,183)	621,482
2002	3,780,715	(6,673,383)	(2,892,668)
2003	3,395,749	18,885,722	22,281,471
2004	2,867,602	12,051,961	14,919,563

Deductions by Type

Pension Benefits

Year	Benefits	Refunds	Transfers to Other Systems	Administrative	Total
1997	$18,683,246	$231,705	$98,810	$704,542	$19,718,303
1998	21,539,636	164,054	281,606	648,144	22,633,440
1999	24,324,038	529,654	196,414	449,167	25,499,273
2000	27,042,946	363,067	904,972	549,168	28,860,153
2001	29,457,281	306,452	448,381	524,922	30,737,036
2002	31,325,089	266,137	1,054,264	462,200	33,107,690
2003	33,074,853	386,931	789,387	559,052	34,810,223
2004	35,187,531	155,989	602,345	518,834	36,464,699

Other Postemployment Benefits

Year	Health Care	Administrative	Total
1997	$2,499,178	$122,856	$2,622,034
1998	3,128,888	114,378	3,243,266
1999	5,498,402	78,854	5,577,256
2000	4,720,260	95,423	4,815,683
2001	6,179,096	90,422	6,269,518
2002	7,025,043	78,635	7,103,678
2003	7,181,129	93,769	7,274,898
2004	6,948,650	86,031	7,034,681

▲ Effective 1997, net investment income reflects adjustments to fair value.

Average Monthly Benefit Amount by Type

Year	Service	Disability	Survivor	Total
1995	$1,672	$1,265	$605	$1,434
1996	1,785	1,364	776	1,540
1997	1,941	1,438	808	1,672
1998	2,086	1,583	841	1,806
1999	2,183	1,757	858	1,891
2000	2,254	1,862	861	1,960
2001	2,379	1,984	880	2,038
2002	2,475	2,037	906	2,115
2003 ◙	2,577	2,116	932	2,211

◙ 2003 is the latest actuarial evaluation.

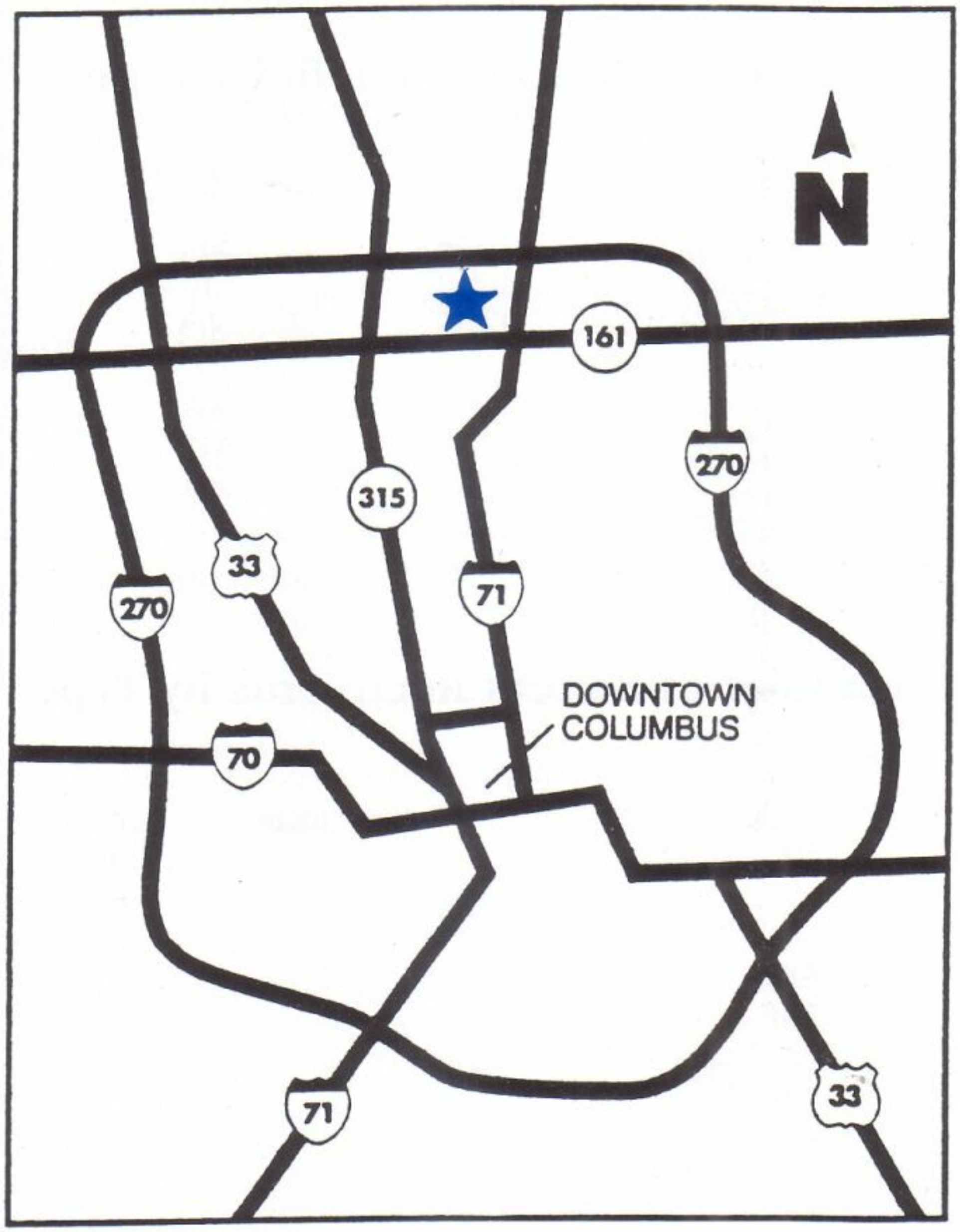
Number of Benefit Recipients by Type

Year	Service Retirement	Disability Retirement	Deferred Retirement	Survivor Benefits	Total
1995	617	39	12	170	838
1996	664	44	8	203	919
1997	725	44	9	215	993
1998	793	45	6	219	1,063
1999	833	57	4	230	1,124
2000	858	65	3	249	1,175
2001	879	73	7	255	1,214
2002	891	74	6	262	1,233
2003	913	78	4	257	1,252
2004	937	83	6	260	1,286

Benefit Expenses by Type

Year	Health Care	Service ◊	Disability	Survivor	Total
1995	$1,959,225	$11,771,088	$533,619	$1,301,310	$15,565,242
1996	2,022,608	13,596,871	633,663	1,689,614	17,942,756
1997	2,499,178	15,830,921	785,875	2,065,619	21,181,593
1998	3,128,888	18,497,476	855,775	2,177,384	24,659,523
1999	5,498,404	22,094,306	1,139,917	1,089,813	29,822,440
2000	4,720,260	23,015,278	1,407,201	2,620,466	31,763,205
2001	6,179,096	24,891,330	1,605,426	2,961,525	35,637,377
2002	7,025,043	26,354,819	1,828,394	3,141,877	38,350,133
2003	7,181,129	27,826,812	1,875,919	3,186,291	40,070,152
2004	6,948,650	29,743,167	2,051,805	3,258,253	42,001,875

◊ Includes reduced, early retirement, & death benefits.



Highway Patrol Retirement System
6161 Busch Boulevard, Suite 119
Columbus, Ohio 43229-2553
Telephone 614-431-0781
Fax 614-431-9204
e-mail system@ohprs.org
www.ohprs.org

Office Hours: 8:00 am to 4:30 pm

One block west of Interstate 71 on State Route 161, drive north on Busch Boulevard. Turn left at the first traffic light, Shapter Avenue. Turn right into the entrance.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

HIGHWAY PATROL RETIREMENT SYSTEM

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 14, 2005