Ohio Police & Fire Pension Fund

2007 Comprehensive Annual Financial Report

For the year ending December 31, 2007

Ohio Police & Fire Pension Fund

www.op–f.org

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Ohio Police and Fire Pension Fund, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 8, 2008

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

This Page is Intentionally Left Blank.

Comprehensive Annual Financial Report

For the year ending December 31, 2007

Prepared through the combined efforts of OP&F staff.

Ohio Police & Fire Pension Fund
140 East Town Street • Columbus, Ohio 43215
www.op-f.org • 800-860-9599

This Page is Intentionally Left Blank.

Table of Contents

Introductory Section

Board of Trustees ii
Administrative Staff....iii
Professional Consultants....iii
Certificate of Achievement Award....v
Letter of Transmittal....vi

Financial Section

Independent Auditor's Report 2
Management's Discussion and Analysis (unaudited)....4

Basic Financial Statements

Statements of Fiduciary Net Assets 8
Statements of Changes in Fiduciary Net Assets 10
Notes to Basic Financial Statements 12

Required Supplementary Information

Notes to Required Supplementary Information 28
Schedule of Funding Progress....29
Schedule of Contributions from Employers and Other Contributing Entities....29

Additional Information

Schedule of Administrative Expenses....30
Schedule of Investment Expenses....30

Investment Section

Investment Report 33
Investment Portfolio Summary....40
Schedule of Investment Results....41
Investment Consultants and Money Managers 42
Schedule of Brokers' Fees Paid....43
Investment Policy and Guidelines....44

Actuarial Section

Report of Actuary....59
Description of Actuarial Assumptions and Methods....61
Gains and Losses in Accrued Liabilities....66
Short–Term Solvency Test....67
Plan Summary....68

Statistical Section

Financial Trends 73
Revenue Capacity Information....78
Debt Capacity Information....85
Demographic and Economic Information 85
Operating Information 86
Death Benefit Fund....87

Board of Trustees

Board of Trustee Members

Back row, left to right

- Edward L. Montgomery, Columbus Police, term began on 6/2/2008, expires on 6/3/2012
- Kathy Harrell, Cincinnati Police, term began on 06/4/2007, expires on 6/5/2011
- William Gallagher, Retired, Cleveland Police, term began on 6/2/2008, expires on 6/3/2012
- David L. Gelbaugh, Investment Member, appointed by the Treasurer of State, term began on 2/21/2005, expires on 12/1/2008

Front row, left to right

- Lawrence G. Petrick, Jr., Chair, Shaker Heights Fire, term began on 6/2/2008, expires on 6/3/2012
- Scott K. Maynor, Lyndhurst Fire, term began on 6/5/2006, expires on 6/4/2010
- William Deighton, Vice Chair, Retired, Cleveland Fire, term began on 6/4/2007, expires on 6/5/2011
- Gerald R. Williams, Investment Member, appointed by the Ohio Senate and House of Representatives, term began on 2/21/2005, expires on 11/4/2008
- Robert H. Baker, Investment Member, appointed by the Governor, term began on 9/29/2004, expires on 9/28/2008

About The Board Of Trustees

Ohio law provides for the Ohio Police & Fire Pension Fund Board of Trustees to be comprised of nine members. There are six employee members elected to four–year terms by their respective member groups: two representatives of police departments, two representatives of fire departments, one retired firefighter and one retired police officer. The Board also includes three statutory members, which have changed with the enactment of Senate Bill 133 in September 2004. Each statutory member—one appointed by the Governor, one by the Treasurer of State, and one appointed jointly by the Senate President and Speaker of the House—must have professional investment expertise.

Administrative Staff

Administrative Staff

Left to right

- Diane M. Lease, General Counsel
- Theodore G. Hall, Chief Investment Officer
- N. Kay Penn, Member Services Director
- Stewart A. Smith, Chief Financial Officer
- J. Keith Byrd, Deputy Executive Director
- Scott K. Miller, Internal Auditor
- William J. Estabrook, Executive Director

Professional Consultants

Actuary
Buck Consultants

Legal Counsel
Ohio Attorney General

Independent Accountants
Clark, Schaefer, Hackett & Co.

Investment Consultants & Managers
(See page 42)

This page intentionally left blank

Certificate of Achievement Award

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Ohio Police & Fire Pension Fund

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2006

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

Letter of Transmittal

Ohio Police & Fire Pension Fund
140 East Town Street / Columbus, Ohio 43215–5164 / Tel. (614) 228–2975 / www.op–f.org

June 11, 2008

Dear Chair and Members of the Board of Trustees:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Ohio Police and Fire Pension Fund (OP&F) for the year ended December 31, 2007. This CAFR was prepared to aid interested parties in assessing OP&F's financial status at December 31, 2007, and its results for the year then ended.

Accounting System and Internal Controls

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, including the pronouncements of the Governmental Accounting Standards Board (GASB). Additional information on OP&F's significant accounting policies is contained in the Notes to Basic Financial Statements in the Financial Section.

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

(1) the cost of a control should not exceed the benefits likely to be derived; and
(2) the valuation of costs and benefits requires estimates and judgments by management.

Management believes its internal control structure meets these objectives.

Plan History and Overview

OP&F is a cost sharing multiple–employer public employee retirement system and was created by the Ohio General Assembly in 1965, replacing 454 separate local police and firefighter relief and pension funds in Ohio. OP&F began operating as a statewide retirement fund on January 1, 1967. On that date, the local pension funds transferred their assets and liabilities to OP&F. Assets transferred to OP&F totaled approximately $75 million, while OP&F's actuary computed the liabilities accrued up to 1966 at approximately $490 million. Employers are paying the remaining unfunded accrued liability over a 67–year period, which began in 1969 and totaled nearly $34.5 million as of December 31, 2007.

OP&F provides pension and disability benefits to qualified participants, survivor, and death benefits and provides access to health care coverage for qualified participants, spouses, children and dependent parents. Please refer to the Plan Summary in the Actuarial Section for further information on plan benefits.

Membership in OP&F is mandatory under Ohio law for all full–time police officers employed by Ohio municipalities. Full–time fire fighters employed by townships, municipalities, township joint fire districts or other political subdivisions must become members of OP&F if they satisfactorily complete or are required to complete a firefighter training course approved under former Section 3303.07, Section 4765.55, or conducted under Section 3737.33 of the Ohio Revised Code. The table below is a tabulation of current participating employers at December 31, 2007:

Participating Employers

	Police	Fire	Total
Municipalities	251	229	480
Townships	–	122	122
Villages	289	33	322
Total	**540**	**384**	**924**

Major Initiatives and Accomplishments

During 2007, OP&F initiated an Economic Impact Study, reported the findings to the Board of Trustees in August of 2007 and distributed these findings to the Ohio General Assembly, state leadership, national pension associations and the media. The study illustrated the direct economic impact to individual Ohio Senate and House districts. The analysis showed that in 2006, OP&F activity resulted in $1.1 billion in economic output and support for 11,059 jobs in Ohio.

The Board of Trustees approved the Integrated Health Care Program contract for UnitedHealthcare to administer the health care plan sponsored by OP&F beginning January 1, 2008 for a three-year period. UnitedHealthcare will administer all health care related benefits for eligible OP&F benefits recipients and their dependents, including medical, prescription drug and optional dental and vision coverage. UnitedHealthcare also will offer Medicare supplement plans through AARP Health Care Options. OP&F staff continues to work toward a smooth and successful transition for OP&F benefit recipients and their dependents to the health care plan administered by UnitedHealthcare.

In 2007, OP&F created a certification process whereby all employers acknowledge their understanding and compliance with all OP&F contribution reporting and payment requirements. These requirements are documented in the Employer Manual, which serves as the basic tool for educating employers on their reporting responsibilities. The Employer Manual was distributed in November 2007 and this certification process is expected to take place in 2008.

The recently completed fiduciary audit required by Senate Bill 133 recommended that OP&F incorporate an enterprise risk management strategy. This process allows management to effectively deal with associated risk, opportunity and uncertainty impacting OP&F operations and the ability to serve our members. Instead of only dealing with risk at the department level, this process looks at risk across the organization and implications to the organization's internal control environment. Staff attended a conference to learn about this new process and also presented an educational session to the Board in 2007. Next steps in this new initiative will then move forward either later in 2008 or in 2009.

The past few years have seen impressive growth for OP&F investments: A 24.96 percent return in 2003, 13.29 percent in 2004, 9.07 percent in 2005, and 16.15 percent in 2006. The portfolio achieved a return of 10.47 percent in 2007, which is once again above our 8.25 percent actuarial rate of return.

Financial Overview

OP&F receives virtually all of its funds from the following sources: employer contributions, member contributions, benefit recipient health care premiums, state subsidies and reimbursements, and investment earnings. Additions to net assets totaled approximately $1.8 billion in 2007 due primarily to strong investment market returns. Contribution rates for 2007 were 10 percent for members, 19.5 percent for police employers and 24 percent for fire employers, and remained unchanged from the prior year.

Additions to Plan Net Assets (dollars in thousands)	2007 Amount	2007 Percent	2006 Amount	2006 Percent
Net Investment Income	$1,163,063	65%	$1,629,758	72%
Contributions	622,062	34%	600,959	27%
Interest on Local Funds Receivable	1,481	0%	1,517	0%
Other	19,912	1%	22,476	1%
Total	**$1,806,518**	**100%**	**$2,254,710**	**100%**

Investment earnings were positive with returns of 10.47 percent for 2007 and 16.15 percent for 2006.

Deductions to Plan Net Assets (dollars in thousands)	2007 Amount	2007 Percent	2006 Amount	2006 Percent
Benefits	$965,081	97%	$945,440	96%
Administrative Expenses	16,262	2%	16,762	2%
Refund of Member Contributions	15,086	1%	17,983	2%
Other	6	0%	(419)	0%
Total	**$996,435**	**100%**	**$979,766**	**100%**

Benefit payments represent the largest usage of plan net assets. In 2007, the number of benefits paid into the DROP accrual accounts continue to increase due to a high participation rate causing a 16.5 percent increase over the last year. Pension and survivor benefits increased at normal levels due to new retirees and there was a 16.6 percent decrease in the amount of health care benefit payments due to the variety of program changes made over the past several years.

Administrative expenses are slightly lower than in prior years due largely to the Executive Director's cost savings efforts over the past several years and a reduced amount of one-time initiative costs from 2006. Refunds of member contributions are also lower than the prior year due to fewer requests for withdrawals. Other deductions to Plan Net Assets are back to a normal level in 2007 versus the 2006 negative level when OP&F reclassified unclaimed funds and overpaid receivables.

Please refer to the Management's Discussion and Analysis for additional financial details.

Funding Practices and Actuarial Overview

Funds are derived from the excess of additions over deductions and are accumulated by OP&F in order to meet current and future benefit obligations to retirees and other beneficiaries. Due to the positive experience in investment markets, OP&F increased plan net assets in 2007 by approximately $810 million. Health care currently operates on a pay–as–you–go basis with a minimal amount of reserves being set aside for the program.

While OP&F believes our current funding status is strong, Ohio law requires OP&F's pension amortization period to be 30 years or less or a plan to bring the funding period in compliance must be submitted to the Ohio Retirement Study Council (ORSC). In February 2008, a plan was again approved by the Board of Trustees and submitted to the ORSC. The plan encompassed the major changes to health care funding, benefits, member contribution increases and employer contributions increases. OP&F has implemented the health care recommendations and currently requires legislative action on the contribution increases recommended by the plan, which have not yet occurred.

Additionally, OP&F continues to monitor the overall pension and health care funding situation with the implementation of these recommendations and the solid performance from our portfolio. We do expect to move toward the mandated funding period of 30 years or less in the future for the pension benefits.

Although we currently do not meet the 30-year requirement, based on the Actuarial Valuation completed by Buck Consultants, our funding ratio as of January 1, 2007, remains strong at 78.2 percent based on the actuarial value of assets. The report confirms that we continue to be able to meet our current and future pension obligations. The current actuarial analysis performed on the pension funding status reflects an "infinite" amortization period. OP&F's health care fund has a projected solvency of at least 15 years.

The actuarial analysis of OP&F's Deferred Retirement Option Plan (DROP) shows that the program is operating as designed and that the benefit option for members neither costs OP&F money nor serves as a source of revenue for the retirement system.

The actuarial study stated that "Our analysis shows that, to date, the DROP, as currently in effect has not had a negative financial impact on the Ohio Police & Fire Pension Fund." The actuary presented its findings at the April, 2008 Board of Trustees meeting.

Please see the notes to the financial statements, the Statistical Section and the RSI sections of this report for more detailed information.

Investment Policy

OP&F invests all available funds in order to maximize both current income and long–term appreciation. The primary objective of OP&F's investment policy is to ensure that OP&F meets its responsibilities for providing retirement and other benefits. The portfolio is diversified to provide adequate cash flow and to provide the highest possible total return on OP&F's assets at an acceptable level of risk. Over the past two years, OP&F's total rate of return on its investment portfolio has been favorable with gains of 10.47 percent for 2007 and 16.15 percent for 2006. These recent rates of return compare favorably to our actuarial rate of return of 8.25 percent.

Details of portfolio composition, rates of return, analysis of significant economic conditions, and additional information concerning OP&F's investment policy are provided in the Investment Section of this report.

Material Plan Amendments

There were no material plan amendments in 2007. See the "Actuarial Section" for the assumptions used within this report.

Independent Audit

Clark, Schaefer, Hackett and Company, independent certified public accountants, audited the financial statements of OP&F for the year ended December 31, 2007, and their opinion thereon is included in the "Financial Section."

Notes to Basic Financial Statements

The notes to basic financial statements, which follow the basic financial statements, contain additional information and are an integral part of such statements.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OP&F for its CAFR for the fiscal year ended December 31, 2006. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

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

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

Respectfully submitted,

William J. Estabrook
Executive Director

Stewart A. Smith, CPA
Chief Financial Officer

The 2007 Comprehensive Annual Financial Report

Financial Section

The Ohio Police & Fire Pension Fund

Independent Auditors' Report
Management's Discussion and Analysis (unaudited)
Basic Financial Statements
- Statements of Fiduciary Net Assets
- Statements of Changes in Fiduciary Net Assets
- Notes to Basic Financial Statements

Required Supplementary Information
- Schedule of Funding Progress
- Schedule of Contributions from Employers and Other Contributing Entities
- Notes to Required Supplementary Schedules

Additional Information
- Schedule of Administrative Expenses
- Schedule of Investment Expenses

Supplementary Information
- Combining Statement of Changes in Assets and Liabilities—Death Benefit Fund

Ohio Police & Fire Pension Fund
140 East Town Street • Columbus, Ohio 43215
www.op–f.org • 800–860–9599

Independent Auditor's Report

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

Independent Auditors' Report

To the Board of Trustees
Ohio Police and Fire Pension Fund
Columbus, Ohio

We have audited the accompanying statements of plan net assets of the Ohio Police and Fire Pension Fund (the Fund) as of December 31, 2007 and 2006, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits 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 Police and Fire Pension Fund, as of December 31, 2007 and 2006, and the changes in fiduciary net assets, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2008 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information on pages 4 through 6 and 28 through 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The introductory section, the schedule of administrative expenses, the statement of changes in assets and liabilities-Death Benefit Agency Fund, the schedule of investment expenses, investment section, actuarial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of administrative expenses, the schedule of investment expenses and the statement of changes in assets and liabilities-Death Benefit Agency Fund have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, investment section, actuarial section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 10, 2008

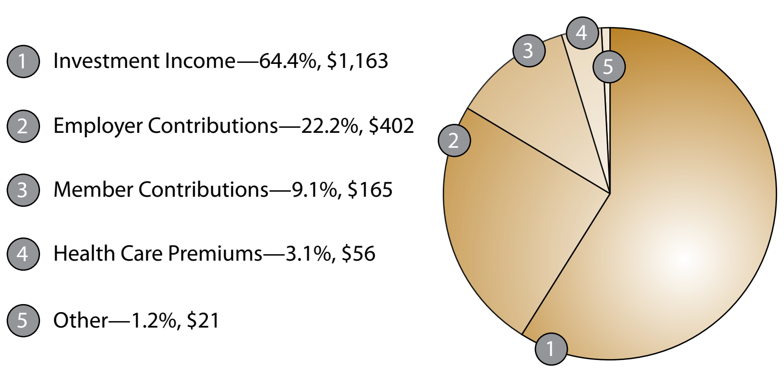
Management's Discussion and Analysis (Unaudited)

This Management Discussion and Analysis (MD&A) of the Ohio Police & Fire Pension Fund's financial performance provides a narrative overview of financial activities for the fiscal year ended December 31, 2007. The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts. We encourage you to read it in conjunction with OP&F's financial statements, notes to the financial statements, and the letter of transmittal included in the Introduction section of OP&F's CAFR.

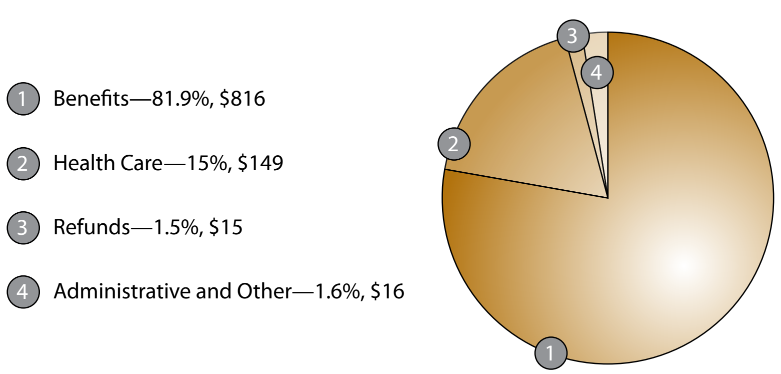
Financial Highlights

Plan additions are received primarily from employer and member pension contributions and investment income. For fiscal year 2007 these additions totaled $1,806.5 million and were $2,254.7 million in 2006, which is a 19.9 percent decrease. This amount fluctuates dramatically because it includes realized and unrealized investment gains and losses based on domestic and international market performance. The employer and member contribution rates during 2007 remained unchanged from the prior year. Member contributions are 10 percent for all members, while employer contributions are 19.5 percent and 24 percent for police and fire employers, respectively.

Plan deductions are incurred primarily for the purpose for which OP&F was created, the payment of pension and survivor benefits. Included in the deductions from plan net assets for 2007 were benefits for retirement, deferred retirement, disability, health care, and survivor benefits. Also included were contribution refunds, administrative and other expenses. Pension benefits are funded through a combination of member and employer contributions, and investment income. Health care expenses are funded on a pay–as–you–go–basis through a portion of employer contributions, health care premiums, and investment income. Deductions totaled $996.4 million in 2007 and were $979.7 million in 2006, which is a 1.7 percent increase over 2006. Normal increases in benefit payments and continued high levels of participation in our DROP program created an increase in deductions and reductions in health care benefits helped to keep this growth sustained for the 2007 year.



2007 Plan Additions (in millions)
$1,807



2007 Plan Deductions (in millions)
$996

Overview of Financial Statements

Following the MD&A are the Statements of Fiduciary Net Assets and the Statements of Changes in Fiduciary Net Assets. OP&F's financial statements are prepared using the accrual basis of accounting and are in compliance with applicable Governmental Accounting Standards Board Statements.

The Statements of Fiduciary Net Assets provides a snapshot view at year–end for the amount the plan has accumulated in assets to pay for benefits. The Statements of Changes in Fiduciary Net Assets show what has happened to the plan assets during the fiscal year. If net assets increased, then additions were greater than the deductions. If net assets decreased, then additions to the plan were less than the deductions from the plan.

In addition to the financial statements and accompanying notes, certain required supplementary information (RSI) is provided. The schedule of funding progress shows on an actuarial basis whether OP&F's ability to pay for benefits is improving or deteriorating over time. Also included in the RSI is a schedule of employer contributions and notes to the RSI. Both schedules provide data over the past six years. Following the RSI are schedules of administrative and investment expenses.

A condensed version of our financial information is being provided as part of this discussion.

Condensed Fiduciary Net Asset Information (dollars in millions)

				2007 Change		2006 Change	
	2007	2006	2005	Amount	Percent	Amount	Percent
Cash & Short-term Investments	$486.1	$666.6	$487.2	$(180.5)	(27.1)%	$179.4	36.8%
Total Receivables	228.5	535.7	385.0	(307.2)	(57.3)%	150.7	39.1%
Investments, at Fair Value	14,183.4	13,077.7	11,825.8	1,105.7	8.5%	1,251.9	10.6%
Capital Assets, Net of Depreciation	25.0	25.9	27.3	(0.9)	(3.5)%	(1.4)	(5.1)%
Other Assets	0.5	2.2	0.7	(1.7)	(77.3)%	1.5	214.3%
Total Assets	**14,923.5**	**14,308.1**	**12,726.0**	**615.4**	**4.3%**	**1,582.1**	**12.4%**
Benefits & Accounts Payable	636.0	465.9	313.6	170.2	36.5%	152.3	48.6%
Investments Payable	1,865.0	2,229.8	2,075.0	(364.8)	(16.4)%	154.8	7.5%
Total Liabilities	2,501.0	2,695.7	2,388.6	(194.6)	(7.2)%	307.1	12.9%
NET ASSETS AVAILABLE	**$12,422.5**	**$11,612.4**	**$10,337.4**	**$810.1**	**7.0%**	**$1,275.0**	**12.3%**

Condensed Changes In Fiduciary Asset Information (dollars in millions)

				2007 Change		2006 Change	
	2007	2006	2005	Amount	Percent	Amount	Percent
Contributions	$622.1	$601.0	$581.3	$21.1	3.5%	$19.7	3.4%
Net Investment Gain/(Loss)	1,163.0	1,629.8	847.4	(466.7)	(28.6)%	782.4	92.3%
Other Additions	21.4	23.9	10.2	(2.5)	(10.5)%	13.7	134.3%
Total Additions	**1,806.5**	**2,254.7**	**1,438.9**	**(448.2)**	**(19.9)%**	**815.8**	**56.7%**
Benefits	965.1	945.4	876.7	19.7	2.1%	68.7	7.8%
Refunds	15.1	18.0	16.5	(2.9)	(16.1)%	1.5	9.1%
Administration Expenses & Other	16.2	16.3	16.1	(0.1)	(0.6)%	0.2	1.2%
Total Deductions	**996.4**	**979.7**	**909.3**	**16.7**	**1.7%**	**70.4**	**7.7%**
Net Increase/(Decrease)	**810.1**	**1,275.0**	**529.6**	**(464.9)**	**(36.5)%**	**745.4**	**140.7%**
Net Assets, Beginning of Year	**11,612.4**	**10,337.4**	**9,807.8**	**1,275.0**	**12.3%**	**529.6**	**5.4%**
NET ASSETS, END OF YEAR	**$12,422.5**	**$11,612.4**	**$10,337.4**	**$810.1**	**7.0%**	**$1,275.0**	**12.3%**

Financial Analysis

Fiduciary Net Assets

Net assets available for benefits and expenses in 2007 were $12,422.5 million versus $11,612.4 million in 2006, which represents a 7 percent overall net increase. This net increase can be primarily attributed to appreciation on the fair value of investments, an increase in employer contributions received and a reduction in overall health care benefit costs. Please refer to the Investment Section for additional information on our investment activities in 2007.

Revenue Additions to Fiduciary Net Assets

Overall contributions received by OP&F increased 3.5 percent or by $21.1 million. Pension contributions from employers and members increased $23.7 million or 4.3 percent in 2007 due to the increase in covered payroll, which is the contribution base. The active member population or contributing members also increased by 583 to 28,609 while the overall average annual salary actually declined by 0.5 percent. As a result, member contributions decreased by $2.4 million or 1.4 percent.

Contributions paid by members and beneficiaries for their share of the health care costs decreased by 4.3 percent from $58.5 million in 2006 to $56.0 million in 2007. This reflects a reduction in the number of members and beneficiaries electing to participate in the health care program sponsored by OP&F.

Contributions received through the state subsidy decreased 10.2 percent or $0.1 million from $1.1 million to $1 million which is a normal decline in the population of benefit recipients, that this subsidy is based on.

Investment net appreciation totaled $1,163.1 million in 2007 and can be directly attributed to the 10.47 percent return on investments experienced on our assets versus the 16.15 percent return of 2006. Net investment income/appreciation decreased by $466.7 million or 28.6 percent in 2007 over 2006 as the U.S. and international markets continued in positive territory, but not at the same strong rates as the previous year.

Expense Deductions from Fiduciary Net Assets

Benefit deductions for retirement, deferred retirement, disability and survivors increased $19.7 million or 2.1 percent in 2007. The majority of the increase is due to our DROP program having better than expected participation, and an increasing scale upon which contributions are allocated to the actual accounts, which allows active members to accrue pension benefits, contributions and interest in a separate account. Other increases are due to the increase in the retirees and beneficiaries receiving benefits by 202, or 0.8 percent, plus a 3 percent cost of living adjustment for eligible recipients, and a slight increase in member refunds.

Health care benefits actually decreased in total by 16.6 percent in 2007 versus a 9.5 percent increase in 2006. Gross health care payments totaled $149.2 million in 2007 and represented nearly 15 percent of all plan deductions. The Board of Trustees continues to evaluate every avenue to preserve offering access to these discretionary benefits by addressing the continual rise in OP&F's overall health care costs. In 2007, there were changes in the program adopted once again to contain costs. The major change included an increase in the structure/percentage that spouse coverage costs. These benefits are not guaranteed or prepaid so cost sharing is required to offset costs.

Refunds to members decreased by 16.1 percent in 2007. This includes actual refunds of pension contributions and liabilities incurred for inactive members who are non–vested and who have accumulated contributions on deposit with OP&F.

This page intentionally left blank

Statement of Fiduciary Net Assets as of December 31, 2007

	Pensions	Post-employment Health Care	2007 Total	Death Benefit Fund
Assets:				
Cash and Short-Term Investments	$466,918,830	$19,153,766	$486,072,596	$359,196
Receivables:				
Employers' Contributions	64,252,876	35,136,963	99,389,839	-
Members' Contributions	17,919,674	-	17,919,674	-
Accrued Investment Income	36,197,037	1,484,861	37,681,898	-
Investment Sales Proceeds	37,490,007	1,537,901	39,027,908	-
Local Funds Receivable	34,450,855	-	34,450,855	-
Total Receivables	**190,310,449**	**38,159,725**	**228,470,174**	**-**
Investments, At Fair Value:				
Bonds	1,497,283,638	61,420,999	1,558,704,637	-
Mortgage & Asset Backed Securities	1,036,776,024	42,530,231	1,079,306,255	-
Stocks	5,122,073,209	210,115,734	5,332,188,943	-
Real Estate	989,668,533	40,597,805	1,030,266,338	-
Commercial Mortgage Funds	60,312,157	2,474,102	62,786,259	-
Private Equity	343,931,049	14,108,608	358,039,657	-
International Securities	3,101,811,385	127,241,324	3,229,052,709	-
Total Investments	**12,151,855,995**	**498,488,803**	**12,650,344,798**	**-**
Collateral on Loaned Securities	1,472,663,276	60,411,031	1,533,074,307	-
Capital Assets, net of accumulated depreciation, where applicable:				
Land	3,200,000	-	3,200,000	-
Building and Improvements	16,617,649	-	16,617,649	-
Furniture and Equipment	456,213	-	456,213	-
Computer Software and Hardware	4,743,523	-	4,743,523	-
Total Capital Assets, Net	25,017,385	-	25,017,385	-
Prepaid Expenses and Other	548,796	-	548,796	-
Total Assets	**14,307,314,731**	**616,213,325**	**14,923,528,056**	**359,196**
Liabilities:				
Health Care Payable	-	15,723,911	15,723,911	-
Investment Commitments Payable	318,844,917	13,079,534	331,924,451	-
Accrued Administrative Expenses	10,791,496	-	10,791,496	-
Other Liabilities	14,408,071	-	14,408,071	-
Due to State of Ohio	-	-	-	359,196
DROP Liabilities	595,134,660	-	595,134,660	-
Obligations Under Securities Lending	1,472,663,276	60,411,031	1,533,074,307	-
Total Liabilities	**2,411,842,420**	**89,214,476**	**2,501,056,896**	**359,196**
NET ASSETS HELD IN TRUST FOR PENSION AND POST-EMPLOYMENT HEALTH CARE BENEFITS	**$11,895,472,311**	**$526,998,849**	**$12,422,471,160**	**$ -**

See Notes to Basic Financial Statements.

An unaudited schedule of funding progress is presented on page 29.

Statement of Fiduciary Net Assets as of December 31, 2006

	Pensions	Post-employment Health Care	2006 Total	Death Benefit Fund
Assets:				
Cash and Short-Term Investments	$643,023,415	$23,539,093	$666,562,508	$420,262
Receivables:				-
Employers' Contributions	54,778,987	30,254,786	85,033,773	-
Members' Contributions	17,357,831	-	17,357,831	-
Accrued Investment Income	29,375,742	1,075,355	30,451,097	-
Investment Sales Proceeds	354,545,770	12,978,821	367,524,591	-
Local Funds Receivable	35,283,314	-	35,283,314	-
Total Receivables	**491,341,644**	**44,308,962**	**535,650,606**	**-**
Investments, At Fair Value:				
Bonds	1,331,177,797	48,730,291	1,379,908,088	-
Mortgage & Asset Backed Securities	771,209,089	28,231,573	799,440,662	-
Stocks	5,200,953,301	190,390,772	5,391,344,073	-
Real Estate	635,548,170	23,265,448	658,813,618	-
Commercial Mortgage Funds	70,725,331	2,589,035	73,314,366	-
Private Equity	281,590,200	10,308,144	291,898,344	-
International Securities	2,549,659,698	93,335,135	2,642,994,833	-
Total Investments	**10,840,863,586**	**396,850,398**	**11,237,713,984**	**-**
Collateral on Loaned Securities	1,775,090,844	64,980,571	1,840,071,415	-
Capital Assets, net of accumulated depreciation, where applicable:				
Land	3,200,000	-	3,200,000	-
Building and Improvements	17,110,916	-	17,110,916	-
Furniture and Equipment	686,027	-	686,027	-
Computer Software and Hardware	4,944,753	-	4,944,753	-
Total Capital Assets, Net	25,941,696	-	25,941,696	-
Prepaid Expenses and Other	2,180,607	-	2,180,607	-
Total Assets	**13,778,441,792**	**529,679,024**	**14,308,120,816**	**420,262**
Liabilities:				
Health Care Payable	-	14,337,871	14,337,871	-
Investment Commitments Payable	375,953,081	13,762,475	389,715,556	-
Accrued Administrative Expenses	8,877,242	-	8,877,242	-
Other Liabilities	15,927,891	-	15,927,891	-
Due to State of Ohio	-	-	-	420,262
DROP Liabilities	426,802,784	-	426,802,784	-
Obligations Under Securities Lending	1,775,090,844	64,980,571	1,840,071,415	-
Total Liabilities	**2,602,651,842**	**93,080,917**	**2,695,732,759**	**420,262**
NET ASSETS HELD IN TRUST FOR PENSION AND POST-EMPLOYMENT HEALTH CARE BENEFITS	**$11,175,789,950**	**$436,598,107**	**$11,612,388,057**	**$ -**

Statement of Changes in Fiduciary Net Assets Year Ended December 31, 2007

	Pensions	Post-employment Health Care	2007 Total
Additions:			
From Contributions:			
Employers'	$278,282,782	$121,721,828	$400,004,610
Members'	165,056,925	-	165,056,925
State of Ohio - Subsidies	968,373	-	968,373
Health Care	-	56,031,875	56,031,875
Total Contributions	**444,308,080**	**177,753,703**	**622,061,783**
From Investment Income:			
Net Appreciation (Depreciation)			
Value of Investments	850,390,161	38,151,152	888,541,313
Bond Interest	122,907,796	5,514,027	128,421,823
Dividends	96,610,501	4,334,248	100,944,749
Real Estate Operating Income, net	33,370,774	1,497,117	34,867,891
Foreign Securities	1,612,521	72,343	1,684,864
Other Investment Income	33,964,638	1,523,760	35,488,398
Less Investment Expenses	(30,280,285)	(1,358,468)	(31,638,753)
Net Investment Income	**1,108,576,106**	**49,734,179**	**1,158,310,285**
From Securities Lending Activities:			
Securities Lending Income	95,684,698	4,292,714	99,977,412
Securities Lending Expense, Borrower Rebates	(89,743,377)	(4,026,168)	(93,769,545)
Securities Lending Expense, Management Fees	(1,393,059)	(62,497)	(1,455,556)
Net Income from Securities Lending	**4,548,262**	**204,049**	**4,752,311**
Interest on Local Funds Receivable	1,481,117	-	1,481,117
Other Income	6,282,839	13,629,565	19,912,404
Total Additions	**1,565,196,404**	**241,321,496**	**1,806,517,900**
Deductions:			
Retirement Benefits	391,513,163	-	391,513,163
DROP Benefits	172,023,460	-	172,023,460
Disability Benefits	191,718,713	-	191,718,713
Health Care Benefits	-	149,237,194	149,237,194
Survivor Benefits	60,587,009	-	60,587,009
Contribution Refunds	15,086,343	-	15,086,343
Administrative Expenses	14,578,912	1,683,560	16,262,472
Other Expenses	6,443	-	6,443
Total Deductions	**845,514,043**	**150,920,754**	**996,434,797**
Net Increase	719,682,361	90,400,742	810,083,103
Net assets held in trust for pension and post-employment health care benefits:			
Balance, Beginning of year	**11,175,789,950**	**436,598,107**	**11,612,388,057**
BALANCE, END OF YEAR	**$11,895,472,311**	**$526,998,849**	**$12,422,471,160**

See Notes to Basic Financial Statements.

An unaudited schedule of funding progress is presented on page 29.

Statement of Changes in Fiduciary Net Assets Year Ended December 31, 2006

	Pensions	Post-employment Health Care	2006 Total
Additions:			
From Contributions:			
Employers'	$234,990,209	$138,940,502	$373,930,711
Members'	167,417,967	-	167,417,967
State of Ohio - Subsidies	1,077,865	-	1,077,865
Health Care	-	58,532,848	58,532,848
Total Contributions	**403,486,041**	**197,473,350**	**600,959,391**
From Investment Income:			
Net Appreciation (Depreciation)			
Value of Investments	1,328,483,603	53,185,909	1,381,669,512
Bond Interest	103,012,536	4,124,112	107,136,648
Dividends	78,183,184	3,130,068	81,313,252
Real Estate Operating Income, net	50,820,255	2,034,592	52,854,847
Foreign Securities	1,862,955	74,584	1,937,539
Other Investment Income	26,718,841	1,069,690	27,788,531
Less Investment Expenses	(25,997,784)	(1,040,823)	(27,038,607)
Net Investment Income	**1,563,083,590**	**62,578,132**	**1,625,661,722**
From Securities Lending Activities:			
Securities Lending Income	96,659,953	3,869,786	100,529,739
Securities Lending Expense, Borrower Rebates	(91,582,498)	(3,666,510)	(95,249,008)
Securities Lending Expense, Management Fees	(1,139,130)	(45,605)	(1,184,735)
Net Income from Securities Lending	**3,938,325**	**157,671**	**4,095,996**
Interest on Local Funds Receivable	1,516,800	-	1,516,800
Other Income	7,826,948	14,648,983	22,475,931
Total Additions	**1,979,851,704**	**274,858,136**	**2,254,709,840**
Deductions:			
Retirement Benefits	377,003,190	-	377,003,190
DROP Benefits	147,653,184	-	147,653,184
Disability Benefits	183,496,465	-	183,496,465
Health Care Benefits	-	178,906,570	178,906,570
Survivor Benefits	58,380,398	-	58,380,398
Contribution Refunds	17,983,217	-	17,983,217
Administrative Expenses	14,368,796	2,393,497	16,762,293
Other Expenses	(419,470)	-	(419,470)
Total Deductions	**798,465,780**	**181,300,067**	**979,765,847**
Net Increase	1,181,385,924	93,558,069	1,274,943,993
Net assets held in trust for pension and post-employment health care benefits:			
Balance, Beginning of year	**9,994,404,026**	**343,040,038**	**10,337,444,064**
BALANCE, END OF YEAR	**$11,175,789,950**	**$436,598,107**	**$11,612,388,057**

See Notes to Basic Financial Statements.

An unaudited schedule of funding progress is presented on page 29.

Notes to Basic Financial Statements December 31, 2007 and 2006

1 - Summary of Significant Accounting Policies

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

Basis of Accounting

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

New Accounting Pronouncement

During the year ended December 31, 2007, OP&F adopted the provisions of GASB Statement No. 50 Pension Disclosures—amendments of GASB Statements No. 25 and No. 27, GASB Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations, and GASB Statement No. 48 Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.

During the year ended December 31, 2006, OP&F adopted the provisions of GASB Statement No. 43 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, GASB Statement No. 44 Economic Condition Reporting: The Statistical Section-and amendment of NCGA Statement No. 1.

Management Use of Estimates

The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to estimates and assumptions include the market value of certain investments, carrying amount of capital assets, and assets and obligations related to employee and member benefits. Actual results could differ from those estimates.

Reclassifications

Any reclassifications are also done on a comparative basis for each year displayed.

Investments

Investment purchases and sales are recorded on a trade date basis. Dividend income is recognized on the ex-dividend date, while interest and rental income are recognized when earned.

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

Net appreciation is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less the cost of investments purchased, plus proceeds from sales of investments at fair value. Investment expense consists of administrative expenses directly related to the OP&F's investment operations and a proportional amount of all other administrative expenses allocated based on the ratio of OP&F's investment staff to total OP&F staff.

Federal Income Tax Status

OP&F was determined to be a trust under section 401(a) of the Internal Revenue Code that is exempt from Federal income taxes.

Administrative Costs

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

Contributions, Benefits and Refunds

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

Property and Equipment

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

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

	January 1, 2007	Additions	Disposals	December 31, 2007
Non–depreciable Capital Assets				
Land	$3,200,000	-	-	$3,200,000
Depreciable Capital Assets				
Building & Improvements	21,198,195	$44,276	-	21,242,471
Furniture & Equipment	4,377,097	2,883	($15,525)	4,364,455
Computer Software & Hardware	8,904,765	1,723,252	(860,844)	9,767,173
Depreciable Capital Assets	**34,480,057**	**1,770,411**	**(876,369)**	**35,374,099**
Accumulated Depreciation				
Building & Improvements	(4,087,280)	(537,542)	-	(4,624,822)
Furniture & Equipment	(3,691,070)	(229,779)	12,607	(3,908,242)
Computer Software & Hardware	(3,960,012)	(1,224,431)	160,793	(5,023,650)
Total Accumulated Depreciation	**(11,738,361)**	**(1,991,752)**	**173,399**	**(13,556,714)**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**$22,741,696**	**($221,341)**	**($702,970)**	**$21,817,385**

Plan Membership

Employer and member data as of January 1, 2007 and 2006, based on the most recent actuarial valuation, is as follows:

	2007			2006		
Employee Members	Police	Fire	Total	Police	Fire	Total
Retirees and Beneficiaries						
Currently receiving benefits	14,120	10,563	24,683	13,922	10,537	24,459
Terminated employees entitled to benefits but not yet receiving them	98	50	148	208	99	307
TOTAL BENEFIT MEMBERS	**14,218**	**10,613**	**24,831**	**14,130**	**10,636**	**24,766**
Current Members						
Vested	6,610	5,740	12,350	6,031	5,308	11,339
Nonvested	9,036	7,223	16,259	9,273	7,414	16,687
Total Current Members	15,646	12,963	28,609	15,304	12,722	28,026
TOTAL EMPLOYEE MEMBERS	**29,864**	**23,576**	**53,440**	**29,434**	**23,358**	**52,792**
Employer Members						
Municipalities	251	229	480	252	225	477
Townships	0	122	122	0	119	119
Villages	289	33	322	284	32	316
TOTAL EMPLOYEE MEMBERS	**540**	**384**	**924**	**536**	**376**	**912**

2 - Description of the System

Organization

OP&F is a cost–sharing, multiple–employer public employee retirement system established by Chapter 742 of the Ohio Revised Code (ORC), in 1965, with operation beginning in 1967 to consolidate the various individual local police and firefighter's relief and pension funds into one statewide plan. OP&F is administered by a nine member Board of Trustees, consisting of four active members, two retired members, and three statutory members, which have changed with the enactment of Senate Bill 133 in September 2004. Each statutory member—one appointed by the Governor, one by the Treasurer of State, and one appointed jointly by the Senate President and Speaker of the House—must have professional investment expertise. Currently, OP&F administers pension and disability benefits to qualified participants. In addition, OP&F administers survivor benefits, death benefits and sponsors health care programs for qualified retirees, survivors, spouses, children and dependent parents. OP&F is a separate financial reporting entity in accordance with criteria established by Governmental Accounting Standards Board Statement No. 14. Because OP&F is a legally separate trust from the State of Ohio, a voting majority of the governing board is not appointed by the State and it is fiscally independent of other state and local governments.

Benefits

Plan benefits are established under ORC Chapter 742. Members are eligible for normal retirement benefits at age 48 with 25 years of service credit. The normal retirement benefit is equal to 2.5 percent of annual earnings for each of the first 20 years of service, 2.0 percent for each of the next 5 years of service and 1.5 percent for each year of service thereafter. However, this normal retirement benefit is not to exceed 72 percent of the member's "average annual salary" or "recalculated average salary" as the case may be, for the three 12/consecutive months during which the total "salary" was greatest. With 15 years of service credit, retirement with reduced benefits is available upon reaching age 48 and 25 years has elapsed from the date the member became a qualified employee in a police or fire department, whichever date is later. An age and service commuted benefit is available to members, age 62 with at least 15 years of service, which are computed the same as normal service retirement benefits.

In addition to retirement benefits, OP&F also provides disability, survivor, and death benefits. Disability benefits are available to all members and vary by length of service and type of disability. Statutory survivor benefits are specified dollar amounts paid to eligible survivors, children and dependent parents upon the death of an active member or retiree. A death benefit of $1,000 is payable to the surviving spouse, designated beneficiary, or estate of each or retired member, as the case may be.

OP&F also administers the Ohio Public Safety Officers' Death Benefit Fund, which provides additional benefits to eligible survivors of public safety officers who are killed in the line of duty or who die from injuries or disease incurred in the performance of official duties. These eligible survivors are entitled to receive the member's full monthly salary, which will be reduced at the member's retirement eligibility date. The dependent's benefit will be terminated at the dependent's attainment of age 18 (or 22 if attending school). The spouse's benefit is a lifetime benefit. These death benefit payments are in addition to any optional payment plan benefits elected by the member. Funding for Death Fund Benefit is received from the State of Ohio.

Deferred Retirement Option Plan (DROP)

Effective January 2003, DROP is an optional benefit that allows eligible police officers and firefighters to accumulate a lump sum of money for retirement, subject to the member meeting certain criteria. OP&F is proud to offer this benefit to its membership, which has been the most requested addition to OP&F's benefit offerings in many years.

OP&F members who are eligible for a normal service retirement (48 years of age or older with 25 years or more of service credit) can enter the DROP program by delaying retirement and continuing to work as police officers or firefighters. Upon the DROP effective date, a member's pension is calculated as if that were the date of retirement. While the member continues to work and draw their normal salary, the amount they would have received in retirement benefits, plus annual 3 percent cost–of–living adjustments (COLAs), accumulate tax–deferred at OP&F on their behalf. As the DROP participant continues to work, a portion of their OP&F member contribution, plus 5 percent interest, also accumulates as part of their DROP benefit.

When members terminate active employment and retire within the required period, which terminates their DROP participation, they begin to receive their monthly pension that was determined on their DROP effective date (plus COLAs) and will be eligible for health care benefits based on the eligibility guidelines in place at the time of their retirement. Members who have terminated employment can begin to withdraw funds from their DROP accrual in a lump–sum payment or installments, as long as three full years have elapsed from their DROP effective date. To receive the benefit of DROP, without penalty, members must work at least three more years in an OP&F–covered position and they must terminate employment and retire within eight years of their DROP effective date.

Health Care Plan

OP&F sponsors a comprehensive health care program for eligible benefit recipients and their eligible dependents. This program is not guaranteed and the benefits are subject to change at any time upon action of the Board of Trustees. The program includes prescription drugs and reimbursement of Medicare Part B premiums. Benefit recipients pay a portion of the health care cost through a monthly contribution.

Under Ohio law, health care costs paid are included in the employer contribution rates, which are currently 19.5 percent and 24 percent of salaries for police and fire employers, respectively. The Board of Trustees allocated employer contributions equal to 6.75 percent of annual covered payroll to the Health Care Stabilization Fund, which was part of the Pension Reserve Fund for 2007 and allocated 7.75 percent in 2006.

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

Funded Status and Funding Progress—OPEB Plans

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for these benefits.

Defined Benefit Plan - Pension Trust (dollars in millions)

Valuation date: January 1, 2007	
Actuarial cost method:	Entry Age
Amortization method:	Level percent of Payroll, open
Remaining amortization period:	30 years (Infinite, on an actual basis)
Funding Ratio:	78.2%
Asset valuation method:	5–year adjusted market value with a corridor of 20% of the market value

Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	5.0–11.0%
Cost–of–living adjustments	3.0% simple
Inflation	3.25%

Retiree Health Care Trust (dollars in millions)

Valuation date: January 1, 2007	
Actuarial cost method:	Entry Age
Amortization method:	Level percent of Payroll, open
Remaining amortization period:	30 years
Asset valuation method:	Fair Market Value

Actuarial assumptions:	
Investment rate of return	6.00%
Projected salary increases	5.0–11.0%
Payroll Increases	4.00%
Inflation	3.25%

Health Care Cost Trends	Initial Rate	Ultimate Rate	Ultimate Year
Pre-Medicare	11.00%	5.00%	2018
Post-Medicare	7.75%	5.00%	2018
Rx Drug	13.00%	5.00%	2018
Medicare Part B	7.75%	5.00%	2018

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

As disclosed previously, health care benefits are not guaranteed and are subject to change at any time. The health care valuation and projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

OP&F's retiree health care plan is partially funded. The discount rate is a blended rate based on the plan and employer rates of return, using the plan rate times the percentage of the ARC contributed and the employer rate times the percentage not contributed.

Refunds

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

3 - Contributions and Reserves

Contributions

The ORC requires contributions by active employers and their members. The contribution requirement was not actuarially determined, but rather established by law in the ORC. Contribution rates are, however, subject to annual review by the Ohio Retirement Study Council. Additionally, an actuary is used to determine the actuarial implications of the requirement. The adequacy of contribution rates is reviewed annually using the entry age normal with frozen initial liability actuarial cost method. Rates are at the statutory maximums and the maximum rates have been taken into consideration in the projection of pension benefits for financial accounting measurement purposes.

Rates established by the ORC at December 31, 2007 and 2006:

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

Senate Bill 82 established the length of the amortization period for unfunded pension liability as the primary measure of OP&F's financial status, with a period of 30 years or less being considered satisfactory. This 30–year target was to be attained by the December 31, 2006 and maintained thereafter. As of January 1, 2007, the amortization period under the current statutory rate was infinite. OP&F has submitted an approved funding plan to the Ohio Retirement Study Council (ORSC) that, with legislative changes, could assist OP&F to achieve the 30-year target.

Combined employer and member contributions as a percentage of the total active member payroll required and made for 2007 and 2006 represented 29.50 percent for police, and 34.00 percent for firefighters. Employer and member contributions were $195,254,544 and $89,679,430 respectively, for police, and $204,750,066 and $75,377,495, respectively, for firefighters for the year ended December 31, 2007. Employer and member contributions were $183,583,154 and $91,335,706, respectively, for police and $190,347,557 and $76,082,261, respectively, for firefighters for the year ended December 31, 2006.

In accordance with the ORC, the State of Ohio is required to contribute additional amounts to finance the cost of certain state-legislated benefit improvements. The total amount contributed by the State of Ohio was $968,373 and $1,077,865 for the years ended December 31, 2007 and 2006, respectively.

Local Funds Receivable

Local governments are required by state statute to pay the unfunded portion of the actuarially determined liability of the local police and firefighter's relief and pension funds that were transferred to OP&F as of 1969. The ORC designates this obligation of the local governments the "Employers' Accrued Liability." Interest on the outstanding balance is being accrued at the rate of 4.25 percent, compounded semi-annually. Local governments began repayment in 1969 and payments are required to be made until 2035. Between 1969 and 1973, payments of principal and interest were received at incremental semi-annual rates ranging from 2 percent to 4 percent of the original receivable balance. Between 1973 and 2035, semi-annual payments of principal and interest are required to be made by the local governments at a rate of 5 percent of the original receivable balance. The underpaid Employer's accrued liability balance due at December 31, 2007

The funded status of the System's retiree health care plan as of the most recent actuarial valuation date is as follows:

Schedule of Funding Progress

Retiree Health Care Trust (dollars in millions)

Valuation Year	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2007	$437	$3,274	$2,837	13.35%	$1,783	159.11%
2006	$343	$3,335	$2,992	10.29%	$1,756	170.39%

and 2006, respectively is $102,407and $103,029.

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

Year ending December 2008	$2,164,411
Year ending December 2009	2,145,183
Year ending December 2010	2,145,183
Year ending December 2011	2,145,080
Year ending December 2012	2,144,090
Thereafter	47,627,847
Total projected payments	58,371,794
Less interest portion	23,920,939
BALANCE AT DECEMBER 31, 2007	**$34,450,855**

Reserves

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

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

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

The *Police Officers' and Firefighters' Pension Reserve Fund* is the accounts from which all retirement, disability, health care and survivor benefits are paid. Included in this Fund is the Health Care Stabilization Fund from which payments for the health care benefits are made. Amounts are transferred into the Pension Reserve Fund from the Contribution Fund and the Guarantee Fund.

The *Guarantee Fund* records all investment earnings of OP&F. In addition, contributions from the State of Ohio, exclusive of death benefit contributions, are recorded in this fund. Annually, investment earnings are transferred to the Pension Reserve Funds and the Expense Fund, as defined below.

The *Expense Fund* is used to record all expenses or the administration and management of OP&F. Annually, funds are transferred from the Guarantee Fund to cover expenses incurred.

Net assets available for benefits for the various funds were as follows:

	2007	2006
Members' Contribution	$ 1,815,608,324	$1,731,268,192
Employers' Contribution	3,998,663,836	3,654,791,865
Pension Reserve	6,608,199,000	6,226,328,000
TOTAL	**$12,422,471,160**	**$11,612,388,057**

4 – Cash and Investments

Cash and Investments

The Governmental Accounting Standards Board (GASB) issued Statement No. 40: Deposit and Investment Risk Disclosures, which revised the necessary disclosures that address risks related to deposits and investments and amended Statement No. 3: Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. Statement No. 40 involves required disclosures about:

- Custodial credit risk
- Credit risk
- Concentration of credit risk
- Interest rate risk, and
- Foreign currency risk

Additional disclosures are required regarding investment policies related to disclosed risks, and for investments with fair values that are highly sensitive to interest rate changes.

Custodial Credit Risk

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

In accordance with Ohio Revised Code 135.18, the Treasurer of State of Ohio, the statutory custodian for OP&F, requires that the amount in any demand deposit account not covered by federal deposit insurance be collateralized with securities permitted under ORC 135.18. Collateral is held in the Treasurer of State's name by a third party trustee for the benefit of OP&F. All of OP&F's depository-eligible securities are held in the custodial bank or its agent's nominee, for the benefit of OP&F. Any physical securities are held in the vaults of the custodial bank or its agent. The custodial bank provides book entry accounting for OP&F's real estate and private equity assets. The custody agreement between the custodial bank and the Treasurer of State restricts the right of the custodial bank or its agents from putting any right, charge, security interest, lien or claim of any kind on the securities they hold. The cash held in foreign local banks for immediate settlement of pending trade transactions are not collaterized.

Deposits exposed to Custodial Credit Risk as of December 31, 2007:

Uninsured deposits collateralized with securities held by the pledging financial institution	$8,276,337
Uninsured and uncollateralized deposits	$7,767,002

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with Section. 742.11 of the Ohio Revised Code: "The Board and other Fiduciaries shall discharge their duties with respect to OP&F solely in the interest of the participants and beneficiaries." These duties shall be carried out " with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims."

Core Fixed-Income

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

- Government instruments include those issued by the U.S. Treasury as well as fixed-income instruments, other than mortgage-backed securities, of an agency or instrumentality of the United States government.
- Mortgage-backed instruments include collateralized mortgage obligations and real estate mortgage investment conduits (REMIC's), whose payment of principal and interest is insured by the full faith and credit of the United States government, or an agency or instrumentality thereof. Also included in this category are GNMA project loans, pools and participation certificates, FNMA and FHLMC.
- Corporate bonds consist of debt instruments issued by domestic corporations or U.S. dollar-denominated debt issued by foreign entities and managed by a U.S. based investment manager.

High Yield Fixed-Income

OP&F has three high yield fixed-income portfolios, all managed externally. The high yield bond asset class consists of the portion of the U.S. corporate bond market that is rated below BBB- by S&P or below Baa3 by Moody's. Accordingly, credit risks associated with these bonds are greater than with core fixed-income bonds. OP&F's policy is to invest in high yield bonds issued by U.S. corporations with a minimum credit rating of CCC or equivalent. OP&F allows some of its investment managers to purchase securities that are "not rated" as long as they deem these securities to be at least equivalent to the minimum ratings at the time of purchase. It is possible after purchase that the security is downgraded. In the event of an investment guideline violation or in the event of a security downgrade, such that the ratings (Moody's, S&P, or Fitch Investor's Service) are below the allowable minimum security quality, the Manager must inform OP&F in writing within five business days of such violation. Such notice will include the action the Manager intends to take with regard to the violation or event and over what time period that action will be taken. Both the method to address the violation and the time period over which the action will be taken must be agreeable to OP&F.

The following tables show ratings by asset class in OP&F's fixed income portfolio as of December 31, 2007 and 2006:

Ratings By Asset Class – 2007

Moody's Ratings / S&P Ratings	A3 and Above / A- and Above	Baa3 to A3 / BBB-to A-	B3 to Baa3 / B- to BBB-	C to B3 / C to B-	Full Faith and Credit	Not Rated	GRAND TOTAL
Corporate Bond Obligations	$245,118,908	$144,093,316	$447,486,167	$76,831,255	-	$7,325,147	$920,854,793
Mortgage and Asset-Backed Securities	1,023,651,140	681,200	-	114,113	$54,859,802	-	1,079,306,255
U.S. Government Agencies	22,694,628	-	-	-	-	-	22,694,628
U.S. Government Treasury STRIPS	-	-	-	-	61,412,181	-	61,412,181
U.S. Government Treasury Notes	-	-	-	-	553,743,035	-	553,743,035
GRAND TOTAL	**$1,291,464,676**	**$144,774,516**	**$447,486,167**	**$76,945,368**	**$670,015,018**	**$7,325,147**	**$2,638,010,892**

Ratings By Asset Class - 2006

Moody's Ratings / S&P Ratings	A3 and Above / A- and Above	Baa3 to A3 / BBB-to A-	B3 to Baa3 / B- to BBB-	C to B3 / C to B-	Full Faith and Credit	Not Rated	GRAND TOTAL
Corporate Bond Obligations	$179,919,594	$73,987,731	$458,152,418	$69,519,256	-	$2,162,391	$783,741,390
Mortgage and Asset-Backed Securities	740,441,716	-	-	-	$58,998,946	-	799,440,662
U.S. Government Agencies	37,711,797	-	-	-	-	-	37,711,797
U.S. Government Treasury STRIPS	-	-	-	-	62,308,587	-	62,308,587
U.S. Government Treasury Notes	-	-	-	-	496,146,314	-	496,146,314
GRAND TOTAL	**$958,073,107**	**$73,987,731**	**$458,152,418**	**$69,519,256**	**$617,453,847**	**$2,162,391**	**$2,179,348,750**

Short-Term Investments:

The short-term investment portfolio consists mainly of commercial paper. At the time of purchase, OP&F's policy is that the short-term instruments must be rated within the two highest classifications established by two standard rating services. However, it is possible that after the purchase the ratings could change. The following table lists the ratings as of December 31, 2007 and 2006:

S&P/Moody's Rating	Fair value 2007	% 2007	Fair Value 2006	% 2006
A-1/P-1	$206,896,657	46.15	$145,414,922	24.46
A-1/P-2	27,221,872	6.07	81,203,046	13.66
A-1+/P-1	24,917,463	5.56	33,353,050	5.61
A-2/P-1	-	-	34,572,413	5.81
A-2/P-2	189,308,313	42.22	300,052,610	50.46
GRAND TOTAL	**$448,344,305**	**100.00**	**$594,596,041**	**100.00**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investment. OP&F primarily uses effective duration, which is a measure of a fixed income security's cash flows using present values weighted for cash flows as a percentage of the investment's full price, to mitigate the interest rate risk of the core fixed income portfolio. OP&F does not measure the duration of our high yield portfolios because interest rate risk is a very small part of the total risk of high yield securities. The major risks for high yield securities are credit risk and interest rate spread risk. Since portfolio level duration is the best measure of interest rate risk, OP&F does not require its investment managers to measure or report on the duration of each security sector. Rather, they are supposed to monitor and report the effective duration at each portfolio on a monthly basis. Effective duration is also provided for the composite portfolio. This is required to be +/- a certain percentage of the benchmark's duration. The benchmark for part of the fixed income portfolio, the Lehman Aggregate Index, had modified adjusted duration of 4.41 years and 4.46 years as of December 31, 2007 and 2006, respectively.

The table below lists the effective duration for OP&F's fixed-income portfolio as of December 31, 2007 and 2006.

Collateralized Mortgage Obligations

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

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

These securities are based on cash flows from interest payments on underlying loans. Therefore, they are sensitive to prepayments by the debtor, which may result from a decline in interest rates.

Variable Rate Securities

OP&F's core fixed-income and high yield managers are permitted to hold variable-rate coupons whose rates may vary directly or inversely with changes in a related interest rate. As of December 31, 2007 and 2006, OP&F did not hold any security with a variable-rate coupon that had a multiplier greater than one or any security with an inverse variable rate.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. OP&F does not permit more than 10 percent of the core fixed-income portfolio to be invested in the securities of any one issuer and no more than 5 percent in any one issue on a dollar duration basis, with the exception of United States Government or Agency securities. For the high yield portfolio, no more than 10 percent of the entire portfolio at market may be invested in securities of a single issue or issuer, unless otherwise approved by the Board of Trustees. At December 31, 2007 and 2006, OP&F did not hold investments in any one issuer that represented 5 percent or more of the plan net assets.

Investment Type	Fair Value 2007	Effective Duration 2007	Fair Value 2006	Effective Duration 2006
U.S. Government Obligations	$553,743,035	6.27	$496,146,314	4.03
U.S. Government STRIPS	61,412,181	7.36	62,308,587	7.55
U.S. Government Agencies	22,694,628	3.10	37,711,797	3.64
Mortgage and Asset-Backed Securities	1,079,306,255	2.97	799,440,662	3.64
Corporate Bonds Obligations	377,551,716	3.45	260,156,708	4.51
TOTAL PORTFOLIO EFFECTIVE DURATION	**$2,094,707,815**	**4.63**	**$1,655,764,068**	**4.67**

Securities Lending

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

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

The following represents the balances relating to the securities lending transactions as of December 31, 2007 and 2006:

Securities Lent as of December 31, 2007

Securities Lent	Underlying Security	Collateral Received	Collateral Fair Value	Type of Collateral
US Government and Treasuries	$658,669,719	$668,752,934	$668,752,934	Cash
Domestic Corporate Fixed Income	156,342,422	159,884,160	159,884,160	Cash
Domestic Equities	619,434,829	647,770,427	647,770,427	Cash
International Equities	53,720,625	56,108,320	56,108,320	Cash
International Equities	534,297	558,466	558,466	Securities
TOTAL SECURITIES LENT	**$1,488,701,892**	**$1,533,074,307**	**$1,533,074,307**	

Securities Lent as of December 31, 2006

Securities Lent	Underlying Security	Collateral Received	Collateral Fair Value	Type of Collateral
U.S. Government and Treasuries	$710,827,766	$727,209,247	$ 727,209,247	Cash
Domestic Corporate Fixed Income	220,354,191	225,740,920	225,740,920	Cash
Domestic Equities	773,368,181	804,906,180	804,906,180	Cash
International Equities	77,895,484	82,061,943	82,061,943	Cash
International Equities	145,005	153,125	153,125	Securities
TOTAL SECURITIES LENT	**$1,782,590,627**	**$1,840,071,415**	**$1,840,071,415**	

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. OP&F's target allocation for international equity is 20 percent of the total investment assets. While OP&F has no specific policy regarding the international custodial credit risk, OP&F limits its international investment managers to hold 5 percent or less of their total portfolio in cash. Apart from cash needed for immediate settlement of pending trade transactions, any excess cash received in OP&F's trust accounts is invested in a U.S. dollar denominated Short Term Investment Fund (STIF). For the years ending December 31, 2007 and 2006, OP&F's exposure to foreign currency risk is as follows:

2007 Exposure To Foreign Currency Risk

Currency	Cash Deposits	Currency Contracts	Equities	Bonds	Private Equities	Cash Deposits and Securities
Australian Dollar	$9,882	$(38,501)	$ 86,353,054	$ -	$ -	$ 86,324,435
Brazilian Real	2,078	-	6,888,498	-	-	6,890,576
British Pound	1,237,488	2,936,408	375,732,128	122,931,187	-	502,837,211
Canadian Dollar	222,363	(133,355)	153,260,513	79,797,005	-	233,146,526
Czech Koruna	-	-	401,045	-	-	401,045
Danish Krone	1,456	-	37,109,693	-	-	37,111,149
Euro	921,068	(40,213)	877,820,783	207,718,413	32,829,408	1,119,249,459
Hong Kong Dollar	634,764	(235)	136,822,376	-	-	137,456,905
Indian Rupee	-	-	6,541,823	-	-	6,541,823
Indonesian Rupiah	(795)	-	5,953,130	-	-	5,952,335
Israeli Shekel	13	-	10,329,983	-	-	10,329,996
Japanese Yen	343,909	240,382	317,450,579	-	-	318,034,870
Malaysian Ringgit	-	-	3,711,653	-	-	3,711,653
Mexican Peso	1,348	(416,261)	29,764,146	-	-	29,349,233
New Turkish Lira	357,700	-	36,143,032	-	-	36,500,732
New Zealand Dollar	345,844	145,459	-	-	-	491,303
Norwegian Krone	32,428	(160,817)	22,701,644	-	-	22,573,255
Pakistan Rupee	-	-	418,270	-	-	418,270
Polish Zloty	736,594	-	2,583,250	-	-	3,319,844
Singapore Dollar	574,022	114	18,983,457	-	-	19,557,593
South African Rand	2,446	-	4,675,746	-	-	4,678,192
South Korean Won	-	-	45,798,638	-	-	45,798,638
Swedish Krona	1,230	692,683	60,500,090	36,938,503	-	98,132,506
Swiss Franc	3,753	504,329	165,103,396	-	-	165,611,478
Taiwanese New Dollar	994,464	-	20,604,544	-	-	21,599,008
Thailand Baht	(449)	-	6,936,890	-	-	6,936,441
GRAND TOTAL	**$6,421,606**	**$ 3,729,993**	**$ 2,432,588,361**	**$ 447,385,108**	**$ 32,829,408**	**$2,922,954,476**

2006 Exposure To Foreign Currency Risk

Currency	Cash Deposits	Currency Contracts	Equities	Bonds	Private Equities	Cash Deposits and Securities
Australian Dollar	$ 205,067	$-	$97,186,279	$ -	$-	$97,391,346
Brazilian Real	-	-	3,051,795	-	-	3,051,795
British Pound	111,707	(837,943)	428,856,629	-	-	428,130,393
Canadian Dollar	49,508	11	104,961,146	-	-	105,010,665
Danish Krone	1,682	-	15,093,231	-	-	15,094,913
Euro	5,582,928	(1,359,315)	851,766,187	-	21,441,346	877,431,146
Hong Kong Dollar	176,795	17	133,209,589	-	-	133,386,401
Hungarian Forint	3,812	-	1,133,332	-	-	1,137,144
Indian Rupee	52,592	-	-	-	-	52,592
Israeli Shekel	1,465	-	296,729	-	-	298,194
Japanese Yen	314,845	67	366,316,485	-	-	366,631,397
Malaysian Ringgit	55,840	-	980,872	-	-	1,036,712
Mexican Peso	2,971	(749,621)	15,415,876	-	-	14,669,226
New Turkish Lira	3,410	-	23,986,485	-	-	23,989,895
New Zealand Dollar	1,021	-	-	-	-	1,021
Norwegian Krone	18,463	1,261	30,224,865	-	-	30,244,589
Polish Zloty	3,523	-	1,274,468	-	-	1,277,991
Singapore Dollar	5,592	-	13,238,268	-	-	13,243,860
South African Rand	2,280	-	-	-	-	2,280
South Korean Won	-	(352,989)	75,644,518	-	-	75,291,529
Swedish Krona	31,806	-	47,061,510	-	-	47,093,316
Swiss Franc	107,211	-	169,039,907	-	-	169,147,118
Taiwanese New Dollar	2,016,565	-	46,490,655	-	-	48,507,220
Thailand Baht	8,631	-	2,387,987	-	-	2,396,618
GRAND TOTAL	**$8,757,714**	**($3,298,512)**	**$2,427,616,813**	**$-**	**$21,441,346**	**$2,454,517,361**

In addition, OP&F invested in global commingled funds which had fair values of $437,190,297 and $111,061,857 as of December 31, 2007 and 2006 respectively.

Derivatives disclosure requirements

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

OP&F has classified the following as derivatives:

- Mortgage and Asset-Backed Securities: OP&F invested in Planned Amortization Class and Sequential Pay Real Estate Mortgage Investment Conduit bonds issued by GNMA, FHLMC, and FNMA. Planned Amortization Class bonds are retired according to a payment schedule so as to have a stable average life and yield even if expected prepayments rates change within a specified broad range of prepayment possibilities. Sequential Pay bonds begin to pay principal when classes with an earlier priority have paid to a zero balance. Such bonds enjoy uninterrupted payment of principal until paid to a zero balance. In terms of credit risk, the United States government explicitly backs GNMA mortgage securities programs and is viewed by the market as implicitly backing FHLMC and FNMA mortgage securities programs.
- Futures Contracts: Futures contracts are contracts to buy or sell units of an index or financial instrument on a specified future date at a price agreed upon when the contract is originated. OP&F invested in the SSGA Russell 1000 Stock Index Fund. This fund, to a minor extent, utilized stock index futures contracts to equitize cash balances. In addition, OP&F, through its portable alpha program, used three external investment managers who utilize futures to gain market exposure. OP&F's exposure represented less than one percent of the total portfolio fair value at year-end.
- Forward-Currency Contracts: Forward currency contracts are legal agreements between two parties to purchase and sell a foreign currency, for a price specified at the contract date, with delivery and settlement in the future. OP&F, through its external investment managers, enters into forward currency contracts to hedge underlying foreign currency exposure in its non-U.S. equity portfolios back to the U.S. dollar or to provide the quantity of foreign currency needed to settle trades. In order to manage the risk of changes in the value of foreign currency, investment managers may not hedge more than 50 percent of the underlying equity portfolio value. In addition, OP&F employs an external currency manager, in its portable alpha program, to manage assets in an active currency strategy that attempts to add alpha and does not function merely as a hedging vehicle. This strategy seeks to add value by entering into long and short positions in developed market currencies. The risks associated with such contracts include changes in the value of foreign currency relative to the U.S. dollar and the risk of default by the counterparty. To manage counterparty risk, investment managers utilize various financially sound counterparties. All the contracts are valued at the spot foreign exchange rate at December 31, 2007 and 2006. The changes in the value of the open contracts are recognized as unrealized appreciation/depreciation. A realized gain or loss is recorded at the time of the delivery/closing of the contract. The realized gain or loss is the difference between the value of the original contract and the closing/delivery value of such contracts. Both realized and unrealized gains and losses are included in the Statement of Changes in Fiduciary Net Assets as net appreciation/depreciation. The following table represents the balances of the outstanding currency transactions as of December 31, 2007 and 2006:

Fair Value - Open Currency Contracts as of December 31, 2007

Purpose	Outstanding Purchases	Outstanding Sales	Unrealized Appreciation/ (Depreciation)
Trade Settlement	$13,714,722	$13,577,174	$ 137,548
Position Hedging	475,846,642	470,641,647	5,204,995
Currency Management	276,336,593	277,949,143	(1,612,550)
GRAND TOTAL	**$ 765,897,957**	**$ 762,167,964**	**$3,729,993**

Fair Value - Open Currency Contracts as of December 31, 2006

Purpose	Outstanding Purchases	Outstanding Sales	Unrealized Appreciation/ (Depreciation)
Trade Settlement	$2,336,611	$2,338,933	$(2,322)
Position Hedging	103,559,479	106,855,669	(3,296,190)
Currency Management	-	-	-
GRAND TOTAL	**$105,896,090**	**$109,194,602**	**$(3,298,512)**

In 2007 and 2006, OP&F realized losses of $34,372,931 and $7,798,748, respectively, on delivered/closed contracts.

- Options: An option is the right, but not the obligation, to buy or sell a specifc amount of a given stock or commodity at a specified price during a specified period of time. OP&F began investing in options in 2007 as part of its portable alpha program. OP&F's exposure represented less than one percent of the total portfolio fair value at year-end.

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

5 - Mortgage Notes Payable

OP&F had undertaken mortgage loans collaterized by real estate properties for the purchase of the secured properties. As of December 31, 2007, all but one property had been sold. The balance of this note is included in the investment commitments payable on the statements of plan net assets. The details for the various notes are as follows:

Secured Property	Inception Date	Maturity Date	Interest Rate	Original Balance	Dec 31, 2007 Balance	Dec 31, 2006 Balance
The Loop *	Apr 16, 2002	May 11, 2032	6.41%	$27,250,000	$25,293,300	$25,715,100
Oak Brook	Jun 15, 1997	Jun 15, 2007	6.40%	10,500,000	-	8,405,790
Hawthorne Plaza	Jul 15, 2005	Jan 10, 2012	7.47%	13,243,000	-	12,757,145
Total				**$50,993,000**	**$25,293,300**	**$46,878,035**

* OP&F conveyed this property in February 2008 and the mortgage note payable was assigned in full as part of the conveyance.

6 – Defined Benefit Pension Plan

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

Plan members are required to contribute 9.5 percent of their annual covered salary, while employers are required to contribute 13.77 percent OP&F's contributions to OPERS for the years ending December 31, 2007, 2006, 2005, were $1,195,839, $1,179,686 and $1,180,733, respectively, equal to the required contributions for each year.

7 – Other Post-Employment Benefits

In addition to the pension benefits, OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage

In order to qualify for post-employment health care coverage, age-and-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 meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. 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 OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPEB), as described in GASB Statement No.45. On December 31, 2007, the plan had 374,979 active contributing participants.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The 2007 employer rate was 13.77 percent of covered payroll, of which 5 percent from January 1 through June 30 and 6 percent from July 1 through December 31 was the portion used to fund health care for the year. For the year ended December 31, 2007, $480,714 was the portion of employer contributions OP&F made to OPERS that were used to fund health care.

The Ohio Revised Code provides statutory authority requiring public employers to contribute to the post-retirement health care through their contributions to OPERS.

The actuarial value of OPERS net assets available for OPEB at December 31, 2006 was $12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $30.7 billion and $18.7 billion, respectively.

The actuarial present value of accrued post-employment benefits was determined based on the entry age normal method of funding. Significant actuarial assumptions based on OPERS latest Actuarial Review performed as of December 31, 2006 are as follows: an investment rate of return of 6.5 percent, investments valued at market value, adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets, not to exceed 12 percent corridor, no change in the number of active members, base pay rate increases of 4.0 percent and annual pay increases over and above the 4.0 percent base increase ranging from .50 percent to 6.30 percent and health care cost were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5 percent to 5 percent for the next eight years and at a rate of 4 percent for years beyond.

8 – Commitments and Contingencies

OP&F is a defendant in a number of lawsuits pertaining to matters that are incidental to performing routine business functions. OP&F management is of the opinion that the ultimate resolution of such claims will not result in a material, adverse effect on OP&F's financial position as of December 31, 2007.

OP&F is committed to making additional capital contributions of $189,377,912 towards our private equity program. Our private equity program had $358,039,657 and $291,898,344 in fair value at December 31, 2007, and 2006, respectively.

9 – State of Ohio Public Safety Officers' Death Benefit Fund

Pursuant to ORC Section 742.62, the Board of Trustees of the Ohio Police & Fire Pension Fund administers the State of Ohio Public Safety Officers' Death Benefit Fund. This program was established by the State of Ohio to provide monthly benefit payments to eligible surviving family members of Ohio firefighters and law enforcement officers who have been killed in the line of duty or die of a duty–related injury. Funds are disbursed to OP&F on a quarterly basis each State fiscal year (July1-June 30) and are paid monthly by OP&F to eligible recipients. The unused balance at June 30 is returned to the State. The Public Safety Officers' Death Benefit Fund is considered to be an agency fund administered by the Ohio Police & Fire Pension Fund and, accordingly, its assets of $359,196 and $420,262 and the related liability for unpaid benefits are included in the accompanying financial statements as of December 31, 2007 and 2006, respectively.

Required Supplementary Information

10 – Additional Disclosures

The Ohio Ethics Commission and the Franklin County Prosecutor's Office each have on-going investigations regarding the activities of former Board of Trustees members and specific staff members of the Ohio Police & Fire Pension Fund (OP&F). OP&F management believes the Ethics Commission investigation is focusing on the lack of disclosures made by former trustees, as required by the Ohio Revised Code. It is also management's belief that the Franklin County Prosecutor's Office investigation focuses on actions of former Board members in the evaluation and retention process relating to the performance of outside investment managers hired by OP&F. While the results of these investigations are not known as of the date of the audit report, management does not believe the outcome of either investigation will have material effect on the organization's financial statements taken as a whole.

Notes to Required Supplementary Information

Description of Schedule of Funding Progress

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

The Schedule of Funding Progress includes two ratios that provide information about whether the financial strength of OP&F is improving or deteriorating over time. An improvement is indicated. when the funded ratio (assets expressed as a percentage of the actuarial accrued liability) is increasing and the ratio of the unfunded actuarial liability to payroll is decreasing.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated.

Schedule of Funding Progress

Pension Trust (dollars in millions)

Valuation Year	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2006	$10,158	$12,988	$2,830	78.21%	$1,783	158.72%
2005	9,551	12,190	2,639	78.35%	1,756	150.28%
2004	9,337	11,545	2,208	80.88%	1,684	131.12%
2003	9,337	10,798	1,461	86.47%	1,644	88.87%
2002	8,683	10,508	1,825	82.63%	1,606	113.64%
2001	9,076	9,786	710	92.75%	1,534	46.28%

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

Retiree Health Care Trust (dollars in millions)

Valuation Year	Valuation Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as Percentage of Active Member Payroll
2007	$437	$3,274	$2,837	13.35%	$1,783	159.11%
2006	343	3,335	2,992	10.29%	1,756	170.39%

Schedule of Contributions From Employers and Other Contributing Entities

Pension Trust

	Annual Required Contributions*	Percentage Contributed
Year ended December 31, 2006	$321,712,471	73%
Year ended December 31, 2005	292,454,788	79%
Year ended December 31, 2004	257,851,201	88%
Year ended December 31, 2003	277,724,840	79%
Year ended December 31, 2002	205,992,860	100%
Year ended December 31, 2001	205,979,830	100%

*The amounts reported in this schedule do not include contributions for post-employment health care coverage. The Government Accounting Standards Board (GASB) required disclosure of the Annual Required Contributions (ARC) using a maximum amortizations period of 30 years. Amounts shown as the ARC for each year may be different from the contributions required by state statue. The information here was determined as part of the actuarial valuations for the date indicated. Additional information as of the latest actuarial valuations is shown in the table below.

Retiree Health Care Trust (dollars in millions)

	Annual Required Contributions*	Percentage Contributed
Year ended December 31, 2006	**	**
Year ended December 31, 2005	$264,137	52.6%

** The ARC for 2007 as a percentage of payroll is 14.03 percent. The expected contribution is 6.75 percent of payroll, or about 48.1 percent of the ARC rate. The ARC amount (dollars) is equal to the ARC rate times the 2007 payroll. The ARC amount and the actual percentage contributed will be determined after 2007 has ended and will be reported in the January 1, 2008 valuation report.

Schedule of Administrative Expenses *

For the year ended December 31, 2007 and 2006	2007	2006
Personnel Services		
Salaries and wages	$8,844,434	$8,763,779
OPERS contributions	1,195,839	1,179,686
Insurance	1,794,334	1,731,051
Fringe benefits/employee recognition	28,088	22,838
Tuition reimbursement	33,361	47,249
Total Personnel Services	**11,896,056**	**11,744,603**
Professional Services		
Actuarial	435,500	474,983
Audit	85,400	360,519
Custodial Banking Fees	2,077,351	1,812,154
Investment Fees & Consulting	27,052,180	22,463,374
Other Consulting (Disability, Software, Legal, and Health Care)	1,154,035	1,457,231
Banking Expense	56,889	41,876
Total Professional Services	**30,861,355**	**26,610,137**
Communications Expense		
Printing and Postage	506,147	561,480
Telephone	78,128	92,072
Member/Employer Education	11,221	38,542
Other Communications	80,400	80,400
Total Communications Expense	**675,896**	**772,494**
Other Operating Expense		
Conferences and Education	144,778	112,026
Travel	158,888	149,363
Computer Technology	441,164	496,421
Other Operating	571,871	630,591
Warrant Clearing	5,277	6,446
ORSC Expense	44,642	37,750
Depreciation Expense - Capital	1,986,416	2,073,451
Total Other Operating Expenses	**3,353,036**	**3,506,048**
Net Building Expense (includes rent)	1,114,882	1,167,618
Total Operating Expenses	**47,901,225**	**43,800,900**
Investment Expenses	**(31,638,753)**	**(27,038,607)**
NET ADMINISTRATIVE EXPENSES	**$16,262,472**	**$16,762,293**

Schedule of Investment Expenses**

Category	2007	2006
Investment Manager Services	$25,273,737	$21,260,722
Custodial Banking Fees	2,077,351	1,812,154
Other Professional Services	1,778,443	1,202,653
Other Direct Investment Expenses	1,418,366	1,704,392
Allocation of Other Administrative Expenses	1,090,856	1,058,686
INVESTMENT EXPENSES	**$31,638,753**	**$27,038,607**

* Includes investment related administrative expenses

** A portion of the non-Investment Department administrative expenses is allocated to Investment Expense based on the ratio investment staff to Total Fund staff

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

As of December 31, 2007

Public Safety Officers' Death Benefit Fund

	Balance December 31, 2006	Additions	Subtractions	Balance December 31, 2007
Assets:				
Cash and Short-term Investments	$420,262	$20,000,000	$20,061,066	$359,196
Total Assets	**420,262**	**20,000,000**	**20,061,066**	**359,196**
Liabilities:				
Due to State of Ohio	420,262	20,000,000	20,061,066	359,196
Total Liabilities	**$420,262**	**$20,000,000**	**$20,061,066**	**$359,196**

As of December 31, 2006

Public Safety Officers' Death Benefit Fund

	Balance December 31, 2005	Additions	Subtractions	Balance December 31, 2006
Assets:				
Cash and Short-term Investments	$511,328	$20,000,000	$20,091,066	$420,262
Total Assets	**511,328**	**20,000,000**	**20,091,066**	**420,262**
Liabilities:				
Due to State of Ohio	511,328	20,000,000	20,091,066	420,262
Total Liabilities	**$511,328**	**$20,000,000**	**$20,091,066**	**$420,262**

The 2007 Comprehensive Annual Financial Report

Investment Section

The Ohio Police & Fire Pension Fund

Investment Report
Investment Portfolio Summary
Schedule of Investment Results
Investment Consultants and Money Managers
Schedule of Brokers' Fees Paid
Investment Policy and Guidelines

Ohio Police & Fire Pension Fund

140 East Town Street • Columbus, Ohio 43215
www.op-f.org • 800–860–9599

Investment Report

Prepared through a combined effort of the Investment Department

Introduction

The investment authority of the Fund is specified in Section 742 of the Ohio Revised Code. Importantly, the Code requires that the Board and other fiduciaries discharge their duties solely in the interest of the participants and beneficiaries, for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Fund. Within the guidelines of the Code, the Fund has developed an internal Investment Policy that provides for appropriate diversification of assets, and an acceptable expected return on investments after consideration of investment risks. Investment performance returns are prepared by Wilshire Associates.

Significant Developments in 2007

As in 2006, a good deal of our time last year was focused on the implementation of portable alpha strategies within our domestic equity portfolio. We also placed a lot of effort into the transition from our use of managed separate accounts and commingled funds in real estate to an approach that uses only commingled funds. Following are these and other noteworthy investment accomplishments and issues addressed by the Board and staff in 2007:

- Completed implementation of the following portable alpha initiatives
  - Enhanced index
    - Western Asset Management commenced trading
  - Active Currency
    - Mellon Capital commenced trading
  - Global Macro
    - Bridgewater Associates commenced trading
    - AQR Capital Management commenced trading
- Implementation of portable alpha initiative
  - Approved market neutral manager search criteria
- Reviewed our International Equity Portfolio Structure
  - Converted Causeway Capital Management from an EAFE mandate to an ACWI ex-US mandate
- Implementation of Inflation Protected Securities Portfolio
  - Expanded Bridgewater's mandate from a Treasury Inflation Protected Securities portfolio to include Global Inflation Protected Securities (GIPS) and implemented the GIPS mandate through a portable alpha approach
- Continued to work toward target allocation in private markets
  - Made commitments to Park Street Capital Private Equity Fund VIII, Primus Capital Fund VI, The 2008 Adams Street Partnership Fund Program – Non-U.S. Fund and Montauk TriGuard Fund IV
- Implementation of real estate strategy from both separate accounts and commingled funds to only commingled funds
  - Hired real estate independent fiduciary to make independent recommendation and provide a fairness opinion on whether to contribute remaining assets in INVESCO separate account to INVESCO CORE Real Estate – U.S.A, LLC (Core Fund) or sell properties individually
  - Completed a transaction in which OP&F contributed a wholly-owned portfolio of six real estate assets and other net assets to the Core Fund in exchange for units, with the Core Fund assuming the mortgage indebtedness of the OP&F real estate portfolio
- Continued to work toward target allocation in real estate
  - Made commitments to Blackstone Real Estate Partners VI
- Amended Real Estate Strategic and Investment Plans
- Amended Proxy Voting Policy
- Portfolio value increased by nearly $1.0 billion
- Portfolio return gross of fees was 10.47percent

Economic Environment

The performance of the U.S. economy in 2007 was sub-standard. First quarter growth was weak as housing continued to reel and companies drew down inventories. Second and third quarter growth picked up handily though thanks largely to a surge in exports and a rebuilding of inventories. However, growth dropped precipitously in the fourth quarter as home construction fell the most in 26 years and consumer spending slowed to its lowest rate of growth in four years. For all of 2007, real GDP increased 2.2 percent, versus 2.9 percent the prior year. While the financial markets suffered under the strains of extreme illiquidity, nearly all housing related activity continued on a downward spiral. As defaults and delinquencies on subprime mortgages rose rapidly, the secondary mortgage market ground to a halt as did the availability of capital for new lower quality mortgages. Home prices came under pressure. Demand for new homes waned leaving builders with large inventories of unsold homes and no choice but to dramatically cut the pace of new construction. As investors reassessed risk and the credit markets began to falter, many banks and investment banks were stuck with assets on their books that were tumbling in value. These institutions were faced with having to write down or write off billions of dollars in assets. They were forced to manage their balance sheets more conservatively leading to tighter credit conditions and massive layoffs. With the housing and banking industries under severe pressure, hiring by U.S. employers began to tail off from the rate of previous years, marking the worst year for job growth since 2003. As a result, the unemployment rate jumped to a two-year high of 5.0 percent at year-end. The Federal Reserve, faced with a severe credit crunch and a slowing economy, was forced into action.

Inflation pushed higher in 2007 from lower rates recorded in 2006 and 2005. For all of 2007, inflation as measured by the CPI, rose an uncomfortable 4.1 percent versus 2.6 percent in 2006 and 3.4 percent in 2005. Last year's rise in inflation was the most since a jump of 6.1 percent in 1990. Energy prices soared by 18 percent in 2007, also the most in seventeen years. Oil prices rose steadily over the first three quarters of the year and then rocketed to record levels as the year came to a close. Food prices also accelerated due to strong world demand and the extra need for corn to produce ethanol. The CPI registered annual growth rates ranging from 2.0 percent to 2.8 percent through September, but rose above 4.0 percent in the fourth quarter. Rising prices for energy and industrial commodities added to the cost of producing other goods and services. However, housing costs rose at a more moderate rate than in 2006. Consequently, core CPI, which excludes food and energy, climbed 2.4 percent last year down from the 2.6 percent pace recorded in 2006. This slight moderation helped keep inflation expectations in check and provided a helpful opening for the Fed as they considered the course of monetary policy.

For the better part of the year, the Federal Reserve maintained the federal funds rate at 5.25 percent, a level it reached in June 2006 at the end of a two-year string of tightening moves. As the year progressed, the Fed's stated concern about rising inflation began to be offset by a growing concern that growth was likely to slow. As the credit markets began to seize up in the second half of the year, the Fed undertook a determined, methodical effort to aid the economy, the banking system, and the capital markets. In August, after an unscheduled meeting, they cut the discount rate and expressed a concern about downside risks to growth. From there, the Fed used each subsequent meeting to cut both the funds rate and discount rate by varying amounts. Also, to reduce liquidity strains in the funding markets, the Fed began to employ several innovative lending facilities to help the banking system and the primary dealer community. At year-end, the funds rate was down to 4.25 percent and has subsequently reached 2.00 percent at the time of this writing. At this stage, the Fed may be done cutting rates or may at least be on hold as it assesses the impact of its moves to date.

Economic expansion outside the U.S. was relatively strong over the first three quarters of 2007. However, growth in developed countries began to slow as their financial markets suffered from similar pressures as those in the U.S. Foreign banks were indicating a tightening of credit standards and consumer and business confidence began to falter. Housing markets in several European countries have weakened. Meanwhile, growth in Japan picked up in the fourth quarter, but was limited by weak household spending. Rising food and energy prices contributed to increasing headline inflation rates in many countries. With weakening economies and higher inflation, foreign central banks either began easing their monetary policies or went on hold from earlier tightening trends. Developing country economies also slowed in the second half of 2007, but still turned in higher growth than the rest of the world. Even the Chinese economy began to slow as the government instituted measures to slow loan growth and allowed the renminbi (yuan) to appreciate at a faster rate to help battle rising inflation. Other emerging Asian economies also slowed from rapid growth rates as their export driven economies linked them to slowing growth in the rest of the world. Growth in Brazil and other Latin American economies remained very strong. Just like in their developed country counterparts, inflation in emerging countries also picked up driven mainly by rising food and oil prices. In this case, however, these were the countries whose growing demand helped fuel rising prices of many commodities.

The outlook for 2008 is not optimistic as the economy entered the year with very little positive momentum. A debate has been raging over whether the economy is already in recession or is in the midst of a mid-cycle slowdown. Slowing job growth last year has turned into job losses for each month reported so far as the unemployment rate at first dipped, then rose to 5.1 percent and most recently settled back to 5.0 percent. First quarter GDP came in at 0.6 percent as inventories rose due to slower consumer spending and a drop in business investment. Household spending grew by the smallest amount in seven years. Growing job losses and rising food and energy costs contributed to a decline in consumer confidence, taking it to its lowest point in five years. Helping to counter this weakness, the lower U.S. dollar and continued expansion in many foreign economies bolstered an ongoing uptrend in U.S. exports. In addition, the economy should get at least a short-term boost when the federal government distributes tax rebate checks as part of its fiscal stimulus plan. As mentioned earlier, the Fed has already lowered short-term rates by 3.25 percent and has initiated several lending programs to break the liquidity logjam that has crippled the credit markets and hampered the economy. The Fed will obviously be monitoring the state of the housing market and the financial markets as well as inflation to help them determine their course of action going forward.

Total Fund

Driven primarily by strong returns in international equity markets, our portfolio as well as our policy index experienced reasonably good returns in 2007. In addition to the strong returns in non-U.S. equities, our allocations to alternative investments in private markets and real estate were major contributors to our overall return as well. Our total portfolio, on a trade date basis, was valued at $11.84 billion at the beginning of the year and ended the year at $12.83 billion. This gain contributed toward a relatively good return of 10.47 percent gross of fees for the year compared to a policy index return of 9.16 percent. This brought our 3-year annualized gross of fees return to 11.85 percent and our 5-year annualized gross of fees return to 14.62 percent. Both our 3- and 5-year returns exceeded their respective policy index returns of 11.23 percent and 14.45 percent, respectively.

We believe that a well-diversified portfolio will serve the Fund well over the long-term, and in an effort to maintain that diversity, we continue to rebalance the portfolio assets within allocation ranges as dictated by investment policy. In addition to forcing us to sell high and buy low, a disciplined rebalancing policy removes human emotion from the decision making process. As evident in recent structural decisions as well as in our future initiatives, we have and will continue to evaluate non-correlated, non-traditional asset classes in our search for optimal risk-adjusted returns.

Equities

For the first time since 1974, U.S. equity markets declined in both November and December, which traditionally are seasonally strong months. A year over year decline in the S&P 500 is a necessary but not sufficient condition for a recession. First and foremost, the decline in equity markets is being driven by a decline in corporate profitability. The financial sector in particular posted spectacular losses in the second half of 2007 with strong expectations that there are many more write-offs to come. Homebuilders have also been beset by large write-offs for unsold inventory and land that was no longer needed for new development.

Stocks reached new highs over the course of 2007 only to fall in the fourth quarter to the very unsettling news of large write-downs in the value of subprime investments held by the major global banks. Long hoped for volatility returned with a vengeance as inconsistency between data showing a slowing domestic economy and rapidly rising oil and commodity prices rattled investors. The financial fallout morphed into heightened worries about slowing global growth in November and equity markets corrected further. Many sectors slipped over 10 percent from their peaks as investors abandoned those viewed as most vulnerable to a weakening economy. The U.S. Treasury market benefited from those fleeing equities for the historical safety net of government bonds.

The year ended with stocks retracing much of the progress made during the summer; however, large-cap growth stocks suffered less. The broad U.S equity market as measured by the Russell 3000 Index finished the year with a modest 5.14 percent gain. The large-cap oriented S&P 500 Index finished with a total return of 5.49 percent for the year. Our 2007 U.S. equity composite return was 5.37 percent gross of fees lagging its benchmark, the Wilshire 5000, by 25 basis points.

After turning in outsized gains for much of the past couple of years, foreign equity market performance was mixed in the fourth quarter with no discernable pattern. A declining dollar and rising commodity prices were not enough to lift commodity dependent stock markets like Australia (down 4.3 percent) or Canada (down 0.2 percent). Major financial centers were also mixed with Japan (down 6.1 percent) and the UK (down 2.4 percent) falling while Germany (up 5.1 percent) and Hong Kong (up 7.1 percent) posted strong gains. Emerging markets turned in a very polarized performance with markets in Russia, Brazil, and India soaring while the Asian markets outside of Hong Kong retrenched. Unlike the other commodity based markets, South Africa was able to post a small gain of 1.3 percent on the strength of rising gold prices. The outsized gains in Brazil, Russia, and India bring into question whether these markets, like China before them, are beginning to resemble a bubble. The MSCI Emerging Markets Index was up nearly 40 percent for the year. Developed market international stocks, as represented by the MSCI EAFE Index, fell 1.75 percent during the fourth quarter but were up 11.17 percent for the year. A weakening U.S. dollar enhanced returns for un-hedged U.S. investors.

Returns from international equity markets outpaced U.S. stocks. The MSCI All Country World ex-U.S. Index (Net), representing both developed and emerging international markets remained ahead of all major domestic indices for the year posting a 16.65 percent return. Our international managers combined for a total return of 20.61 percent gross of fees besting our international equity benchmark, the MSCI ACWI ex-U.S. index, by 3.96 percent.

Fixed Income

Bond markets rallied as the reduction in credit demand from a slowing economy offset the growing fear of rising inflation. The aggressive move by the Fed to cut short-term interest rates led to a flattening and then a positively sloped yield curve in the Treasury market after having been inverted for the better part of the past 18 months. Historically, the U.S. economy is most at risk for a recession at the point of yield curve reversion, another reason to suspect that a recession may have started sometime in the fourth quarter. As U.S. Treasury rates came down, municipal rates remained much stickier. Many municipal taxing entities relied heavily on tax revenue that came from the boom in real estate. The spread between Treasuries and Municipals has contracted significantly over the past six months, making high quality Municipals attractive for even the tax sensitive investor. With nominal interest rates falling and inflation rising, real interest rates, at least at the short end of the yield curve, are now negative. Traditionally, negative real interest rates are very stimulative for the economy.

Our core fixed income composite returned 6.50 percent gross of fees versus the Lehman Aggregate Index return of 6.96 percent for 2007. The Inflation Linked Policy return was 10.44 percent for the year, while our GIPS manager's return was much better at 11.72 percent gross of fees.

High Yield

After doing well for the first half of the year amid strong demand, low volatility, and record-low financing terms, high yield bonds struggled through the last six months of 2007 as collateral damage from the subprime mortgage sector, a re-pricing of structured credit, and a heavy LBO-related calendar weighed on the market. Technical issues stole the spotlight and have been causing turmoil on all risk assets, leading to the credit crunch that impacted the market negatively at the end of 2007. Regarding market fundamentals, according to Moody's, default rates fell below 1 percent and have remained under 2 percent for more than 2 years, the longest stretch on record for the high yield market. With just over 15 percent of the total outstanding high yield debt maturing in the next 24 months, defaults might stay under the long-term average through 2008. However, tighter lending standards pose the threat of worsening the negative macro trends that have recently developed and could ultimately impact consumers and corporate growth. Furthermore, with the acceleration of lower quality issuance over the past few years, the credit fundamentals of today are unsustainable and should gradually deteriorate.

Although the re-pricing of credit has cast some doubt about where spreads should currently stand, valuations have clearly improved over the last few months. The relevant Merrill Lynch High Yield Index spreads over comparable maturity U.S. Treasuries were as low as 240 basis points at the beginning of June, or near all-time tight levels. These spreads have since gone to levels not seen since mid-2003, ending the year just under 600 basis points, as financials came under pressure. According to Moody's, defaults fell lower to 0.85 percent, 390 basis points below the 20-year average and to a level not seen since 1981. High yield bonds came under additional pressure as the fourth quarter was marked by a slew of write-downs of subprime assets within the financial sector. The global high yield market (Merrill Lynch Global High Yield Constrained Index hedged in USD) returned -0.59 percent for the fourth quarter and 2.69 percent for the year.

Our composite high yield return was 2.91 percent gross of fees in 2007, while our benchmark, the CSFB Developed Countries HY Index, had a return of 2.53%.

Real Estate

2007 marked another banner year for real estate investors. The benchmark for private equity real estate, the NCREIF Property Index ("NPI"), returned 15.8 percent following up the strong performance of prior years. Performance has been strong through all four quarters with the most recent quarter having returned 3.3 percent. This comes despite the underlying weakness that has occurred in the transaction markets. Capital flows to real estate remained extremely strong during the early part of the year, as pension funds, leveraged investors, offshore investors and private REITs all continued to move capital into the asset class. Transaction activity and capital flows significantly declined over the second half of the year. The continued dislocation in the debt markets led to higher risk premiums and more expensive debt pricing. This placed downward pressure on real estate pricing that has nonetheless held firm due to strong underlying property fundamentals.

Of the five property types represented in the NPI, the office sector, which is the largest at 38.8 percent of the index, exhibited the strongest performance with a 20.5 percent return during 2007. The hotel sector, which is the smallest component of the index at 2.0 percent, posted a total return for the year of 18.1 percent. While absorption in industrial properties slowed in 2007, the industrial sector provided a 14.9 percent return in 2007, placing this sector third among the five property types tracked by the NPI. Despite strong performance in the retail sector during 2007, most likely its peak years have passed as the pace of new retail development threatens to exceed demand in coming years. In 2007, the retail sector posted a total gross return of 13.5 percent. While values have increased for all property types, they have declined precipitously in the multifamily sector over the past two years making it the most susceptible to an increase in cap rates. In 2007, the multifamily sector at 22.7 percent of the index, posted a gross return of 11.4 percent.

At the end of 2007, the market value of our real estate portfolio was approximately $1.0 billion, or 7.8 percent of total assets. The portfolio return for 2007 was 16.0 percent, outperforming the NPI return of 15.8 percent by 20 basis points. Portfolio returns consisted of 4.9 percent income and 10.7 percent appreciation. In 2007, we made total commitments of $314 million to one high return fund and to one open-end core fund. In the high return sector, we made a follow-on commitment to Blackstone Real Estate Partners VI. The one open-end core fund commitment consisted of the contribution of the seven remaining assets within the INVESCO separate account for units in the INVESCO Core Fund. As of the end of the Fourth Quarter 2007, OP&F and INVESCO closed on six of the seven properties amounting to $228 million. The remaining property, The Loop, was delayed due to terms associated with the transfer of the debt on the property and was contributed to the INVESCO Core Fund in February 2008.

The Real Estate Program is essentially fully committed. In January 2008, the Board approved an investment plan that calls for the Fund to commit $162 million to reach our 8 percent allocation. Of that amount, $104 million will be targeted for investments in the Non-core sector and $58 million will be targeted for core investments. As noted in the 2008 Investment Plan, the current investment environment has raised concerns regarding the possibility of a more widespread and fundamental re-pricing of risk across a number of asset classes, including real estate. As a result of the current re-pricing concerns, these additional Stable Return dollars ($58 million) will not be committed until the second half of 2008 as part of the revised, mid-year Investment Plan. We will be extremely selective in committing this additional Non-core capital and will seek to take advantage of improving real estate fundamentals and gaps in the capital markets, especially within markets outside of the U.S. We continue to seek high quality properties and funds, as we believe assets that are of superior quality and location will outperform over time and will provide stability to our portfolio.

Private Markets

For the year ended September 2007 (private market returns are lagged by one quarter), our allocation to private markets provided a return of 31.88 percent versus its public markets-based benchmark (Wilshire 5000 + 3 percent) return of 20.50 percent. In terms of the two most prominent private markets subclasses, for the one-year ended September 2007, U.S. venture capital returned 32.3 percent and U.S. private equity, including buyouts, returned 30.7 percent.

Returns for the private markets subclasses continued to be positive in 2007 due to improving exit markets during the year. This was no more evident than by the record amount of cash raised through initial public offerings ("IPOs") of stock on a worldwide basis. Specifically, there were 1,317 deals that raised $291.3 billion last year compared to 1,097 IPOs that raised $241.6 billion in 2006. Although Asia dethroned Europe in the number of IPOs in 2007, Europe did retain its position as the region that raised the most money through IPOs last year. In another sign of increased globalization for the industry, emerging markets represented about half of all global IPO volume in 2007 whereas in 2000, emerging markets accounted for only 15 percent of the total. North America, led by the U.S., came in third in both the number of offerings and amount raised, with 238 deals that raised $46.7 billion. With regards to the other alternative exit route for private markets, merger & acquisitions ("M&A") activity set a record on a worldwide basis in 2007. Globally, M&A volume totaled $4.5 trillion, of which private equity accounted for 30 percent of total deal volume at midyear. For the first time in history, more than 10,000 deals were recorded on a global basis in each of the four quarters in 2007, including the three largest leveraged buyouts in history. To no one's surprise, deal activity peaked in the second quarter due to the onset of the credit crisis in August. However, third and fourth quarter M&A activity was still well above historic norms. In 2007, Europe was most active in terms of M&A activity and in fact, Europe's total deal volume of $1.8 trillion set an all-time record. Strikingly, Europe's total deal volume was above the $1.6 trillion of deals done in the U.S., a first time feat for the region. In fact, Europe's $1.8 trillion of M&A activity broke the record of $1.7 trillion of deals set by the U.S. in 2000. Not to be outdone, Asia M&A activity of $480 million also set a record in 2007. Reasons why deal activity remains elevated worldwide are the fact that many corporations are flush with cash, interest rates remain at historic lows and prices for targeted companies have fallen from their recent highs.

As for investments, the U.S. venture capital subclass saw investments of $29.4 billion in 3,813 deals in 2007. This total represents a 10.8 percent increase in dollars and a 5 percent increase in deal volume over 2006 and is the highest yearly investment level since 2001. On the face of it, this may sound somewhat alarming; however, much of the year-over-year increase can be attributed to record investment levels in the Clean Technology and Life Sciences sectors, which require greater amounts of capital than the industries in which the venture capital industry has invested historically. With regard to the U.S. private equity subclass, and in particular the buyout industry, 2007 was the busiest period in the history of the leveraged buyout business. There were 291 transactions with disclosed values of $453.3 billion during 2007.

One area that remains a concern for the private markets asset class and specifically, the private equity subclass, is the amount of capital that has been raised by private equity funds. U.S. private markets funds raised $302 billion in 2007, a new record. Of this amount, $32.2 billion was raised by venture capital funds while $269.8 billion was raised by private equity funds, including $228.0 billion by buyout funds. The 2007 total of $302 billion represents a 19 percent increase from the $254.7 billion raised in 2006. On the other hand, European fund raising totals in 2007 lagged the record amount raised in 2006. Private markets funds based in Europe raised $92.1 billion, down from $106.1 billion raised in 2006. Buyout funds accounted for $61 billion of the $92.1 billion total while European venture funds collected $5.5 billion. Other areas of concern facing the private markets industry include the threat of recession in 2008 coupled with the ongoing credit crisis and how each of these might affect exit markets in the near future and in turn, private markets performance.

We continue to work steadily toward our 3 percent target allocation. On an invested basis, private markets comprised 2.8 percent of the Fund's assets vs. 2.4 percent at the end of 2006. Our total committed capital since the inception of our private markets program was $678.8 million, of which $208.9 million has yet to be called. In addition, we have €37.5 million in Euro commitments, of which €14.0 million has yet to be called. Capital returned since inception of the program has totaled $320.1 million and €11.7 million.

In the future, we will continue to work toward our 3 percent target by reviewing and monitoring existing relationships for further investment and by looking at a limited number of new managers. However, saying that, as stated in other sections of this report, we are currently in the midst of an Asset/Liability Study, which may result in an increased allocation to private markets. If this comes to fruition, we would consider new implementation methods in order to work toward a higher target allocation. As always, we will continue to look for ways to diversify our private markets program in order to achieve the highest risk-adjusted returns.

2008 Developments and Challenges Ahead

As in years past, the Board spent a considerable amount of time in 2007 in the analysis of meeting the Fund's 30-year statutory funding requirement as well as laboring over our health care plan to help improve the health care stabilization fund's solvency. Through all this, the Board and staff continue to search for the highest risk-adjusted returns for our portfolio. While it is still early in the year, we are off to a good start in our efforts to evaluate and implement ways to provide prudent, competitive returns for our membership. Below are some of the items already addressed in 2008 and a number that still lie ahead:

- Continued implementation of pending portable alpha initiatives
    - Market Neutral
        - Initiated search for market neutral alpha overlay investment management services
- Completed implementation of strategy from a mixture of separate accounts and commingled funds to solely commingled funds
    - Contributed the lone remaining property and other net assets to the INVESCO Core Fund for additional units, with the Core Fund assuming the mortgage indebtedness relating to the property
- Amended Real Estate Strategic and Investment Plans as well as Real Estate Commingled Fund Search Policy
- Continued to work toward target allocation in real estate
    - Made commitments to Lone Star Fund VI and Lone Star Real Estate Fund
- Continued to work toward target allocation to private markets
    - Made commitments to Northgate IV, Abbott Capital Private Equity Fund VI and Riverside Capital Appreciation Fund V
- Reviewed our Proxy Voting Policy and implemented changes primarily aimed at board-related proposals, auditor proposals, compensation proposals and corporate responsibility shareholder proposals
- Reviewed and amended our Broker Policy
- Commenced Asset/Liability Study
    - Review asset class investment structures
    - Review "Home Country Bias" (the tendency to overweight one's home country relative to its weighting in a global index)
    - Review target allocations to existing asset classes
    - Evaluate new alpha and/or risk reduction sources
        - Timber
        - Commodities
        - REITS
        - Infrastructure
        - 130/30 or Active Extension Strategies
        - Increase the duration of fixed income allocation
        - Cash overlay or equitization
        - Portable alpha implementation within other asset classes
- Complete implementation of pending portable alpha initiatives
    - Active Currency
        - Commence trading for FX Concepts Inc.
    - Market Neutral
        - Complete search for qualified managers and implement the mandates
    - Search for and implement Treasury Management/Cash Management Software

Our last Asset/Liability Study was conducted in 2004. Given that plans typically conduct such a study every 3-5 years, plus the changing nature of capital market assumptions and the growing institutional investment opportunity set, our consultant, Board and staff commenced an Asset/Liability Study early in 2008. The primary objective of the study is to select a policy portfolio that maximizes the safety of the promised benefits while minimizing the cost of funding those benefits. This is a twist on, but is still consistent with, the traditional risk/reward optimization approach we have used in prior studies. In order to meet this objective, consultant, Board and staff will be reviewing existing and new asset class return, risk and correlation assumptions, exploring and considering new alpha and/or risk reduction sources, and reviewing existing asset class investment structures for possible modifications. Seeing that asset allocation is responsible for greater than 90 percent of a plan's risk and return, we believe this to be a prudent and important undertaking in 2008. From an operational standpoint, we continue to look for ways to improve the efficiency of and reduce the costs of our operations.

Investment Portfolio Summary

Investment Portfolio Summary

Investment Type	% of Fair Value	Fair Value
Commercial paper	3.41%	$448,344,305
U.S. government bonds	4.86%	637,849,844
Corporate bonds and obligations	7.01%	920,854,792
Mortgage and asset-backed obligations	8.22%	1,079,306,255
Domestic stocks	18.54%	2,432,975,213
Domestic pooled stocks	22.09%	2,899,213,730
Cash and cash equivalent - International	0.21%	27,077,147
International securities	24.60%	3,229,052,709
Real estate	7.85%	1,030,266,338
Commercial mortgage funds	0.48%	62,786,259
Private equity	2.73%	358,039,657
Total Fair Value - Cash and Securities	**100.00%**	**$13,125,766,249**
Net Investments Commitments Receivable/(Payable)		(292,896,543)
Total Portfolio Value on Trade Date Basis		**$12,832,869,706**

Ten Largest Common Stocks (by Fair Value)

Stock	Shares	Fair Value
Nintendo Co. Ltd.	97,035	$58,116,745
E.ON AG	255,988	54,495,158
Hong Kong Exchanges & Clear	1,397,200	39,638,912
France Telecom SA	1,065,925	38,372,621
Telefonica CA	1,169,633	38,001,473
Axa	887,972	35,562,973
Exxon Mobil Corporation	374,900	35,124,381
Royal Dutch Shell PLC A Shs	815,511	34,282,654
ING Groep N. V.	871,911	34,103,795
General Electric	855,900	31,728,213

Ten Largest Bonds and Obligations (by Fair Value)

	Coupon	Maturity Date	Par Value	Fair Value
FNMA	5.000	01/01/2038	$64,650,000	$63,072,540
U.S. Treasury Note	2.375	01/15/2025	43,130,000	50,417,824
FNMA TBA*	6.000	01/01/2038	48,950,000	49,722,492
FNMA TBA*	5.500	01/01/2038	39,800,000	39,719,156
U.S. Treasury Note	3.875	04/15/2029	19,890,000	33,615,000
U.S. Treasury Note	4.625	07/31/2012	31,740,000	33,327,000
U.S. Treasury Note	3.000	07/15/2012	25,300,000	31,869,097
Buoni Poliennali Del Tes	1.850	09/15/2012	20,800,000	30,869,517
FNMA	5.000	01/01/2038	26,500,000	26,500,000
FNMA TBA*	6.500	01/01/2038	23,600,000	24,267,438

* To be announced (TBA)

Ten Largest Real Estate Holdings (by Fair Value)

Property or Fund	Fair Value
INVESCO Core RE - USA, LLC	$227,835,424
Prudential PRISA	109,945,587
JP Morgan Strategic Property Fund	107,368,618
The Loop	91,000,000
Morgan Stanley Prime Property Fund	58,037,368
RREEF America	56,498,831
Heitman Core Property Fund	52,015,731
CB Richard Ellis III	28,004,444
Blackstone Real Estate Partners V, LP	26,762,716
Heitman Value Partners, LP	24,219,977

A complete listing of the portfolio's holdings can be obtained by contacting the Ohio Police & Fire Pension Fund at (614) 228-2975.

Schedule of Investment Results For the Year Ended December 31, 2007

	Annualized Rates of Return		
	1-Year	3-Year	5-Year
U.S. Equity			
OP&F	**5.37%**	**9.18%**	**13.85%**
DJ Wilshire 5000	5.62%	9.16%	14.01%
Int'l Equity			
OP&F	**20.61%**	**21.38%**	**24.69%**
MSCI ACWI ex-US (Net)	16.65%	19.88%	24.01%
Fixed Income			
OP&F - Core	**6.50%**	**4.57%**	**4.75%**
Lehman Aggregate	6.96%	4.56%	4.42%
OP&F - High Yield	**2.91%**	**5.19%**	**9.82%**
CSFB Developed Countries HY	2.53%	5.37%	10.82%
OP&F - GIPS	**11.72%**	**5.81%**	**NA**
Barclays Global Inflation Linked Bond Index	10.44%	4.48%	NA
OP&F - Commercial Mortgages *	**2.31%**	**5.69%**	**6.63%**
Lehman Mortgage Index *	5.40%	4.29%	4.14%
Real Estate *			
OP&F	**20.67%**	**24.41%**	**19.88%**
Wilshire Real Estate Fund	15.84%	17.48%	15.13%
NCREIF	17.31%	18.04%	14.80%
Private Equity *			
OP&F	**31.88%**	**25.21%**	**12.81%**
Wilshire 5000 + 5%	20.50%	18.50%	21.20%
Total Portfolio			
OP&F	**10.47%**	**11.85%**	**14.62%**
** Policy Index	9.16%	11.23%	14.45%

* One quarter in arrears

Policy Index - 46 percent DJ Wilshire 5000, 18 percent Lehman Aggregate, 20 percent MSCI ACWI ex-US, 8 percent NCREIF Property Index, 5 percent CSFB Dev. Countries HY, 3 percent DJ Wilshire 5000 + 3 percent

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

Investment Consultants and Money Managers

Investment Consultants

Wilshire Associates
The Townsend Group

Investment Managers – Private Equity

Abbott Capital Management, LLC
Adams Street Partners
Alpha Capital Partners Ltd.
Athenian Venture Partners
Blue Chip Venture Partners, LP
Blue Point Capital Partners, LP
Brantley Venture Partners
Chemicals & Materials Enterprise Associates
Harbourvest Partners LLC
Horsley Bridge Partners, LLC
Kirtland Capital Partners
Landmark Equity Partners
Lexington Capital Partners
Linsalata Capital Partners
MV Economic Development, Ltd.
Montauk TriGuard Management Inc.
Morgenthaler Venture Partners
Northgate Capital Group
Park Street Capital
Peppertree Partners, LLC
Primus Venture Partners
Riverside Capital Associates
Wilshire Private Markets, LLC

Investment Managers – Fixed Income

Bridgewater Associates
JPMorgan Investment Advisors Inc.
Lehman Brothers Asset Management LLC
Loomis Sayles & Company LP
MacKay Shields LLC
Prima Capital Advisors, LLC
Quadrant Real Estate Advisors LLC
Western Asset Management

Investment Managers – US Equity

AQR Capital Management
Bridgewater Associates
Chicago Equity Partners LLC
Columbia Asset Management
Earnest Partners LLC
Enhanced Investment Technologies, LLC
FX Concepts
Mellon Capital Management
State Street Global Advisors
Western Asset Management

Investment Managers – Real Estate

AEW Capital Management
The Blackstone Group
CB Richard Ellis Investors, LLC
Capmark Investments LP
Colony Capital LLC
DLJ Real Estate Capital Partners, Inc.
Fremont Realty Capital
Heitman Value Partners
INVESCO Realty Advisors
JP Morgan Investment Management Inc.
LaSalle Investment Management
Lone Star
Lubert-Adler Management Co., LLC
Morgan Stanley
Starwood Capital Group
Stockbridge Real Estate Fund
Prudential Investment Management Inc
TA Associates Realty
RREEF America LLC
Tri Capital Group Inc.
Walton Street Capital LLC
Westbrook Partners, LLC

Investment Managers – International Equity

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

Schedule of Brokers' Fees Paid For the Year December 31, 2007

Broker Name	Fees Paid	Units Traded	Average Cost Per Unit
UBS Securities	$465,502	55,406,000	$0.0084
Lehman Brothers	436,009	29,732,000	0.0147
Credit Suisse	429,442	46,011,000	0.0093
Morgan Stanley	360,740	73,964,000	0.0049
Merrill Lynch	354,756	68,243,000	0.0052
Goldman Sachs	299,660	28,406,000	0.0105
JP Morgan	294,247	16,053,000	0.0183
Deutsche Bank	256,777	19,963,000	0.0129
Citigroup	237,133	19,891,000	0.0119
Investment Technology Group	170,414	8,631,000	0.0197
Bear Stearns	147,534	6,756,000	0.0218
Bloomberg Tradebook	140,810	40,875,000	0.0034
Liquidnet Inc.	139,340	5,391,000	0.0258
Instinet	136,651	8,828,000	0.0155
Weeden	121,760	5,693,000	0.0214
ABN Amro	108,720	22,814,000	0.0048
Guzman & Co.	91,479	4,489,000	0.0204
Cowen & Co.	89,194	7,236,000	0.0123
Rosenblatt Securities Inc	74,950	3,446,000	0.0217
Cheuveux	70,856	1,449,000	0.0489
Sanford C. Bernstein	67,407	3,604,000	0.0187
Jefferies & Co., Inc.	57,476	2,844,000	0.0202
Nomura Securities	55,393	4,295,000	0.0129
G Trade Services Ltd.	50,422	10,860,000	0.0046
SBK Brooks Investment Cor	47,767	1,202,000	0.0397
Brockhouse and Cooper	45,990	3,299,000	0.0139
Cabrera Capital Markets	42,432	1,210,000	0.0351
Lynch Jones & Ryan	39,283	2,468,000	0.0159
Raymond James & Associate	32,386	995,000	0.0325
Davy	29,627	725,000	0.0409
Capital Institutional Services	25,879	1,136,000	0.0228
Macquarie Securities Inc	25,293	3,381,000	0.0075
Goodbody Stockbrokers	25,283	612,000	0.0413
Pacific American Securities	24,128	608,000	0.0397
ODDO Securities	23,199	740,000	0.0314
CIBC Worldmarkets Corp	22,244	595,000	0.0374
BancAmerica	20,391	584,000	0.0349
Broker Fees Less than $20,000	600,701	25,890,000	0.0232
TOTAL	**$5,661,275**	**538,325,000**	**$0.0105**

Investment Policy and Guidelines

I. Introduction

The purpose of this Statement of Investment Policy and Guidelines is to define the framework for investing the assets of the Ohio Police & Fire Pension Fund (OP&F). This Statement is intended to provide general principles for establishing the goals of OP&F, the allocation of assets and the employment of outside asset management. The statutory investment authority of the Board is set forth in Sections 742.11 to 742.113 and sections 742.114, 742.116 of the Ohio Revised Code (ORC), as more fully outlined in this Policy and Guidelines.

The objectives of OP&F have been established in conjunction with a comprehensive review of the current and projected financial requirements. These objectives are:

- To have the ability to pay all benefit and expense obligations when due.
- To maintain the purchasing power of the current assets and all future contributions by maximizing the rate of return on OP&F's assets.
- To achieve and maintain a fully funded status with regard to the accumulated benefit obligation.
- To control the costs of administering OP&F and managing the investments.

In order to achieve these objectives, the Board of Trustees will conduct itself in accordance with ORC Section 742.11, which provides "The Board and other Fiduciaries shall discharge their duties with respect to OP&F solely in the interest of the participants and beneficiaries." These duties shall also be carried out "with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims", as referenced in ORC Section 742.11. All aspects of this statement should be interpreted in a manner consistent with OP&F's objectives. At least annually, the Board shall adopt policies, objectives or criteria for the operation of the investment program.

Investment Policies and Manager Guidelines referenced in this document are not reproduced in their entirety, but the essence of each Policy and Manager Guideline is reflected herein.

II. Definition of Responsibilities

A. Investment Committee/Board of Trustees' Responsibilities

- Establish the strategic investment policy for OP&F (asset allocation) and periodically review policy in light of any changes in actuarial variables and market conditions.
- Select qualified consultants and investment managers to advise on and manage OP&F's assets recognizing the goals set forth in ORC Sections 742.11 and 742.116.
- Monitor and review the performance of selected managers to determine achievement of goals and compliance with policy guidelines.
- Monitor the costs of the investment operations at least annually.
- Review, on a continuing basis, the current Investment Policies of OP&F and make such changes as appropriate.
- Review the annual investment plan prepared by the staff. As conditions warrant, revise the annual investment plan as the year progresses.
- Review and approve or disapprove real estate transactions when required by Board policy.
- Monitor investment activity for compliance with Board policies and adherence by investment managers to strategy and direction.
- Review the overall investment performance to determine whether it meets established benchmarks.
- Evaluate and assign all investment managers to a rating category (except that only the Board may assign categories 4 and P4, termination), as outlined in the Investment Manager Monitoring and Evaluation Policy.
- Review suggested changes or additions to the functions and operations regarding the Investment operations of similar institutional investors.
- Review the proposed Investment department annual operating budget and report its recommendations to the Finance Committee.

B. Staff Responsibilities

- Manage OP&F assets under its care, custody and/or control in accordance with the Investment Policy Statement objectives and guidelines set forth herein.

- Monitor both internally and externally managed assets to ensure compliance with guidelines set forth in this policy statement.
- Promptly vote all proxies and related actions in a manner consistent with OP&F's long-term interests and objectives set forth herein. Maintain detailed records of said voting of proxies and related actions and comply with all regulatory objectives related thereto.
- Report to the Board quarterly regarding the status of the portfolio and its performance for various time periods. Meet with the Board at least annually to report on their performance and compliance with goals and objectives.
- Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire Investment Policy Statement set forth herein, and as modified in the future.

C. Investment Consultants' Responsibilities

- Provide independent and unbiased information.
- Assist in the development of Investment Policy Statement.
- Monitor compliance with Investment Policy Statement.
- Assist in the development of strategic asset allocation targets.
- Assist in development of performance measurement standards.
- Monitor and evaluate manager performance on an ongoing basis.
- Conduct due diligence when a manager fails to meet a standard.
- Establish a procedural due diligence search process.
- Conduct manager searches when needed for policy implementation.

D. Investment Managers' Responsibilities

- Manage OP&F assets under its care, custody and/or control in accordance with the Investment Policy Statement objectives and guidelines set forth herein and its governing agreement with OP&F.
- Exercise full investment discretion over the assets in their care within the guidelines set forth in this policy statement and the specific guidelines established for the manager in the governing agreement with OP&F.
- Promptly inform the Board and staff in writing regarding all changes of a material nature pertaining to the firm's organization and professional staff.
- If directed, promptly vote all proxies and related actions in a manner consistent with OP&F's long-term interests and objectives set forth herein. Each manager designated to vote shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
- Report to the Board quarterly regarding the status of the portfolio and its performance for various time periods. Meet with the Board at least annually to report on their performance and compliance with goals and objectives.
- Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire Investment Policy Statement set forth herein, and as modified in the future.

III. Asset Allocation

It is the responsibility of the Board to determine the allocation of assets among distinct capital and private markets. The allocation will be completed in a manner consistent with commonly recognized financial principles. Application of these principles is expected to lead to a portfolio with the highest level of return consistent with the risk tolerance of OP&F.

The procedure for determining the allocation will consider the relevant characteristics of the liabilities and potential assets of OP&F. The liability considerations shall include, but not be limited to, current and expected future values of the benefits, contributions and total assets. These factors are important for identifying the investment horizon of OP&F and its cash flow requirements. The asset characteristics considered shall include, but not be limited to, the potential return relative to the potential risk.

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

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

Asset Class	Target Allocation (%)	Range (%)
Domestic Equity	46	± 5
Non-U.S. Equity	20	±3
Fixed Income	18	±2
High Yield	5	± 2
Real Estate	8	±2
Private Equity	3	± 2
Cash Equivalents	0	+ 0.5
TOTAL	**100%**	

The study has shown that this is a favorable asset mix for meeting longer-term goals under both good and bad market conditions.

The asset allocation represents a long term strategy. Short term market shifts may cause the asset mix to drift from the allocation targets. Should the target percentage fall out of the indicated range for a particular asset class, the Board will cause the staff and investment manager(s) to rebalance from the over-allocated class to the under-allocated class.

IV. Performance Expectations

The most important expectation is the achievement of results consistent with this Policy Statement and the analysis set forth in the asset allocation study of October 2004. A long term 4 percent annualized real rate of return (net of inflation as measured by the Consumer Price Index) is a reasonable expectation in light of this policy. Long term is defined as a market cycle (generally 3-5 years).

OP&F shall also strive to achieve a long-term rate of return, which is equal to or greater than the actuarial rate assumption. The Board expects the total fund to rank in the top half of a comparable public fund universe over the long-term.

OP&F shall attempt to achieve these return goals without unnecessary risk to principal. The risk/return characteristics of OP&F shall be reviewed on a periodic basis (no less than every five years) through a comprehensive asset allocation and liability study. The goal of the study shall be to formulate a portfolio which maximizes return while minimizing overall risk through the most efficient combination of legal asset classes.

V. Investment Implementation

The implementation of an investment portfolio designed to achieve the above objectives must be consistent with governing statutes as specified in Sections 742.11 to 742.113, 742.114, 742.116 and with the Ohio-Qualified Investment Manager Policy and the Ohio-Qualified Broker Policy.

Where appropriate, OP&F will invest assets through the use of qualified investment managers. The allocations to these managers will be made in accordance with the results of the Asset Allocation process and established procedures.

The Board, in conjunction with the Investment Consultant, will establish specific search procedures, including the specification of minimum criteria for the selection of new qualified investment managers, to implement the strategic asset allocation plan. Among the criteria to be used for screening purposes will be assets managed, manager style, track record, staff, communication, fees, risk/reward statistics, etc. All managers, with the exception of emerging management firms that may warrant specialized criteria, must meet the criteria established by the Board. The Investment Manager Search Policy is included later in this Policy as Section XI.

The Board shall give equal consideration to minority owned and controlled firms and firms owned and controlled by women which otherwise meet the criteria established by the Board. Ohio based firms shall also be given consideration, providing that specified criteria are met and such firm offers quality, services, and safety comparable to other investment managers otherwise available to the Board.

VI. Specific Guidelines

A. Domestic Equity

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

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the Ohio Revised Code Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. The main focus of investing will be on companies headquartered and/or domiciled in the United States.
2. The composite portfolio shall have similar portfolio characteristics as that of the Dow Jones Wilshire 5000 Index. Each individual manager's portfolio shall have similar characteristics to the manager's style benchmark.
3. For diversification purposes, each manager's portfolio has a maximum threshold for the amount of cash and individual security weightings that may be held at any one time. Each manager's portfolio is also required to hold a minimum number of issues.
4. Trading shall be left to the discretion of the investment manager with the exception that OP&F may direct a reasonable amount of commissions to help defray qualified Fund expenses.
5. The ability to purchase private placements, Rule 144A stock and purchase securities on margin is prohibited.

Investment Structure
The domestic equity allocation will have a target of forty-six percent (46 percent) of total fund assets. The structure of the domestic equity allocation will be diversified among passive and active capitalization managers as follows:

1. Passive Large Capitalization Core Exposure
The passive large capitalization core component has a target allocation of thirty-seven and one-half percent (37.5 percent) of the domestic equity allocation. This is an index fund portfolio intended to provide broad market exposure for and diversification to OP&F's equity portfolio through holdings in large capitalization equities and is to be constructed so as to match the characteristics and return of the Russell 1000 Index.
2. Active Large Capitalization Core Exposure
The active large capitalization core component has a target allocation of sixteen and one-half percent (16.5 percent) of the domestic equity allocation. The overall objective is to provide risk-adjusted returns greater than the return of the Russell 1000 Index. This exposure will be intended to provide diversification to OP&F's passive large capitalization core exposure.
3. Active Large Capitalization Alpha Transfer Exposure
The active large capitalization alpha transfer component has a target allocation of twenty-one percent (21.0 percent) of the domestic equity allocation. The overall objective is to provide risk-adjusted returns greater than the return of the Standard & Poor's 500 Index. S&P 500 market exposure, obtained through the use of derivatives, will be combined with strategies that represent diversified sources of alpha with a broad range of risk characteristics. For a complete description of the appropriate use of derivatives, please see OP&F's Derivatives Policy Statement.
4. Active Small/Mid Capitalization Core Exposure
The active small/mid capitalization core component has a target allocation of twenty-five percent (25.0 percent) of the domestic equity allocation. The diversification of the equity base into small/mid capitalization companies will lower overall portfolio risk while providing the opportunity for enhanced returns by exploiting the inefficiencies in this segment of the marketplace. This component shall consist of several complementary managers.

B. Non-U.S. Equity

Investment Objectives
Total return of the Non-U.S. equity composite portfolio should exceed the return of the Morgan Stanley Capital International All Country World Index ex-US (MSCI ACWI-ex US) over a three-year period on an annualized basis. Total return of each manager's portfolio should rank above the median when compared to their peer group over a three-year period on an annualized basis and should exceed their benchmark return as specified in each manager's guidelines.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the Ohio Revised Code Sec. 742.11. The following guidelines and

characteristics shall apply unless otherwise approved by the Board of Trustees:

1. The main focus of investing will be companies headquartered or domiciled in the MSCI ACWI-ex-US countries.
2. The composite portfolio shall have similar portfolio characteristics as that of the MSCI ACWI-ex US. Each manager's portfolio shall have similar characteristics to the manager's style benchmark.
3. For diversification purposes, each manager's portfolio has a maximum threshold for the amount of cash and individual security weightings that may be held at any one time.
4. While the geographic and economic sector diversification will be left to the manager's discretion, each manager's portfolio shall be appropriately diversified with the manager's stated investment approach.
5. Trading shall be left to the discretion of the investment manager. OP&F may direct a reasonable amount of commissions to help defray qualified Fund expenses.
6. The ability to leverage the portfolio, sell securities short and purchase securities on margin is prohibited.
7. The use of swaps and the ability to purchase any type of unlisted security for which there is not a public market is prohibited.
8. The investment managers may enter into forward exchange or futures contracts on currency provided that use of such contracts is designed for defensive purposes.

Investment Structure
The Non-U.S. equity allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in the Non-US equity markets. The Non-U.S. equity allocation will have a target of twenty percent (20 percent) of total fund assets. This allocation may be satisfied with any combination of ACWI-ex US, EAFE and Emerging Market managers.

C. Fixed Income

1. Investment Grade

Investment Objectives
Total return of the investment grade fixed income composite portfolio should exceed the return of the Lehman Aggregate Index over a three-year period on an annualized basis. Total return of each manager's portfolio should rank above the median when compared to their peer group over a three-year period on an annualized basis and should exceed their benchmark return as specified in each manager's guidelines.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the Ohio Revised Code Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. The main focus of investing will be on dollar denominated fixed income securities. Non-U.S.dollar denominated securities are prohibited.
2. The composite portfolio as well as each manager's portfolio shall have similar portfolio characteristics as that of the Lehman Aggregate Index.
3. Issues must have a minimum credit rating of BBB- or equivalent at the time of purchase.
4. Each manager's portfolio has a specified effective duration band.
5. For diversification purposes, sector exposure limits exist for each manager's portfolio. In addition, each manager's portfolio will have a minimum number of issues.
6. Each manager's portfolio has a maximum threshold for the amount of cash that may be held at any one time.
7. Each manager's portfolio must have a dollar-weighted average quality of A or above.

Investment Structure
The investment grade fixed income allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in the investment grade fixed income markets and will have a target of twelve percent (12 percent) of total fund assets. For diversification purposes, the allocation will be divided between at least two active managers.

2. Global Inflation Protected Securities (GIPS)

Investment Objectives
Total return of the GIPS composite portfolio should exceed the return of a custom weighted-average mix of the Barclays country indexes within the Global Inflation-Linked Bond Index over three-year period on an annualized basis. Total return of each manager's portfolio should exceed their benchmark return as specified in each manager's guidelines.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the Ohio Revised Code Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. Permitted countries include any country issuing Inflation Linked bonds with a sovereign local currency credit rating (S&P) of A- or better.
2. The net exposure to individual countries may vary between a specified duration band.
3. The net duration of each manager's portfolio may vary between a specified duration band.
4. No active foreign currency exposure is permitted. All foreign currency exposure must be fully hedged back to the USD.
5. Nominal U.S. Treasury bonds may be used as a substitute for Inflation Linked bonds up to a stated maximum amount. Non-U.S. nominal bonds may not be purchased.
6. The ability to leverage the portfolio, purchase securities on margin, purchase Rule 144A securities or private placements is prohibited.
7. The ability to purchase equity instruments or any securities that may convert to equity is prohibited.

Investment Structure
The GIPS allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in Inflation Protected Securities markets and will have a target of six percent (6 percent) of total fund assets.

3. Commercial Mortgages

Investment Objective
Total return of the commercial mortgage composite portfolio should equal a real rate of return of four percent, net of investment management fees, over rolling ten-year periods. The Board of Trustees has determined that inclusion of commercial mortgage investments secured by real estate, may, depending on market circumstances, enhance the risk/return characteristics of OP&F.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the Ohio Revised Code Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. The main focus of investing will be on commercial mortgage whole loans which provide for fixed income payments derived from underlying property cash flows.
2. Risk shall be controlled through diversification strategies and the retention of qualified managers with acceptable loan underwriting and/or commercial mortgage acquisition experience.

Investment Structure
The commercial mortgage allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in the commercial mortgage market. The commercial mortgage allocation will have a target of zero percent (0 percent) of total fund assets but will allow for up to a two percent (2 percent) allocation, which shall be included within the Fixed Income allocation. OP&F will utilize commingled fund investments to manage its commercial mortgage allocation.

D. High Yield

Investment Objectives
Total return of the high yield fixed income composite portfolio should exceed the return of the CS First Boston High Yield Index, Developed Countries Only over a three-year period on an annualized basis. Total return of each manager's portfolio should rank above the median when compared to their peer group over a three-year period on an annualized basis and should exceed their benchmark return as specified in each manager's guidelines.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the Ohio Revised Code Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. The main focus of investing will be on fixed income securities issued by U.S. corporations. Non-U.S. dollar denominated securities are prohibited.
2. The composite portfolio as well as each manager's portfolio shall have similar portfolio

characteristics as that of the CS First Boston High Yield Index, Developed Countries Only.
3. Issues must have a minimum credit rating of CCC or equivalent at the time of purchase.
4. Each manager's portfolio will be diversified by economic industry.
5. Each manager's portfolio has a maximum threshold for the amount of cash that may be held at any one time.
6. Purchased issues must meet the minimum original issue size as stated in each manager's investment guidelines.
7. Each manager's portfolio must have a dollar-weighted average quality of B-/B3 or above.

Investment Structure
The high yield fixed income allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in the high yield markets and to minimize the probability of exposure to securities in default. The high yield fixed income allocation will have a target of five percent (5 percent) of total fund assets.

E. Real Estate

Investment Objectives
Total return of the real estate composite portfolio should exceed, prior to investment advisor fees, the NCREIF Property Index by 100 basis points measured over rolling three-year periods. The role of real estate in OP&F's portfolio is to provide an inflation hedge and a return that negatively correlates with stock and bond returns, thereby reducing the volatility and risk of the total portfolio. Real estate must also provide a total return that is competitive on a risk–adjusted basis with stocks and bonds.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the Ohio Revised Code Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. The main focus of investing will be on core properties (i.e., operating, substantially leased, well located, institutional quality in the traditional property types which include office, apartment, retail and industrial). OP&F will opportunistically make investments in non-core, institutional quality properties (i.e., hotels, senior housing, etc.) to capture superior risk-adjusted returns caused by imbalances in the real estate and capital markets.
2. For diversification purposes, properties will be diversified by type, location and size of investment and by advisor.
3. Leverage will be utilized only if acceptable debt service coverage, loan to value ratios and other protection can be provided.

Investment Structure
The real estate allocation will have a target of eight percent (8 percent) of total fund assets. The real estate allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in the real estate market. OP&F will utilize both separately managed accounts and commingled funds to manage its allocation to real estate. OP&F's preferred investment vehicle is a separate account because it affords OP&F the highest degree of control over its investments. OP&F also prefers to own 100 percent of each core property investment. Commingled fund investments will be made to allow OP&F to invest in higher return, higher risk assets and in extraordinarily large properties.

F. Private Equity

Investment Objective
Total return, net of fees, of the private equity composite portfolio should exceed the Wilshire 5000 by 300 basis points calculated over a rolling ten-year period. Returns shall be calculated on a time-weighted rate of return basis. Each partnership should rank in the top quartile when compared to their vintage year peer group. Returns for each partnership shall be calculated on an internal, or dollar-weighted, rate of return basis. The private equity allocation is designed to provide an attractive risk-adjusted rate of return to OP&F.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the Ohio Revised Code Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. For diversification purpose, OP&F will seek to maintain exposure to the following private equity asset classes as such: 30-50 percent venture capital, 45-70 percent buyouts and 0-10 percent distressed debt/others.
2. OP&F will seek to maintain geographic diversification as such: 75-100 percent U.S. and 0-25 percent Non-U.S.
3. OP&F will seek to maintain stage, vintage year, capitalization and industry diversification within the private equity composite portfolio.
4. OP&F shall not invest in any individual partnership in which the capital commitment of the general partner is not equal to or greater than 1 percent of the total capital committed at the time of the final closing of the partnership. OP&F shall not invest in any fund of funds in which the capital commitment of the general partner does not represent a significatnt commitment in relation to the financial circumstances of the general partner.

The maximum and minimum percentage interest and dollar amount of total capital committed for each partnership and fund of funds at the time of the final closing is as follows:

Partnerships		
Guideline	Min	Max
Percentage Interest	n/a	10%
Dollar Amount	$5mm	n/a
Fund of Funds		
Guideline	Min	Max
Percentage Interest	n/a	15%
Dollar Amount	$10mm	n/a

The minimum dollar amount shall not apply to individual partnerships or fund of funds which, due to over-subscription, choose to limit our capital commitment to less than $5 and $10 million, respectively.

Investment Structure
The private equity allocation will have a target of three percent (3 percent) of total fund assets. OP&F may utilize any of the following types of vehicles in implementing our private equity strategy: fund of funds, partnerships, limited liability companies or group trusts. OP&F may also participate in secondary offerings or purchase private equity placements from other investors on the secondary market. Individual partnerships will be used on an opportunistic basis and will either be partnerships also held by one of our fund of funds or partnerships with a significant presence in the state of Ohio. Significant presence will be defined as having a fully operational office within the state comprised of at least two investment professionals, one of which is a managing member of the general partner.

G. Cash Equivalents

Investment Objective
Total return of the portfolio should exceed the 91-day Treasury Bill rate of return over rolling twelve-month periods. To provide effective cash management when investing cash balances, emphasis is placed on the protection of principal through the purchase of higher quality money market instruments, while at the same time attempting to achieve the highest available return.

Investment Guidelines & Characteristics
Assets eligible to be managed in this class of investments will be found in the Ohio Revised Code Sec. 742.11. The following guidelines and characteristics shall apply unless otherwise approved by the Board of Trustees:

1. Authorized investments include: commercial paper rated A2/P2 or better, repurchase agreements, reverse repurchase agreements, agency discount notes and U.S. Treasury Bills. Repurchase agreements and reverse repurchase agreements shall be limited to instruments of the Fund's domestic sub-custodian bank. Certificates of deposit and banker's acceptances may also be purchased. All obligations shall mature within two hundred seventy days of the date of purchase.
2. Credit reviews of approved issuers of commercial paper shall be performed on a regular basis, but no less than every six months for issuers rated A1/P1 and every three months for issuers rated A2/P2 or split rated.
3. Total holdings of commercial paper in any one industry shall not exceed the greater of 0.50 percent of the total fund assets or $50 million.
4. Repurchase agreements and reverse repurchase agreements shall be limited to the greater of $50 million or 0.70 percent of total fund assets.
5. Agency discount notes and U.S. Treasury bills shall have no exposure limits.
6. Commercial paper exposure limits shall be based upon credit rating and current outlook as described in OP&F's Short Term Cash Management Policies and Guidelines.

Investment Structure
Cash or cash equivalents have a target allocation of zero percent (0 percent) of total fund assets but will allow for up to one-half percent (0.5 percent) allocation. Investment staff is responsible for the cash management function.

VII. Proxy Voting

OP&F's Board of Trustees believes that common stock proxies are valuable and should be voted in the long-term interests and objectives of the Plan set forth herein. Common stock proxies may be executed by the Sr. Investment Officer or the Chief Investment Officer, or their designees, and by designated outside money managers. Staff or any manager that exercises a proxy vote shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto and the policies set forth in the Board's "Proxy Voting Policy Statement." The internal staff shall provide a semi-annual summary report of proxy voting actions to the Investment Committee/Board of Trustees.

VIII. Securities Lending

The investment objective for the securities lending program is to generate incremental income within a high quality investment program that safeguards the return of principal, maintains adequate daily liquidity, ensures diversification and tightly controls exposure to fluctuating interest rates. The program may be operated by a bank trustee or a third party lending agent. Marking to market shall be performed daily and a minimum of 102 percent collateral shall be diligently maintained. Securities lending reports shall be provided monthly by the agent to the staff. Staff will present a semi-annual summary report to the Investment Committee/Board of Trustees.

IX. Investment Monitoring and Evaluation Policy

The purpose of the OP&F Investment Manager Monitoring and Evaluation Policy is to establish the process and discipline for managing the investment manager relationship. The policy states the process, responsibilities and important factors for consideration in the monitoring and evaluation process.

The successful monitoring and evaluation of managers depends on synthesizing a multi-faceted array of investment factors, including historical data and forward looking characteristics that are often linked. The process must also examine the investment manager's business capabilities and ability to attract and retain investment and support professionals. The Policy seeks to examine all material information about OP&F's investment managers that may materially impact the relationship and investment objectives of the Board.

OP&F will consider, but not be limited to, the following factors in monitoring and evaluating its investment managers:

A. Stability and experience of firm in the investment product;

1. Stability of the firm, as measured by the quality of the organizational structure of the firm; the existence of, or potential for, significant developments in the firm; and the expected financial stability of the firm.
2. Experience of the firm in providing investment management services to similar institutional investors, as measured by the firm's history of providing such services.
3. Ownership of the firm, as measured by the depth and structure of the incentive programs and the ownership type for key investment professionals in the subject product.
4. Firm commitment to improvement as measured by whether or not there is a clear business plan/strategy, reinvestment in the firm with an overall commitment for enhancements/improvements.
5. Adverse organizational issues, as measured by the existence of litigation or other investigations; and the existence of financial problems.

B. Quality, stability, depth and experience of investment professionals;

1. Experience of portfolio manager(s) in providing similar services to similar institutional investors, as measured by the length of time the portfolio manager(s) has served as a portfolio manager to such investors; demonstrated expertise in providing such services to other such investors.
2. Stability of the firm's professional base, as measured by personnel turnover.
3. Depth of personnel, as measured by the firm's account/portfolio manager and account/investment management personnel ratios; and back-up procedures for providing services to OP&F in the absence of the portfolio manager(s).

C. Client service and relationships;

1. Assets under management, as measured by the amount in the subject product as well as the experience of managing other similar asset class products.
2. The similarity of a firm's clients to OP&F, as measured by the amount of institutional tax-exempt assets under management and the size of the individual accounts currently under management.
3. Stability of the firm's client base, as measured by the number of accounts gained or lost.
4. Procedures for client contact, timely reporting, compliance monitoring, reconciliation process with OP&F's custodian and responsiveness to reporting data and formatting requirements.

D. Investment philosophy and process;

1. Defined philosophy and process implementation, as measured by whether the philosophy is effectively communicated and what the process is and why it works. It should be identified as to whether the process is based on sound research and whether or not they are focusing on temporary or permanent inefficiencies in the market.
2. Portfolio construction process, as measured by whether or not the manager is benchmark oriented such that there are distinct portfolio objectives and on-going monitoring relative to these objectives. It should be identified as to whether the process contains risk controls, and if so, are they part of a disciplined process and who is performing the monitoring.
3. Research, as measured by whether there are appropriate resources given the product style, whether the research performed is qualitative or quantitative, and whether or not there are separate research departments by product type or one fully integrated research staff.
4. Sources of information, as measured by whether the data used in the process is collected and/or assimilated by outside organizations or generated internally and how the information is processed and interpreted.

E. Investment performance and risk control;

The investment manager's alpha for active managers and tracking error for passive managers relative to the target benchmark. Active managers will also be expected to rank in the top half of managers with similar objectives over a 3 to 5 year period, if available. Additional focus will be placed on return/risk ratios and information ratios which incorporate both absolute and manager specific risk.

F. Investment fees;

Investment management fees shall be competitive and of an appropriate structure for the product type and assets under management.

Monitoring Responsibilities

It is important for the roles of the participants in the implementation of this Policy be clear and delineated. The following is intended as a guide to reflect the overall framework for the participants in the process. Participant responsibilities may vary from time to time.

Investment Committee/Board of Trustees

Responsible for the overall management of OP&F and investment manager relationship. Staff and consultant will provide the Board with periodic updates on the investment structure, overall investment manager performance and compliance with guidelines. Also responsible for the overall management of OP&F's investment program. This shall include ongoing review of the asset allocation plan, investment structure, investment performance and other related issues. The Committee/Board shall be responsible for approving investment policies and procedures and shall assign investment managers to a monitoring category (except that only the Board may assign categories 4 and P4, termination).

Staff

Responsible for the day-to-day management of this Policy and the investment manager relationship, including investment reporting and investment guideline compliance. Staff will report all material manager issues to the consultant for review and to the Board for its consideration.

Investment Consultant

Responsible for assisting the staff and Board in establishing strategic investment policy and strategy. The consultant will monitor the consistency of investment manager mandates with the investment objectives, investment manager guidelines and will prepare quarterly performance measurement reports. The consultant will report all material investment manager issues to the staff and Board.

Investment Manager

Responsible for managing the investment portfolio within the objectives and guidelines established by the Board. The investment manager is responsible for self-monitoring of the portfolio and notifying the staff when there are any deviations from the guidelines and when modifications to the guidelines may be appropriate. The investment manager is responsible for the quality and timeliness of its reporting, including the reconciliation of its portfolio with OP&F's custodian.

Frequency of Monitoring

The investment manager's performance, risk and portfolio characteristics will be monitored on a monthly/quarterly basis, or more frequently, and will be evaluated relative to the Board approved investment manager guidelines and objectives.

Manager Monitoring Conclusions

The Board seeks long term and successful relationships with its investment managers. The monitoring process is intended to ensure the success of the relationship. All investment managers will be assigned, as noted above, to one of the following categories, which will be reviewed by the Investment Committee/Board of Trustees at least annually:

1. Retain the investment manager with no material changes in the relationship;
2. Retain the investment manager with issues of a material nature to be noted and monitored on a regular basis;
3. Retain the investment manager and place on probation with specific material issues identified and a plan and time period developed to resolve issue; and
4. Terminate the investment manager relationship and redeploy the assets.

Where potentially material and adverse issues arise in OP&F's current investment manager relationships, the Investment Committee/Board of Trustees will review the issues and may re-assign the manager to another category in the case of 1-3 rating. The assignment of a 4 rating must be approved by the Board.

Once a manager has been downgraded, they may not be upgraded for at least 6 months. During this time period the reasons for the rating downgrade will be evaluated thoroughly by the staff and the manager's progress on their corrective action plans will be followed. Although managers will be prohibited from obtaining a rating upgrade within 6 months of a rating downgrade, a manager may be further downgraded or recommended for termination at any time.

In conjunction with the annual manager evaluation conducted by the staff and the Investment Committee/Board of Trustees, the following review schedule will be followed for managers rated either a '2' or '3':

'2' - The staff and the Investment Committee/Board of Trustees will review manager performance and the issues which resulted in the rating downgrade at least every 6 months until the rating has been upgraded to a '1'. Further downgrading to a '3' will result in the review schedule noted below:

'3' - Due to the severity of this rating, quarterly reviews will be conducted of managers rated a '3'.

When deemed necessary by the staff or Investment Committee/Board of Trustees, managers will be requested to attend these reviews.

In the case of investment managers or general partners who act as managers of private, essentially non-marketable, investment vehicles such as private equity and commingled real estate investment funds, all investment managers will be assigned, as noted above, to one of the following categories which will be reviewed by the Investment Committee/Board of Trustees at least annually:

P1. The investment manager may be considered for future assignments.
P2. The investment manager has specific material issues which need to be resolved before the manager may be considered for future assignments.
P3. The investment manager may not be considered for future assignments.
P4. Removal of the investment manager or sale of our interest should be actively pursued and acted upon if in the best interest of OP&F.

Where potentially material and adverse issues arise in OP&F's current investment manager relationships, the Investment Committee/Board of Trustees will review the issues and may re-assign the manager to another category in the case of a P1-P3 rating. The assignment of a P4 rating must be approved by the Board.

Termination of an Investment Manager

The Board will review the adverse material issues and circumstances prior to terminating an investment manager. The major issues to consider will include:

- Longer term prospects of the investment manager in correcting the issue;
- Potential changes in the relationship;
- The cost of termination;
- Replacement alternatives; and
- How the investment manager's assets will be redeployed.

Manager Due Diligence Visits

The staff will meet with those investment managers whose performance falls below the 70th percentile relative to their peers for all of the following: current quarter; year-to-date; and trailing one year time periods. The staff will also meet with investment managers for non-performance issues that are material to the relationship, including but not limited to: firm or investment product stability, key professional turnover, client service and investment reporting.

X. Communications

Each manager will provide hard copy reports at least quarterly, including performance measurement, asset inventories, transaction summaries, market commentary or anything else deemed significant at the time of reporting. Each manager is expected to meet with OP&F's Board at least annually, unless notified otherwise.

XI. Investment Manager Search Policy

The selection of investment managers will be conducted only under a Request for Proposal (RFP) process that will consider the following issues:

A. The investment strategy for the manager search will be considered within the strategic asset allocation plan, investment structure and other applicable investment policies and procedures approved by the Board, including the Ohio-Qualified Investment Manager Policy.
B. The RFP minimum criteria will be consistent with the search investment strategy and will be established by the Investment Committee/Board of Trustees, with the assistance of staff and the investment consultant. The selection criteria may include such items as:

1. Stability and experience of firm in the investment product;
    a. Stability of the firm, as measured by the quality of the organizational structure of the firm; the existence of, or potential for, significant developments in the firm; and the expected financial stability of the firm.
    b. Experience of the firm in providing investment management services to similar institutional investors, as measured by the firm's history of providing such services.
    c. Ownership of the firm, as measured by the depth and structure of the incentive programs and the ownership type for key investment professionals in the subject product.
    d. Firm commitment to improvement as measured by whether or not there is a clear business plan/strategy, reinvestment in the firm with an overall commitment for enhancements/improvements.
    e. Adverse organizational issues, as measured by the existence of litigation or other investigations; and the existence of financial problems.
2. Quality, stability, depth and experience of investment professionals;
    a. Experience of portfolio manager(s) in providing similar services to similar institutional investors, as measured by the length of time the portfolio manager(s) has served as a portfolio manager to such investors; demonstrated expertise in providing such services to other such investors.
    b. Stability of the firm's professional base, as measured by personnel turnover.
    c. Depth of personnel, as measured by the firm's account/portfolio manager and account/investment management personnel ratios; and back-up proceduresfor providing services to OP&F

in the absence of the portfolio manager(s).

3. Client service and relationships;
    a. Assets under management, as measured by the amount in the subject product as well as the experience of managing other similar asset class products.
    b. The similarity of a firm's clients to OP&F, as measured by the amount of institutional tax-exempt assets under management and the size of the individual accounts currently under management.
    c. Stability of the firm's client base, as measured by the number of accounts gained or lost.
    d. Procedures for client contact, timely reporting, compliance monitoring, reconciliation process with OP&F's custodian and responsiveness to reporting data and formatting requirements.
4. Investment philosophy and process;
    a. Defined philosophy and process implementation, as measured by whether the philosophy is effectively communicated and what the process is and why it works. It should be identified as to whether the process is based on sound research and whether or not they are focusing on temporary or permanent inefficiencies in the market.
    b. Portfolio construction process, as measured by whether or not the manager is benchmark oriented such that there are distinct portfolio objectives and on-going monitoring relative to these objectives. It should be identified as to whether the process contains risk controls, and if so, are they part of a disciplined process and who is performing the monitoring.
    c. Research, as measured by whether there are appropriate resources given the product style, whether the research performed is qualitative or quantitative, and whether or not there are separate research departments by product type or one fully integrated research staff.
    d. Sources of information, as measured by whether the data used in the process is collected and/or assimilated by outside organizations or generated internally and how the information is processed and interpreted.
5. Investment performance and risk control;
    a. The investment manager's alpha for active managers and tracking error for passive managers relative to the target benchmark. Active managers will also be expected to rank in the top half of managers with similar objectives over a 3 to 5 year period, if available. Additional focus will be placed on return/risk ratios and information ratios which incorporate both absolute and manager specific risk.
6. Investment fees;
    a. The total cost of performing investment advisory services as measured by the Fee Proposal based on a total account size. The managers in the search will be evaluated relative to each other as well as to a representative peer universe.

C. The search may be on a closed or open manager universe basis. Closed universe searches shall be used only in circumstances where an expedited process is required to avoid material harm to OP&F or where there is approval to reconsider the finalists of a prior search concluded within the preceding two years, by an affirmative vote of at least 75 percent of the members of the Board of Trustees who have been elected or appointed and are serving on OP&F's Board at the time of the meetings. The retention of a manager in a closed universe search shall be subject to a due diligence review by the Investment Committee/Board of Trustees, staff and consultant. When reopening a prior search, due diligence shall be performed on those managers constituting the finalists of the original search.

D. RFPs will be sent to managers identified as likely to meet the stated qualifications and to those requesting the RFP in an open universe search. An advertisement will be placed in an investment industry or national business publication in open universe searches. In addition, as required by the statute, OP&F will provide public notice of an open universe search along with the search criteria through an advertisement issued in an industry publication and/or by a posting on OP&F's website. In closed universe searches, the Investment Committee/Board of Trustees shall approve all potential candidates with the assistance of the staff and consultant.

E. Staff and the Board's investment consultant will review all timely submitted RFPs to ensure that all search criteria have been met.

F. Staff and the Board's investment consultant will evaluate all RFPs having met established criteria and produce written reports summarizing the findings and manager rankings to the Investment Committee/Board of Trustees.

G. The Investment Committee/Board of Trustees will consider the staff and consultant reports as well as other material information when determining the list of managers for finalist interviews.

H. The Investment Committee/Board of Trustees will interview and evaluate the finalists with the assistance of staff and the investment consultant.

I. The staff, investment consultant and/or Investment Committee/Board of Trustees may conduct a due diligence visit with the finalists.

J. The Board may approve, fail to approve or modify the amount and/or timing of funding, investment guidelines and fees of the approved managers.

XII. Review Procedures

In addition to the regular performance reviews, the Board in conjunction with its consultant will review this policy statement at least once a year to determine if revisions are warranted.

It is not expected that investment policy will change frequently, in particular short term changes in the financial markets should generally not require an adjustment in the investment policy.

The 2007 Comprehensive Annual Financial Report

Actuarial Section

The Ohio Police & Fire Pension Fund

Report of Actuary
Description of Actuarial Assumptions and Methods
Active Member Valuation Data
Retirants and Beneficiaries Added to and Removed from Rolls
Gains and Losses in Accrued Liabilities
Short–Term Solvency Test
Plan Summary

Ohio Police & Fire Pension Fund

140 East Town Street • Columbus, Ohio 43215
www.op–f.org • 800–860–9599

Report of Actuary

buckconsultants
an ACS company

October 25, 2007

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

Members of the Board:

This report presents the results of the annual actuarial valuation of the assets and liabilities of the Ohio Police & Fire Pension Fund ("Fund") as of January 1, 2007, prepared in accordance with Chapter 742 of the Ohio Revised Code. The valuation takes into account all of the promised benefits to which members are entitled, including pension and survivor benefits.

The principal results of the valuation do not take into account Medicare Part B premium reimbursements or any other health care benefits. However, at the request of the Ohio Retirement Study Committee (ORSC), supplemental results have been prepared that do take into account Medicare Part B premium reimbursements and are presented in a table in the report.

The valuation was based on the actuarial assumptions and methods that have been adopted by the Board of Trustees, including changes in assumptions that were adopted in August 2007 and effective with the January 1, 2007 valuation. The economic assumptions, including the interest rate of 8.25 percent, were not changed from last year, but member demographic assumptions (withdrawal, disability, retirement, and mortality rates and DROP participation) were changed. These changes were recommended by the actuary and were based on a five-year experience review covering the period 2002-2006.

The actuarial assumptions and methods comply with the parameters set forth in Governmental Accounting Standards Board Statement No. 25.

Assets and Membership Data

The Fund reported to the actuary the individual data for members of the Fund as of the valuation date. While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness. The amount of assets in the trust fund taken into account in the valuation was based on statements prepared for us by the Fund. The assets used in the valuation do not include any assets in the health care fund.

Funding Objectives and Progress

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

One North Dearborn Street, Suite 1400 • Chicago, IL 60602–4336
312.846.3000 • 312.846.3999 (fax)

The actuary determines how many years are required by the Fund to completely amortize the unfunded actuarial accrued liability (the funding period), using the member and employer contributions reduced by the amount allocated to health care and the amount of normal cost for the year. For 2007, and each year since 2003, the funding period is infinite years. The infinite funding period is attributable to the less than assumed investment performance of the Fund during the period 2000 through 2002.

Section 742.16 of the Revised Code, as adopted by Senate Bill No. 82, sets forth an objective that the funding period is no more than 30 years. If the funding period exceeds 30 years, a plan shall be developed and presented by the Board of Trustees to reduce the funding period to not more than 30 years. The Board of Trustees presented a plan to the ORSC in April 2006 for the ORSC's consideration. Included in the plan was a reduction in the allocation of employer contributions for retiree health care from 7.75 percent to 6.75 percent of covered payroll, a change the Board adopted and implemented effective January 1, 2007. The plan to reach 30-year funding also included increases in member and employer contribution rates, which have not been acted upon by the Ohio legislature and, therefore, are not reflected in this valuation.

It should be noted that the funded ratio (i.e., the ratio of actuarial assets to the actuarial accrued liability) determined as of January 1, 2007 is 78.2 percent, compared to 78.3 percent determined as of January 1, 2006. Taking into account the Medicare Part B premium reimbursements, the funded ratio would be 76.5 percent.

Financial Results and Membership Data

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

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

Respectfully submitted,

Janet Cranna, F.S.A.
Principal, Consulting Actuary

Paul R. Wilkinson, A.S.A.
Director, Consulting Actuary

JC/PW/pl
19428/C5825RET01–2007–Pension-Val–.doc

One North Dearborn Street, Suite 1400 • Chicago, IL 60602–4336
312.846.3000 • 312.846.3999 (fax)

Description of Actuarial Assumptions and Methods

Assumptions

Interest Rate

8.25 percent per annum, compounded annually.

Salary Increase

Assumed annual salary increases are as follows:

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

Withdrawal Rates

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

Police

Age	Years of Service										
	0	1	2	3	4	5	6	7	8	9	10+
25	0.03660	0.03660	0.03713	0.03047	0.02618	0.02267	0.02130	0.02076	0.01827	0.01967	0.01967
30	0.03084	0.03084	0.03170	0.03018	0.02736	0.02412	0.02178	0.02033	0.01817	0.01752	0.01752
35	0.03464	0.03464	0.03600	0.03564	0.03237	0.02795	0.02402	0.02108	0.01845	0.01589	0.01437
40	0.04524	0.04524	0.04695	0.04563	0.04073	0.03419	0.02799	0.02298	0.01907	0.01454	0.00885
45	0.06156	0.06156	0.06306	0.05916	0.05187	0.04269	0.03371	0.02613	0.02006	0.01379	0.00467
50	0.08252	0.08252	0.08319	0.07518	0.06509	0.05315	0.04106	0.03062	0.02174	0.01436	0.00449
55	0.10733	0.10733	0.10668	0.09299	0.07983	0.06525	0.04991	0.03654	0.02432	0.01686	0.01106
60	0.13557	0.13557	0.13322	0.11220	0.09585	0.07887	0.06020	0.04397	0.02790	0.02157	0.02157

Firefighters

Age	Years of Service										
	0	1	2	3	4	5	6	7	8	9	10+
25	0.00795	0.01124	0.01296	0.01355	0.01287	0.01124	0.00911	0.00765	0.00680	0.00651	0.00651
30	0.01368	0.01323	0.01236	0.01124	0.01026	0.00948	0.00882	0.00824	0.00773	0.00725	0.00725
35	0.01718	0.01484	0.01298	0.01151	0.01071	0.01049	0.01049	0.01019	0.00947	0.00821	0.00626
40	0.01916	0.01623	0.01467	0.01397	0.01374	0.01385	0.01388	0.01340	0.01199	0.00942	0.00539
45	0.01962	0.01739	0.01742	0.01863	0.01940	0.01961	0.01905	0.01790	0.01533	0.01094	0.00468
50	0.01863	0.01827	0.02118	0.02550	0.02769	0.02777	0.02595	0.02372	0.01953	0.01275	0.00423
55	0.01623	0.01886	0.02592	0.03459	0.03863	0.03836	0.03465	0.03086	0.02460	0.01490	0.00408
60	0.01247	0.01913	0.03164	0.04590	0.05220	0.05135	0.04512	0.03935	0.03057	0.01739	0.00428

Rates Of Disability And Death Before Retirement

Rates of death are based on the 1994 Group Annuity Mortality Table (sex distinct) set back five years for male police officers and seven years for male firefighters and set forward three years for female police officers and female firefighters. The following sample rates apply to active members.

Police Officers

Age	Annual Rate of Death—Male	Annual Rate of Death—Female	Annual Rate of Disability
20	0.027%	0.017%	0.002%
30	0.038%	0.021%	0.177%
40	0.077%	0.048%	1.102%
50	0.151%	0.112%	2.359%
55	0.214%	0.168%	2.583%
60	0.362%	0.272%	2.513%
62	0.468%	0.348%	2.545%
65	0.675%	0.506%	—

Firefighters

Age	Annual Rate of Death—Male	Annual Rate of Death—Female	Annual Rate of Disability
20	0.027%	0.017%	0.004%
30	0.038%	0.021%	0.100%
40	0.077%	0.048%	0.494%
50	0.151%	0.112%	2.390%
55	0.214%	0.168%	3.526%
60	0.362%	0.272%	4.172%
62	0.469%	0.348%	3.964%
65	0.675%	0.506%	—

Occurrence Of Disability

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

Retirement Rates

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

Annual Rate of Retirement

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

DROP Retirement Rates

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

Retirement Age For Inactive Vested Participants

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

Deferred Retirement Option Plan (DROP) Elections

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

Death After Retirement

According to the RP2000 Combined Table (male only) for pensioners with one-year set forward for police and one-year set back for firefighters. RP2000 Combined Table (female only) with one-year set forward for all beneficiaries. RP2000 combined Table (male only) for disableds, with six-year set forward for police and four-year set forward for firefighters.

Future Expenses

The normal cost is increased by all administrative expenses budgeted, net of the State Subsidy received from the State of Ohio.

Unknown Data for Members

Same as those exhibited by members with similar known characteristics.

Percent Married

85 percent.

Age of Spouse

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

Optional Form Election

20 percent of retirees are assumed to elect the 50 percent J&S pension.

Dependent Parents

Costs based upon allowance for mortality (same rates as for beneficiaries), but no specific allowance for change in dependency status.

Dependent Children

Each member is assumed to have two children, born when the member was age 26. Dependency is assumed to cease when the child is 22.

Medicare Part B Premium Trend Rates

The Medicare Part B premium ($93.50 per month for 2007) is assumed to increase as follows:

Year	Increase
2007	7.75%
2008	7.50
2009	7.25
2010	7.00
2011	6.75
2012	6.50
2013	6.25
2014	6.00
2015	5.75
2016	5.50
2017	5.25
2018 and Later	5.00

Methods

Actuarial Cost Method

Projected benefit method with level percentage entry age normal cost and open–end unfunded accrued liability. Gains and losses are reflected in the accrued liability.

Asset Valuation Method

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

Payroll Growth

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

Data

Census And Assets

The valuation was based on members of the Fund as of January 1, 2007 and does not take into account future members. All census and asset data was supplied by OP&F.

Summary of Benefit and Contribution Provisions

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

Eligibility for Membership

Immediate upon commencement of employment.

Member Contributions

10 percent of salary.

Normal Service Retirement

Eligibility

Age 48 with 25 years of service.

Benefit

An annual amount equal to a percentage of average annual salary, where the percentage equals 2.5 percent for each of the first 20 years of service, two percent for each of the next five years of service, and 1.5 percent for service in excess of 25 years to a maximum of 72 percent of the average annual salary. Average annual salary means the average of the total salary during the three years for which the total earnings were greatest for 3/12 month consecutive periods.

Age/Service Commuted

Eligibility

Age 62 with 15 years of service.

Benefit

Same as the normal service retirement benefit.

Early Termination with 25 Years Service

Benefit

Same as the normal service retirement benefit, except benefit commences when member reaches age 48.

Early Termination with 15 Years Service

Benefit

An annual amount equal to a percentage of average annual salary, where the percentage equals 1.5 percent times years of service. Benefit commences at the later of age 48 and 25 years from the date of full-time hire.

Early Termination with Less Than 15 Years Service

Benefit

A lump sum amount equal to the sum of the member's contributions to the Fund.

Deferred Retirement Option Plan (DROP)

Eligibility

Age 48 with 25 years of service.

Benefit

Member elects to defer retirement and must remain in the DROP at least three years to receive the benefit without penalty, but not more than eight years. At retirement, member receives (1) the normal service retirement benefit determined as of the date the member entered the DROP, plus cost–of–living adjustments, and (2) his DROP accrual balance paid in a lump sum or in installments.

The DROP accrual is credited until retirement with the member's retirement benefit amount for the year, adjusted for cost–of–living, plus a portion of the member's contribution for the year, plus interest credited at five percent compounded annually. Annual member contributions are credited to the DROP account based on the following schedule:

Years 1 and 2	50% of member's contribution
Year 3	75% of member's contribution
Years 4–8	100% of member's contribution

If the member terminates employment in the first three years of participating in the DROP and has not terminated employment, the member forfeits all interest accrued for his benefit. If the member terminates after eight years, the member forfeits all DROP benefits and receives a normal service retirement benefit determined as of his termination date, counting service credit for the DROP participation period.

If the member becomes disabled while participating in the DROP and has not terminated employment, the member can choose to remain in the DROP or receive a disability benefit if granted, and forfeit all DROP benefits.

If the member dies while participating in DROP, the member's spouse or beneficiary receives the DROP accrual balance and a monthly survivor benefit of 50 percent of the benefit the member would have received had the member retired the day before death and elected a 50 percent joint and survivor annuity. (If the member selected a percentage greater than 50 percent, that percentage applies.) All other death benefits apply as well.

Permanent and Total Disability (On Duty)

Eligibility

No age or service requirement.

Benefit

An annual amount equal to 72 percent of average annual salary.

Partial Disability (On Duty)

Eligibility

No age or service requirement.

Benefit

An annual amount determined by the Board, not to exceed 60 percent of average annual salary. If the member has 25 years of service, the amount will be equal to the normal service retirement amount.

Ordinary Disability (Off Duty)

Eligibility

5 years of service.

Benefit

An annual amount determined by the Board, not to exceed 60 percent of average annual salary.

Pre–retirement Death Benefit

Eligibility

Upon death, before retirement but after satisfying eligibility for normal service retirement or age/service commuted retirement.

Benefit

Surviving spouse or contingent dependent beneficiary receives 50 percent of the benefit the member would have received had the member retired on the date of death under the 50 percent joint and survivor annuity form of benefit.

Statutory Death Benefit

Eligibility

Upon death of any active or retired member.

Benefit

The benefit is paid to the surviving spouse for life, and to any surviving children until they reach age 18 (22 if a full–time student) or marry, which ever occurs first, and to any surviving disabled children for life, or until the child has recovered from the disability. If the deceased member leaves no surviving spouse or children, a benefit is paid to any surviving dependent parents during their lifetime or until dependency ceases or until remarriage.

The benefit amount depends on the beneficiary type. The amount is increased each July 1 by three percent of the Base Benefit. The benefit amounts are shown below.

Monthly Benefit Amount

Beneficiary Type	Base	Base Plus Increases Through July 1, 2006	Next Increase Effective July 1, 2007
Spouse	$ 550	$ 661.10	$ 16.50
Child	150	180.30	4.50
Parents			
If one	200	240.40	6.00
If two	100	120.20	3.00

Note: Spouse's benefit is $410 if spouse is receiving a full death benefit under the Death Benefit Fund statute.

Lump Sum Death Benefit

Eligibility

Upon death for any retired or disabled member.

Benefit

A lump sum payment of $1,000.

Optional Forms of Benefit

The standard form of benefit is a single life annuity. For married members, the standard form of benefit is an actuarially reduced benefit payable under the 50 percent joint and survivor annuity form, unless the member's spouse provides written consent for a lower survivor benefit, or there is a court order that requires the member to designate a former spouse as a beneficiary.

Retiring members may elect to have actuarially reduced benefits payable under life annuity certain and continuous and joint and survivor annuity forms under certain conditions. Such elections may require spousal consent and certain restrictions apply. Elected options may be canceled within one year after benefits commence, with the consent of the beneficiary.

Gains and Losses in Accrued Liabilities

COLA or Terminal Pay

Members retiring after January 1, 1989, and who have 15 or more years of service as of January 1, 1989, are allowed to select between (1) a pension calculated on the basis of their average salary which is increased to reflect terminal pay adjustments, or (2) a pension based on the average salary excluding the terminal pay adjustment, but increasing by 3 percent of the initial pension on each retirement anniversary date occurring after July 1, 1988. The additive 3 percent COLA annuity without terminal pay adjustment is the automatic form for active members with less than 15 years of service as of January 1, 1989.

Medicare Part B

For service and disability retirements, as well as survivors, Ohio Police & Fire reimburses Medicare Part premiums up to the statutory maximum provided the retiree is not eligible for reimbursement from any other sources.
Note: This benefit is not included in the principal valuation results, but is included in the supplemental valuation results summarized in Table 1A.

Gains and losses in accrued liabilities resulting from differences between assumed and actuarial experience for years ended January 1, 2007 and January 1, 2006

Type of Activity	2007	2006
Turnover If more liabilities are released by withdrawal separations from active membership than assumed, there is a gain. If smaller releases, there is a loss.	$8,791,976	$39,727,753
Retirement If members retire at older ages than assumed, there is a gain. If younger, there is a loss.	(9,299,320)	11,176,794
Death among retired members and beneficiaries If more deaths occur than assumed, there is a gain. If fewer deaths, there is a loss.	(17,865,504)	(74,373,563)
Disability Retirants If disability claims are less than assumed, there is a gain. If greater increases, there is a loss.	(6,787,726)	(6,284,006)
Salary increase/decrease If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	143,227,337	(18,585,161)
Return to work If participants return to work with previous service restored, there is a loss.	(43,320,000)	(45,596,751)
New Entrants If new entrants join OP&F, there is a loss.	(3,931,718)	(3,381,370)
Deaths among actives If claims costs are less than assumed, there is a gain. If more claims, a loss.	(3,831,049)	(3,694,668)
Investments If there is a greater investment return than assumed, there is a gain. If less, there is a loss.	66,825,853	(197,410,792)
Payroll Growth If payroll increases more than assumed, there is a gain. If payroll does not increase as assumed, there is a loss.	(2,525,988)	1,190,397
TOTAL GAIN (OR LOSS) DURING THE YEAR	**$131,283,861**	**($297,231,367)**

Short-Term Solvency Test

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

Accrued Liabilities ($ Amounts in Thousands)

	Valuation Year	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
Police	2007	$934,517	$3,850,347	$2,444,583	$5,654,396	100%	100%	36%
Fire	2007	$796,751	$2,757,852	$2,297,575	$4,503,573	100%	100%	43%
Police	2006	$894,963	$3,654,099	$2,297,575	$5,364,003	100%	100%	35%
Fire	2006	$747,714	$2,572,229	$2,023,823	$4,186,577	100%	100%	43%
Police	2005	$840,875	$3,510,610	$2,152,500	$5,260,325	100%	100%	42%
Fire	2005	$691,252	$2,497,311	$1,852,502	$4,077,137	100%	100%	48%
Police	2004	$792,449	$3,390,164	$1,911,501	$5,269,436	100%	100%	57%
Fire	2004	$639,074	$2,448,043	$2,448,043	$4,067,667	100%	100%	61%
Police	2003	$746,520	$3,299,989	$1,894,086	$4,905,728	100%	100%	45%
Fire	2003	$593,228	$2,401,021	$1,573,523	$3,776,976	100%	100%	50%
Police	2002	$699,146	$3,099,628	$1,711,626	$5,110,052	100%	100%	77%
Fire	2002	$551,227	$2,275,967	$1,448,172	$3,966,417	100%	100%	79%
Police	2001	$644,164	$2,839,294	$1,914,232	$4,632,337	100%	100%	60%
Fire	2001	$508,155	$2,089,072	$1,511,366	$3,865,732	100%	100%	84%

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

	Added to rolls		Removed from rolls		Rolls end of year				
Year	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Percentage Change in Allowance	Average Annual Allowances	Percentage Change in Membership
2007	-		-		24,683	$630,080	4.70%	$25.53	0.92%
2006	1,186	32,147	962	12,701	24,459	601,775	3.64%	24.60	0.49%
2005	916	19,803	797	12,132	24,340	580,645	4.00%	23.86	0.85%
2004	963	22,166	759	11,407	24,136	558,305	2.82%	23.13	0.89%
2003	975	23,887	762	10,722	23,923	542,997	6.45%	22.70	2.18%
2002	1,257		747		23,413	510,080		21.79	1.74%
2001	1,174		774		23,013				2.79%
2000	1,456		832		22,389				3.01%
1999	1,514		793		21,765				
1998	1,041		758		21,482				

Plan Summary

Purpose

OP&F was established by the Ohio General Assembly to provide pension and disability benefits to members of OP&F and eligible benefits to their surviving spouses, children and dependent parents.

Administration

The administration, control and management of OP&F are vested in the Ohio Police & Fire Pension Board of Trustees, which is comprised of the following nine members:

- Three representatives of police departments;
- Three representatives of fire departments;
- Three statutory members, who must have professional investment experience —one appointed by the Governor, one by the Treasurer of State, and one appointed jointly by the Senate President and Speaker of the House.

The representatives of police and fire departments are elected to four–year terms by the respective members, with one police and one fire position being a retired member or surviving spouse.

Membership

Membership in OP&F is mandatory under Ohio law for all full–time police officers employed by Ohio municipalities and appointed under the required statutory provisions. Full–time firefighters employed by townships, municipalities, joint fire districts or other political subdivisions who are required to have satisfactorily completed a firefighter training course approved under former Section 3303.07, Section 4765.55 or conducted under Section 3737.33 of the Ohio Revised Code, are required to be OP&F members.

Contributions

Contributions are established by statute. Employers of police officers pay 19.5 percent of salary; employers of firefighters pay 24 percent of salary. Members contribute 10 percent of salary.

Benefits

Service Retirement

Upon attaining a qualifying age with sufficient service credit, a member of OP&F may retire and receive a lifetime monthly cash pension.

Normal Pension

Eligibility—Age 48 and 25 years of service.

Benefit—An annual pension equal to a percentage of the "average annual salary. "The percentage equals 2.5 percent for each of the first 20 years of service, 2 percent for each of the next five years of service and 1.5 percent for each year of service in excess of 25 years, to a maximum of 72 percent of the "average annual salary."

Service Commuted

Eligibility—15 years of service.

Benefit—Commencing at age 48 plus 25 years has elapsed from the member's full–time hire date, an annual pension equal to 1.5 percent of the average annual salary multiplied by the number of full years of service.

Age/Service Commuted

Eligibility—Age 62 and 15 years of service

Benefit—The same formula applies as for the normal service pension.

Disability Benefits

Members who become unable to perform their official duties and whose earning capacities are impaired may qualify for disability benefits.

Disability benefits are classified as either service–incurred (on–duty) or non–service–incurred (off–duty) and differ in eligibility requirements and benefit formulas. Annual medical evaluations are required for disability benefit recipients who would not have met the age and service requirements for normal service retirement, unless the Board waives this requirement based upon an OP&F physician's certification that the disability is ongoing and further evaluation would not be cost effective. OP&F further requires annual earnings statements to be submitted.

Permanent and Total Disability (On–Duty)

Eligibility—No age or service requirement.

Benefit—An annual benefit equal to 72 percent of the "average annual salary."

Partial Disability (On–Duty)

Eligibility—No age or service requirement.

Benefit—An annual benefit fixed by the Board of Trustees to be a certain percent of the "average annual salary" up to 60 percent. If the member has 25 or more years of service, the annual disability benefit is equal to the accrued normal service pension.

Non–Service Incurred Disability (Off–Duty)

Eligibility—Any age with five years of service.

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

Deferred Retirement Option Plan (DROP)

Eligibility—Normal Retirement.

Benefit—The Normal Service Pension Benefit is determined at the date of DROP entry and receives annual cost–of–living adjustments (COLAs). DROP annual accrual is the sum of the Normal Service Pension Benefit at DROP entry, with applicable COLA paid at DROP anniversary, member contributions credited to DROP and interest credited at a fixed rate of 5 percent compounded annually.

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

Years 1 and 2

50 percent of member's contributions (5.0 percent of pay)

Year 3

75 percent of member's contributions (7.5 percent of pay)

Years 4–8

100 percent of member's contributions (10.0 percent of pay)

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

At retirement, the member receives their Normal Pension Benefit determined at the time of DROP entry, with the COLA adjustment to date of retirement when eligible and the DROP accrual balance as a lump sum or installments.

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

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

Rights Upon Separation From Service

Deferred Pension—If a member meets the service credit requirement for any service retirement pension but leaves service before attaining the required age, a pension becomes payable upon attainment of the qualifying age and filing the appropriate paperwork with OP&F.

Refund of contributions—Upon separation from service, a member can receive the contributions made to the plan by himself or, on his behalf, by his employer. Employer contributions are not refundable.

Statutory Survivor Benefits

Eligibility

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

Benefit

Surviving Spouse's Benefit—An annual amount equal to $6,600, plus an annual cost of living allowance of 3 percent of the original base, paid each July 1, beginning July 1, 2000.

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

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

Lump Sum Death Benefit

On the death of a retired or disabled member of OP&F, a lump sum payment of one thousand dollars ($1,000) is paid to the member's surviving spouse or, if no surviving spouse, to a designated beneficiary. If no surviving spouse or beneficiary, then the benefit is paid to the member's estate.

Annuities

For those retiring on either service pensions or disability benefits, optional annuity plans can be chosen. Members can elect actuarially reduced benefits under a joint and survivor annuity or life annuity certain and continuous plans. Effective April 25,1984, a Pre–retirement Survivor Annuity is also offered, as discussed below.

Annuity Types

Pre–retirement Survivor Annuity

Eligibility—An active member who dies before retirement, but has satisfied the requirements for normal service retirement.

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

Single Life Annuity

For unmarried members, this is the standard annuity plan, which pays the maximum retirement allowance that the member is entitled to receive. Married members may elect this plan only if the spouse consents to the selection.

Joint and Survivor Annuity

For married members, this is the standard annuity plan at the 50 percent continuation level. Any percent between 1 percent and 100 percent (if less than 50 percent, requires spouses consent) of the members reduced pension may be continued to the surviving nominated beneficiary if not spouse, the percent continued may be limited based on the beneficiary's age (if someone other than the surviving spouse, only with the spouse's consent). Under OP&F's Joint Survivor Annuity rules, members (or under court order) may select multiple beneficiaries (up to four), for receipt of this survivor benefit. This plan automatically terminates upon death of the beneficiary, to be effective the month following OP&F's receipt of notice of death, or it may be cancelled upon divorce with the consent of the member's spouse or a specific court order.

Life Annuity Certain and Continuous

The minimum guarantee is 5 years and the maximum is 20 years. 100 percent of the members' reduced pension continues to the beneficiary for the guarantee period selected.

Group Health Insurance and Medicare

The Board may contract for group health insurance on the basis of part or all of the cost of the premium for the coverage to be paid by OP&F. Medical and prescription drug coverage sponsored by OP&F are not rights vested and are subject to change at any time upon action of the Board of Trustees.

OP&F is mandated to pay the premium for supplemental Medicare (Part B), upon obtaining the proper documentation from members of their enrollment in the medicare program.

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

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

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

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

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

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

Re–employed Retirants' Defined Contribution Plan Benefit

Every person who retired under an Ohio public pension plan and who is re–employed in an OP&F covered position must contribute to OP&F at the same rate as other police officers or firefighters. The employer pays the normal rate as well. When the re–employed retirant terminates employment and becomes eligible, he or she has the option of receiving either a lump sum payment or a life time annuity paid monthly.

The lump sum payment is an amount equal to twice his/her contributions plus interest. The lifetime monthly cash payment is based on the value of the lump sum option. If the monthly annuity would be less than $25, then only the lump sum option is available.

Since 2005, H.B. 449 allowed members who terminate before age 60, to no longer have to wait until age 60 to receive their account balance. They may apply for their account balance at termination, however, member contributions are not doubled, rather the calculation is based on the account balance plus interest. In addition, spousal consent is now required before any payout can occur, and a member can elect a joint and survivor benefit if a monthly annuity is payable.

The 2007 Comprehensive Annual Financial Report

Statistical Section

The Ohio Police & Fire Pension Fund

Financial Trends
Revenue Capacity Information
Debt Capacity Information
Demographic and Economic Information
Operating Information

140 East Town Street • Columbus, Ohio 43215
www.op–f.org • 800–860–9599

Financial Trends

Changes in Fiduciary Net Assets

Combine Trust Fund (dollars in millions)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Additions										
Employer Contributions	$402	$374	$357	$349	$337	$322	$312	$305	$279	$262
Member Contributions and Purchases	165	167	168	166	165	167	150	145	136	129
Investment Income	1,163	1,630	847	1,152	1,745	(870)	(443)	(165)	1,102	914
Health Care Contributions	56	59	55	56	17	13	7	6	6	5
Other Revenues	21	25	11	19	21	18	10	10	13	14
Total Additions	**1,807**	**2,255**	**1,438**	**1,742**	**2,285**	**(350)**	**36**	**301**	**1,536**	**1,324**
Deductions										
Benefit Payments	965	945	877	821	773	678	622	574	543	482
Administrative Expenses	16	17	16	16	17	15	13	13	12	11
Refund of Member Contributions	15	18	16	15	17	17	10	11	11	6
Discount on Early Payoff	-	-	-	-	-	-	4	22	12	9
Other Expenses	-	-	-	-	1	1	1	1	1	1
Total Deductions	**996**	**980**	**909**	**852**	**808**	**711**	**650**	**621**	**579**	**509**
Changes in Net Assets	**811**	**1,275**	**529**	**890**	**1,477**	**(1,061)**	**(614)**	**(320)**	**957**	**815**
Net Assets - Beginning of Year	**11,612**	**10,337**	**9,808**	**8,918**	**7,441**	**8,502**	**9,116**	**9,436**	**8,479**	**7,664**
Net Assets - End of Year	**12,423**	**11,612**	**10,337**	**9,808**	**8,918**	**7,441**	**8,502**	**9,116**	**9,436**	**8,479**
Reserve Fund Balances:										
Employers' Contribution Reserves	3,999	3,655	2,687	2,437	1,785	726	2,323	3,301	3,969	3,609
Members' Contribution Reserves	1,816	1,731	1,642	1,532	1,432	1,340	1,250	1,152	1,072	972
Health Care Contribution Reserves	527	437	343	294	231	205	251	277	288	272
Pension Reserves	6,081	5,789	5,665	5,545	5,470	5,170	4,678	4,386	4,107	3,626
TOTAL NET ASSETS	**$12,423**	**$11,612**	**$10,337**	**$9,808**	**$8,918**	**$7,441**	**$8,502**	**$9,116**	**$9,436**	**$8,479**

Changes in Fiduciary Net Assets

Pension Trust Fund (dollars in millions)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Additions										
Employer Contributions	$280	$235	$229	$224	$216	$204	$203	$204	$188	$182
Member Contributions	165	167	168	166	165	167	150	145	136	129
Investment Income	1,113	1,567	819	1,117	1,690	(847)	(433)	(162)	1,080	891
Health Care Contributions	-	-	-	-	-	-	-	-	-	-
Other Revenues	8	11	7	12	18	15	10	10	13	13
Total Additions	**1,566**	**1,980**	**1,223**	**1,519**	**2,089**	**(461)**	**(70)**	**197**	**1,417**	**1,215**
Deductions										
Benefit Payments	816	766	714	663	605	523	493	462	443	398
Administrative Expenses	14	15	13	14	15	13	10	10	9	9
Refund of Member Contributions	15	18	16	15	17	17	10	11	11	6
Discount on Early Payoff	-	-	-	-	-	-	4	22	12	9
Other Expenses	-	-	-	-	1	1	1	1	1	1
Total Deductions	**845**	**799**	**743**	**692**	**638**	**554**	**518**	**506**	**476**	**423**
Changes in Net Assets	**721**	**1,181**	**480**	**827**	**1,451**	**(1,015)**	**(588)**	**(309)**	**941**	**792**
Net Assets - Beginning of Year	**11,175**	**9,994**	**9,514**	**8,687**	**7,236**	**8,251**	**8,839**	**9,148**	**8,207**	**7,415**
Net Assets - End of Year	**11,896**	**11,175**	**9,994**	**9,514**	**8,687**	**7,236**	**8,251**	**8,839**	**9,148**	**8,207**
Reserve Fund Balances:										
Employers' Contribution Reserves	3,999	3,655	2,687	2,437	1,785	726	2,323	3,301	3,969	3,609
Members' Contribution Reserves	1,816	1,731	1,642	1,532	1,432	1,340	1,250	1,152	1,072	972
Pension Reserves	6,081	5,789	5,665	5,545	5,470	5,170	4,678	4,386	4,107	3,626
TOTAL NET ASSETS*	**$11,896**	**$11,175**	**$9,994**	**$9,514**	**$8,687**	**$7,236**	**$8,251**	**$8,839**	**$9,148**	**$8,207**

* Includes 401(h) trust account balance.

Financial Trends

Changes in Fiduciary Net Assets

Health Care Trust Fund (dollars in millions)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Additions										
Employer Contributions	$122	$139	$128	$125	$121	$118	$109	$101	$91	$80
Member Contributions and Purchases	-	-	-	-	-	-	-	-	-	-
Investment Income	50	63	28	35	55	(23)	(10)	(3)	22	23
Health Care Contributions	56	59	55	56	17	13	7	6	6	5
Other Revenues	13	14	4	7	3	3	-	-	-	1
Total Additions	**241**	**275**	**215**	**223**	**196**	**111**	**106**	**104**	**119**	**109**
Deductions										
Benefit Payments	149	179	163	158	168	155	129	112	100	84
Administrative Expenses	2	2	3	2	2	2	3	3	3	2
Refund of Member Contributions	-	-	-	-	-	-	-	-	-	-
Discount on Early Payoff	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-
Total Deductions	**151**	**181**	**166**	**160**	**170**	**157**	**132**	**115**	**103**	**86**
Changes in Net Assets	**90**	**94**	**49**	**63**	**26**	**(46)**	**(26)**	**(11)**	**16**	**23**
Net Assets - Beginning of Year	**437**	**343**	**294**	**231**	**205**	**251**	**277**	**288**	**272**	**249**
Net Assets - End of Year	**527**	**437**	**343**	**294**	**231**	**205**	**251**	**277**	**288**	**272**
Reserve Fund Balances:										
Health Care Reserves	527	437	343	294	231	205	251	277	288	272
TOTAL NET ASSETS	**$527**	**$437**	**$343**	**$294**	**$231**	**$205**	**$251**	**$277**	**$288**	**$272**

Benefit Expenses by Type (dollars in millions)

Year	Service	DROP**	Disability	Health Care	Survivor	Total Benefits
2007	$391.5	$172.0	$191.7	$149.2	$60.7	$965.1
2006	377.0	147.7	183.5	178.9	58.4	945.4
2005	367.4	117.7	172.5	163.3	55.8	876.7
2004	360.0	86.5	162.2	157.8	54.4	820.8
2003	350.5	53.7	149.6	168.1	52.0	773.9
2002	336.0	-	137.6	153.7	50.4	677.6
2001	319.6	-	125.0	129.2	47.8	621.6
2000	301.3	-	115.1	111.8	45.6	573.8
1999	282.8	-	107.4	100.5	52.0	542.7
1998	263.2	-	101.4	83.9	33.6	482.1

** Implementation date of January 1, 2003.

Revenues by Source (dollars in millions)

Year	Employer Contributions	Member Contributions and Purchases	Employer Contribution as a Percentage of Covered Payroll	Investment and Securities Lending income	Health Care Contributions	Other Revenues	Total Revenues
2007	$400.9	$165.1	23.1%	$1,163.1	$56.0	$21.4	$1,806.5
2006	373.9	167.4	21.3	1,629.8	58.5	25.1	2,254.7
2005	357.0	167.8	21.2	847.4	55.3	11.4	1,438.9
2004	349.4	165.9	21.2	1,152.4	55.7	18.8	1,742.2
2003	337.2	164.5	20.5	1,745.2	17.2	21.2	2,285.3
2002	321.7	167.1	19.2	(870.4)	12.6	18.5	(350.5)
2001	312.1	150.5	20.7	(443.5)	6.9	9.9	35.9
2000	304.9	145.0	21.0	(165.1)	5.7	10.8	301.2
1999	279.5	135.8	20.6	1,101.8	5.5	13.3	1,535.9
1998	261.6	128.7	20.3	913.7	5.3	13.8	1,323.3

Expenses by Type (dollars in millions)

Year	Benefit Payments	Administrative Expenses	Refund of Member Contributions	Discount on Early Payoff	Other Expenses	Total Expenses
2007	$965.1	$16.3	$15.0	$ -	$ -	$996.4
2006	945.4	16.8	18.0	-	(0.4)	979.8
2005	876.7	15.9	16.5	-	0.2	909.3
2004	820.8	15.9	15.3	-	0.2	852.2
2003	773.9	16.7	16.8	-	1.2	808.6
2002	677.6	14.9	16.8	-	1.0	710.3
2001	621.6	13.1	10.4	3.7	1.1	649.9
2000	573.8	13.2	11.1	22.3	0.7	621.1
1999	542.7	11.5	11.4	12.5	0.9	579.0
1998	482.1	10.9	5.7	8.9	0.6	508.2

DROP Program Accrued Liability (dollars in millions)

	2007	2006	2005	2004	2003
Police					
DROP Liability Beginning Balance	$246.8	$161.5	$87.7	$34.1	$ -
Accrued Pension & COLA	80.3	74.6	62.3	47.8	31.6
Accrued Member Share Contributions	12.1	9.0	5.6	2.9	1.8
Accrued Interest	14.2	10.0	6.0	2.9	0.7
Withdrawals	(15.6)	(8.3)	(0.1)	-	-
DROP Liability Ending Balance	**337.8**	**246.8**	**161.5**	**87.7**	**34.1**
Fire					
DROP Liability Beginning Balance	180.0	113.6	60.3	22.6	-
Accrued Pension & COLA	66.9	55.8	45.2	33.6	20.9
Accrued Member Share Contributions	9.5	6.9	3.9	2.1	1.2
Accrued Interest	10.6	7.2	4.2	2.0	0.5
Withdrawals	(9.7)	(3.5)	-	-	-
DROP Liability Ending Balance	**257.3**	**180.0**	**113.6**	**60.3**	**22.6**
Combine Police & Fire					
DROP Liability Beginning Balance	426.8	275.1	148.0	56.7	-
Accrued Pension & COLA	147.2	130.4	107.5	81.4	52.5
Accrued Member Share Contributions	21.6	15.9	9.5	5.0	3.0
Accrued Interest	24.8	17.2	10.2	4.9	1.2
Withdrawals	25.3	11.8	0.1	-	-
DROP LIABILITY ENDING BALANCE	**$595.1**	**$426.8**	**$275.1**	**$148.0**	**$56.7**

Revenue Capacity Information

Active Member & Total Payroll Base Statistics (dollars in millions)

Year	Payroll base	Member Contributions	# of Members*	Percentage Change in Payroll Base	Percentage Change in Member Contributions	Percentage Change in Members
2007	$1,737	$165	28,609	-1.1%	-1.4%	2.1%
2006	1,756	167	28,026	4.3%	-0.2%	0.5%
2005	1,684	168	27,879	2.4%	1.1%	-2.0%
2004	1,644	166	28,441	2.4%	0.9%	-0.1%
2003	1,606	164	28,480	4.7%	-1.6%	0.5%
2002	1,534	167	28,328	8.9%	11.0%	1.4%
2001	1,408	151	27,936	5.2%	3.8%	1.1%
2000	1,339	145	27,642	7.2%	6.7%	1.9%
1999	1,249	136	27,133	4.9%	5.5%	2.4%
1998	1,191	129	26,495	6.3%	6.2%	2.6%

*Includes rehired retirees

Active Member Valuation Data

Year	Number of Employers		Number of Active Members		Average Annual Salary		Percentage of Average Annual Salary Increases		Annual Payroll (Millions)
	Police	Fire	Police	Fire	Police	Fire	Police	Fire	
2007	540	384	15,646	12,963	$60,638	$61,512	0.1%	-1.3%	$1,782.9
2006	536	376	15,304	12,722	60,573	62,326	3.1%	4.5%	1,756.2
2005	538	368	15,270	12,609	58,744	59,617	4.7%	3.9%	1,683.6
2004	540	363	15,746	12,695	56,081	57,367	-1.0%	1.2%	1,644.4
2003	541	362	15,924	12,556	56,661	56,687	4.3%	4.2%	1,606.3
2002	559	354	15,877	12,451	54,335	54,402	7.8%	7.2%	1,534.3
2001	573	352	15,778	21,158	49,113	49,459	4.0%	4.3%	1,407.6
2000	590	350	15,775	11,867	47,241	47,416	5.2%	5.2%	1,338.5
1999	621	353	15,533	11,600	44,892	45,052	3.1%	2.2%	1,249.1
1998	616	354	15,247	11,316	43,561	44,077	3.6%	2.7%	1,190.9

Active Membership Data

Number and Average Annual Salary*

Age	Years of Service									
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
Under 25	669	3								**672**
	$44,551	$63,143								**$44,634**
25-29	1,992	759	1							**2,752**
	$49,167	$58,575	$61,570							**$51,766**
30-34	1,442	2,665	619	6						**4,732**
	$50,356	$59,079	$62,468	$62,995						**$56,869**
35-39	771	2,033	2,592	817	16					**6,229**
	$50,410	$58,362	$62,120	$65,276	$65,192					**$59,866**
40-44	259	670	1,520	2,160	669	18				**5,296**
	$49,044	$57,386	$60,719	$65,356	$68,441	$71,833				**$62,631**
45-49	109	225	526	1,081	1,413	777	21			**4,152**
	$49,023	$55,760	$60,319	$62,772	$68,593	$73,465	$79,557			**$65,787**
50-54	39	80	177	362	708	1,220	397	7		**2,990**
	$49,397	$55,216	$57,762	$61,762	$66,355	$72,646	$77,351	$97,798		**$68,871**
55-59	17	31	60	117	183	327	411	163		**1,309**
	$48,498	$50,055	$55,935	$61,456	$62,284	$67,460	$75,489	$76,124		**$68,613**
60-64	2	8	13	17	25	33	57	104	12	**271**
	$59,763	$45,094	$51,687	$55,722	$53,422	$62,426	$71,529	$72,365	$77,601	**$66,529**
Over 64	2	2	1	5	2	1	3	14	21	**51**
	$40,459	$61,352	$88,824	$49,749	$53,622	$66,810	$75,190	$75,312	$76,659	**$70,687**
Total	**5,302**	**6,476**	**5,509**	**4,565**	**3,016**	**2,376**	**889**	**288**	**33**	**28,454**
	$49,080	**$58,399**	**$61,373**	**$64,289**	**$67,498**	**$72,049**	**$76,162**	**$72,254**	**$77,002**	**$61,035**

*Excludes rehired retirees

Retired Membership by Type of Benefits

Year	Service		Disability		Survivors		Total Beneficiaries
	Police	Fire	Police	Fire	Police	Fire	
2007	6,459	5,012	3,594	2,436	4,067	3,115	24,683
2006	6,419	5,045	3,521	2,403	3,982	3,089	24,459
2005	6,452	5,101	3,429	2,364	3,931	3,063	24,340
2004	6,459	5,173	3,291	2,300	3,912	3,001	24,136
2003	6,418	5,188	3,193	2,202	3,916	3,006	23,923
2002	6,321	5,155	3,055	2,088	3,798	2,996	23,413
2001	6,312	5,155	3,046	2,082	3,244	2,550	22,389
2000	6,204	5,125	2,947	2,021	3,211	2,451	21,959
1999	5,968	5,004	2,841	1,945	3,162	2,472	21,392
1998	5,571	4,926	2,749	1,869	3,104	2,391	20,610

Retired Membership by Type of Benefits

	Service		Disability		Survivor & Beneficiaries	
Age Last Birthday	Number	Avg. Allowance	Number	Avg. Allowance	Number	Avg. Allowance
Under 60	2,970	$39,469	3,225	$ 33,458	1,548	$7,517
60–64	2,448	37,895	1,072	31,474	582	9,604
65–69	2,009	35,238	769	29,724	734	8,950
70–74	1,380	30,222	438	26,255	970	8,405
75–79	1,346	25,207	316	22,164	1,272	8,269
Over 79	1,318	21,171	210	18,967	2,076	7,854
TOTAL	**11,471**	**$33,504**	**6,030**	**$ 31,009**	**7,182**	**$8,183**

Retirees and Beneficiaries Statistics (dollars in millions)

Year	Benefit Payments*	Refunds	Total Payments*	# of Benefit Recipients**	% Change in Benefit Recipients	%Change Total Benefit Payments
2007	$816	$15	$831	24,831	0.3%	6.0%
2006	766	18	784	24,766	0.8%	7.3%
2005	714	16	730	24,564	0.9%	7.7%
2004	663	15	678	24,347	1.1%	9.1%
2003	605	17	622	24,081	2.3%	15.2%
2002	523	17	540	23,546	2.3%	7.2%
2001	493	10	503	23,013	2.8%	6.4%
2000	462	11	473	22,389	3.0%	4.1%
1999	443	11	454	21,734	3.1%	12.6%
1998	398	6	404	21,081	1.6%	6.5%

*Excludes Health Care Benefits
**Includes Terminated employees entitled to benefits but not yet receiving them

Average Monthly Benefit Payments

Service Retirement

Year	Normal	Service Commuted	Age Commuted	Age / Service
2007	$3,251	$1,265	-	$1,928
2006	3,274	1,068	-	1,665
2005	3,125	1,102	-	1,231
2004	3,128	1,081	-	1,673
2003	3,150	990	-	1,569
2002	3,130	742	-	1,840
2001	2,987	830	-	1,500
2000	2,783	732	-	1,232
1999	2,828	653	-	1,300
1998	2,780	835	-	2,091

Disability Retirement

Year	Permanent and Total	P&T Presumptive	Partial	Partial Presumptive	Off Duty
2007	$3,301	$3,611	$2,846	$2,959	$2,634
2006	3,341	2,930	2,793	2,939	2,306
2005	3,327	3,254	2,624	3,160	1,924
2004	3,209	3,163	2,712	3,080	2,167
2003	3,133	3,203	2,854	3,042	2,029
2002	2,970	3,029	2,672	2,965	1,993
2001	2,373	2,858	2,332	2,278	1,649
2000	2,380	2,061	2,380	2,258	1,760
1999	2,388	2,559	2,194	2,361	1,629
1998	2,321	2,968	1,953	2,134	1,330

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

Member Health Care Contributions (dollars in millions)

Year	Contributions	% Change in Contributions Received	Number of Covered Lives	Health Care Benefit Payments	% of Benefit Payments Covered by Member Contributions	Net Benefit Payment Per Covered Life
2007	$56	-4%	26,601	$149	38%	$0.00350
2006	59	6%	28,100	179	33%	0.00428
2005	55	-1%	29,006	163	34%	0.00372
2004	56	223%	29,708	158	35%	0.00344
2003	17	36%	35,513	168	10%	0.00425
2002	13	84%	35,452	154	8%	0.00398
2001	7	22%	35,290	129	5%	0.00347
2000	6	3%	34,499	112	5%	0.00308
1999	6	3%	33,545	101	5%	0.00283
1998	5	2%	32,842	84	6%	0.00239

State of Ohio Subsidy Payments (dollars in millions)

Year	Subsidy Amount	% Change
2007	$0.97	-10%
2006	1.08	-9%
2005*	1.19	-53%
2004	2.50	-5%
2003	2.64	-5%
2002	2.78	-5%
2001	2.93	-6%
2000	3.11	-5%
1999	3.28	-6%
1998	3.48	-6%

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

Employer Contribution Rates (1967–present)

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

Member Contribution Rates (1967–present)

	Member Rates	
Time Frame of Rates	Police	Fire
09–09–88 thru Present	10.00%	10.00%
08–01–86 thru 09–08–88	9.50	9.50
03–01–80 thru 07–31–86	8.50	8.50
01–01–68 thru 02–28–80	7.00	7.00
01–01–67 thru 12–31–67	6.00	6.00

Actuarial Interest Rates (1967–present)

	Actuarial Interest Rates	
Time Frame of Rates	Police	Fire
01–01–89 thru Present	8.250%	8.250%
01–01–86 thru 12–31–88	7.750	7.750
01–01–83 thru 12–31–85	7.500	7.500
01–01–80 thru 12–31–82	6.375	6.375
01–01–79 thru 12–31–79	6.000	6.000
01–01–74 thru 12–31–78	5.000	5.000
01–01–72 thru 12–31–73	4.750	4.750
01–01–70 thru 12–31–71	4.625	4.625
01–01–67 thru 12–31–69	4.250	4.250

Actuarial Valuation Information

Pension Trust (dollars in millions)

As of January 1	Valuation Assets	Actual Accrued Actuarial Liabilities (AAL)	Unfunded/(Overfunded) Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	Funding Period in Years
2007	$10,158	$12,988	$2,830	78.21%	$1,737	Infinite
2006	9,551	12,190	2,639	78.35%	1,756	Infinite
2005	9,337	11,545	2,208	80.88%	1,684	Infinite
2004	9,337	10,798	1,461	86.47%	1,644	Infinite
2003	8,683	10,508	1,825	82.63%	1,606	Infinite
2002	9,076	9,786	710	92.75%	1,534	28.00
2001	8,498	9,506	1,008	89.39%	1,408	29.49
2000	7,989	8,996	1,007	88.81%	1,339	26.78
1999	7,307	8,453	1,146	86.44%	1,249	47.26
1998	6,231	7,698	1,467	80.95%	1,191	56.71

Retiree Health Care Trust (dollars in millions)

As of January 1	Valuation Assets	Actual Accrued Actuarial Liabilities (AAL)	Unfunded/(Overfunded) Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	Funding Period in Years
2007	$437	$3,274	$2,837	13.35%	$1,783	Infinite
2006	$343	$3,335	$2,992	10.29%	$1,756	Infinite

Historical Annual Investment Results

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
U.S. Equity										
OP&F	5.37%	14.80%	7.59%	13.11%	30.00%	-19.81%	-7.47%	-2.96%	17.41%	17.58%
International Equity										
OP&F	20.61%	28.24%	14.10%	21.18%	35.92%	-17.70%	-23.54%	-18.49%	41.10%	20.55%
Emerging Markets										
OP&F	N/A	N/A	26.24%	22.68%	58.23%	-8.69%	-4.14%	-29.40%	43.95%	N/A
Fixed Income										
OP&F - Core	6.50%	4.59%	2.67%	4.75%	5.35%	8.60%	10.76%	12.79%	0.36%	7.67%
OP&F - High Yield	2.91%	10.22%	2.61%	10.65%	N/A	N/A	N/A	N/A	N/A	N/A
OP&F - GIPS	11.72%	2.97%	2.96%	6.97%	N/A	N/A	N/A	N/A	N/A	N/A
OP&F - Commercial Mortgage*	2.31%	5.08%	9.83%	4.82%	N/A	N/A	N/A	N/A	N/A	N/A
Real Estate *										
OP&F	20.67%	26.60%	26.07%	14.14%	13.06%	5.70%	11.84%	9.30%	13.71%	18.62%
Private Equity *										
OP&F	31.88%	17.43%	26.76%	7.15%	-13.15%	-21.61%	-26.14%	61.65%	34.76%	-0.12%
Total Portfolio										
OP&F	10.47%	16.15%	9.07%	13.29%	24.96%	-9.90%	-3.88%	-1.10%	13.82%	13.75%
** Policy Index	9.16%	15.69%	8.98%	12.84%	26.47%	-10.81%	-6.60%	-3.16%	16.15%	15.64%

*One quarter in arrears

**Policy Benchmark - OP&F's policy benchmark has changed over time - Current reflects 46 percent DJ Wilshire 5000, 18 percent Lehman Aggtregate, 20 percent of MSCI ACWI ex-US, 8 percent NCREIF Property Index, 5 percent CSFB Dev. Countries HY, 3 percent DJ Wilshire 5000 + 3 percent

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

Debt Capacity Information

Debt Capacity Information

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

Demographic and Economic Information

Number of Employer Units

	Municipalities		Townships		Villages		Total		Total
Year	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Both
2007	251	229	0	122	289	33	540	384	924
2006	252	225	0	119	284	32	536	376	912
2005	251	224	0	113	286	31	537	368	905
2004	252	225	0	109	288	29	540	363	903
2003	252	223	0	110	289	29	541	362	903
2002	252	219	0	106	307	29	559	354	913
2001	251	215	0	105	322	32	573	352	925
2000	258	213	0	105	332	32	590	350	940
1999	270	213	0	107	351	33	621	353	974
1998	269	214	0	107	347	33	616	354	970

Principal Participating Employers

Employer Name	Covered Employees	Rank	% of Total Covered Members
City of Columbus	3,442	1	12.03%
City of Cleveland	2,530	2	8.84%
City of Cincinnati	1,942	3	6.79%
City of Toledo	1,156	4	4.04%
City of Akron	822	5	2.87%
City of Dayton	772	6	2.70%
City of Canton	341	7	1.19%
City of Youngstown	324	8	1.13%
City of Springfield	251	9	0.88%
City of Hamilton	236	10	0.82%
All Others	16,793		58.71%
TOTAL	**28,609**		**100.00%**

Operating Information

OP&F Employee Budgeted Position Counts

Department	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Administration	44	45	42	44	38	40	40	23	21	19
Finance	13	13	16	16	28	29	29	28	28	34
Health Care Services*	0	0	0	16	15	15	15	32	31	28
Information Services	25	25	25	26	29	31	31	29	28	27
Investments	14	14	14	17	15	18	18	18	18	16
Member Services	54	64	69	56	56	57	53	45	44	33
Projects	0	0	0	0	0	0	2	11	0	0
TOTAL FULL-TIME POSITIONS	**150**	**161**	**166**	**175**	**181**	**190**	**188**	**186**	**170**	**157**

*Health Care Services was combined with Member Services in 2006

Personnel Salaries by Year (dollars in thousands)

	2007	2006	2005	2004	2003	2002	2001	2000	1999
Salaries & Wages	$8,488.7	$8,763.8	$8,963.4	$9,037.8	$9,144.8	$7,667.9	$7,908.9	$7,058.5	$6,154.7
Average Salary per Budgeted Staff	52.7	$52.8	$51.2	$49.9	$48.1	$40.8	$42.5	$41.5	$39.2

OP&F Budget* (dollars in millions)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Operating Actual Expenses		$45.9	$41.7	$38.7	$41.3	$35.9	$33.3	$30.0	$28.1	$24.0
Operating Budget Expenses	$54.6	61.0	48.5	44.1	45.0	35.9	38.4	37.0	28.1	27.2
% Budget vs Actual		75%	86%	88%	92%	100%	87%	81%	100%	88%

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Capital Actual		$1.2	$0.7	$2.0	$2.4	$3.2	$3.6	$3.0	$0.3	$1.0
Capital Budget	$4.6	3.8	5.8	2.8	2.8	4.4	5.0	6.0	0.9	2.6
% Budget vs Actual		32%	11%	39%	88%	75%	72%	51%	34%	39%

	2007	2006	2005	2004	2003	2002	2001	2000	1999
Operating Actual Expenses	$16.7	$14.7	$13.9	$14.2	$15.4	$13.8	$12.1	$12.2	$10.6
Investment Actual Expenses	29.2	27.0	24.8	27.0	20.5	19.5	17.9	15.9	13.4

*1998 was the first year a budget was approved and excludes capital depreciation

Other Operating Statistics

	2007	2006	2005	2004	2003	2002	2001	2000	1999
Total Staff	161	166	175	181	190	188	186	170	157
Investment Staff	14	14	17	15	18	18	18	18	16
Investment Actual Expenses	29.2	$27	$25	$27	$21	$19	$18	$16	$13
Investment Income	$1,163	$1,630	$847	$1,152	$1,745	$(870)	$(443)	$(165)	$1,102
Investment Staff to Investment Expense Ratio	$2	$2	$1	$2	$1	$1	$1	$1	$1
Investment Income to Total Staff Ratio	$7.2	$9.8	$4.8	$6.4	$9.2	$(4.6)	$(2.4)	$(1.0)	$7.0
Investment Income to Investment Staff Ratio	$83.1	$116.4	$49.8	$76.8	$97.0	$(48.4)	$(24.6)	$(9.2)	$68.9

Death Benefit Fund

Pursuant to Section 742.63 of the Ohio Revised Code, the Board of Trustees of the Ohio Police and Fire Pension Fund administers the State of Ohio Death Benefit Fund (DBF). This program was established by the State of Ohio to provide monthly benefit payments to surviving family members of Ohio fire fighters and law enforcement officers who have been killed in the line of duty or die of a duty-related accident or illness. Funds are disbursed to OP&F, on a quarterly basis, each State fiscal year (July 1-June 30) and benefits are paid monthly by OP&F to eligible recipients. The unused balance at June 30 is returned to the State. The assets and liabilities of the DBF are included in the Fund's combining statement of plan net assets as of December 31, 2007 as an agency fund. The following is a schedule of DBF financial activity:

Balance January 1, 2007	**$420,262**
Less: Survivor Benefits Paid January 1 to June 30, 2007	(10,376,549)
Balance returned to State of Ohio	(43,713)
State Funding Received	20,000,000
Less: Survivor Benefits Paid July 1 - December 31, 2007	(9,640,804)
Balance December 31, 2007	**$ 359,196**

Ohio Police & Fire Pension Fund

140 East Town Street
Columbus, Ohio 43215

Active Membership: 888–864–8363
Retirees and Survivors: 800–860–9599
General Information: (614) 228–2975
TTY: (614) 221–3846
Facsimile: (614) 628–1777
E–mail: questions@op–f.org

www.op–f.org

Prudence • Integrity • Empathy

The Ohio Police & Fire Pension Fund (OP&F) is dedicated to providing retirement and related benefits, accurate information, dependable communication and valuable educational assistance to our members. As responsible fiduciaries, we will professionally manage the resources of OP&F and implement its practices, plans and benefit services with the highest ethical standards.

Historical photographs on the front cover appear courtesy of Grandview Heights Public Library and Photohio.org

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Ohio Police and Fire Pension Fund
Columbus, Ohio

We have audited the financial statements of the Ohio Police and Fire Pension Fund (the Fund) as of and for the year ended December 31, 2007, which collectively comprise the Fund's basic financial statements and have issued our report thereon dated June 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 10, 2008

Mary Taylor, CPA
Auditor of State

OHIO POLICE AND FIRE PENSION FUND

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 22, 2008

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