

# Strength for our future— planted deep, growing strong, reaching high

Prepared by OPERS Finance Division staff



Ohio Public Employees Retirement System



This page intentionally left blank



# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Ohio Public Employees Retirement System, Franklin County, prepared by CliftonLarsonAllen LLP, for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

October 7, 2015

**This page intentionally left blank.**

|   |           |  |            |
|---|-----------|--|------------|
| <b>Annual Report Organization.....</b>              | <b>2</b>  | Defined Contribution Portfolio.....                    | 123        |
|   |           | Ohio Investments.....                                  | 126        |
|   |           | Investment Objectives and Policies.....                | 127        |
|   |           | Asset Class Policies.....                              | 134        |
|   |           | Structure and Relationship of Investment Policies..... | 139        |
| <b>Introductory Section (unaudited)...</b>          | <b>3</b>  | <b>Actuarial Section (unaudited)...</b>                | <b>141</b> |
| The OPERS Board of Trustees.....                    | 4         | Letter from the Actuary.....                           | 142        |
| Organizational Structure.....                       | 5         | Summary of Assumptions.....                            | 145        |
| Letter of Transmittal.....                          | 6         | Schedules of Average Defined Benefits Paid.....        | 154        |
| Awards and Recognition.....                         | 18        | Actuarial Valuation Data.....                          | 155        |
|   |           | Schedule of Retirees and Beneficiaries                 |            |
|   |           | Added to and Removed from Rolls.....                   | 157        |
|   |           | Schedules of Funding Progress.....                     | 158        |
|   |           | Short-Term Solvency Test.....                          | 160        |
|   |           | Accrued Pension Liabilities.....                       | 160        |
|   |           | Analysis of Financial Experience.....                  | 162        |
|   |           | Actual vs. Recommended Contribution Rates.....         | 162        |
| <b>Financial Section.....</b>                       | <b>21</b> | <b>Statistical Section (unaudited)..</b>               | <b>165</b> |
| Independent Auditors' Report.....                   | 22        | Overview.....  | 166        |
| Management's Discussion and Analysis—Unaudited..... | 24        | Net Position by Plan.....                              | 167        |
| Financial Statements                                |           | Statutory Fund Balance by Plan.....                    | 168        |
| Combining Statements of Fiduciary                   |           | Fiduciary Net Position by Year.....                    | 170        |
| Net Position.....                                   | 40        | Changes in Fiduciary Net Position.....                 | 174        |
| Combining Statements of Changes                     |           | Additions by Source.....                               | 180        |
| in Fiduciary Net Position.....                      | 42        | Deductions by Type.....                                | 184        |
| Notes to Combining Financial Statements.....        | 44        | Benefits by Type.....                                  | 188        |
| Required Supplementary Information—Unaudited.....   | 76        | Refunds by Type.....                                   | 192        |
| Schedules of Changes in Net Pension Liability.....  | 76        | Number of Refund Payments by Plan.....                 | 192        |
| Schedules of Member and Employer Contributions—     |           | Pension Assets vs. Pension Liabilities.....            | 194        |
| Defined Benefits Plans.....                         | 78        | Health Care Assets vs. Liabilities.....                | 195        |
| Schedules of Investment Returns.....                | 80        | Number of Retirees/Benefit Recipients                  |            |
| Schedules of Funding Progress—                      |           | by Category.....                                       | 196        |
| Health Care.....                                    | 80        | Number of Covered Lives by Category.....               | 198        |
| Schedules of Contributions from Employers           |           | Schedule of Retirees by                                |            |
| and Other—Health Care.....                          | 81        | Benefit Type and Amount.....                           | 199        |
| Notes to Required Supplementary Information.....    | 82        | Number of New Pension Retirees.....                    | 200        |
| Additional Information                              |           | Schedules of Average Benefits                          |            |
| Administrative Expenses.....                        | 85        | (Traditional Pension and Combined plans).....          | 202        |
| Schedule of Investment Expenses.....                | 85        | Member Counts by Plan.....                             | 204        |
|   |           | Pension Benefits by Ohio County.....                   | 208        |
|   |           | Retirees by Geographical Location.....                 | 209        |
|   |           | Contribution Rates.....                                | 210        |
|   |           | Number of Employer Units.....                          | 212        |
|   |           | Principal Participating Employers.....                 | 213        |
| <b>Investment Section (unaudited)..</b>             | <b>87</b> | <b>Plan Statement.....</b>                             | <b>215</b> |
| Report from the Interim Chief Investment Officer    |           |  |            |
| on Investment Activities.....                       | 88        |  |            |
| Independent Investment Consultant's Report.....     | 92        |  |            |
| Overview.....                                       | 94        |  |            |
| Total Investment Summary.....                       | 95        |  |            |
| Total Investment Summary (chart).....               | 97        |  |            |
| Total Investment Returns.....                       | 97        |  |            |
| Historical Investment Returns.....                  | 98        |  |            |
| Lists of Largest Assets Held.....                   | 99        |  |            |
| Schedules of Brokerage Commissions Paid.....        | 100       |  |            |
| Schedule of External Asset Managers.....            | 103       |  |            |
| Defined Benefit Portfolio.....                      | 105       |  |            |
| Health Care Portfolio.....                          | 111       |  |            |
| 115 Health Care Trust Portfolio.....                | 117       |  |            |

## Employer composition and membership information

For actuarial purposes, participating employers are divided into State, Local, Law Enforcement and Public Safety divisions. A complete description of the OPERS membership is contained in the Plan Statement section of this document, beginning on page 215.

## Annual report organization

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

- 1 Introductory Section**—with the Letter of Transmittal, organizational chart, and recognition awards garnered in 2014
- 2 Financial Section**—with the Independent Auditors' Report, Management's Discussion and Analysis, the financial statements of the System, and Required Supplementary and Additional Information
- 3 Investment Section**—with the Interim Chief Investment Officer's report on investment activity, Independent Investment Consultant's Report, investment policies, investment results, and various investment schedules
- 4 Actuarial Section**—with the Actuary's Certification Letter and the most recent results of the annual actuarial valuation
- 5 Statistical Section**—with significant data pertaining to the System
- 6 Plan Statement**—with complete membership information and details about the retirement plans offered through OPERS



## Planting seeds

Trees are the longest-living organisms on the planet. In fact, some trees in America are known to have been alive and growing since the reign of Cleopatra. OPERS works toward that level of sustainability. Almost 80 years ago, the first seeds of OPERS were planted. The intent was to build a pension program to provide a secure retirement for public employees in Ohio.

The seed flourished. Today, we are a strong, stable pension system with \$91.2 billion in assets.

This System continues to reach high by working to continually strengthen our assets and service delivery to members. With such a significant asset base, why do we continue to reach ever higher? We work to make sure our foundation remains strong and can continue to provide the support necessary for equitable, sustainable financial retirement benefits—which is the premise for our existence.

Beyond 2014, we are committed to continue to work to ensure that we can provide the strength necessary to deliver on our promise of a secure retirement for the more than one million members who are depending on us.

*Note: This section is unaudited in its entirety.*



## Board of Trustees members as of January 2015



**Front row (left to right):** Robert C. Smith, Treasurer-Appointed Investment Expert; Charles Latsa, Representative for Non-teaching College/University Employees; James Tilling, General Assembly Appointed Investment Expert

**Standing:** John W. Maurer, Representative for Retirees; Sean Loftus, Representative for County Employees; Cinthia Sledz, Representative for Miscellaneous Employees and Board Chair; Christopher Mabe, Representative for State Employees; Steve Toth, Representative for Retirees; Ken Thomas, Representative for Municipal Employees

**Not Shown in Photo:** • Governor's Appointee—Vacant

- David Payne, Designee for Robert Blair, Director of the Ohio Department of Administrative Services, Statutory Member

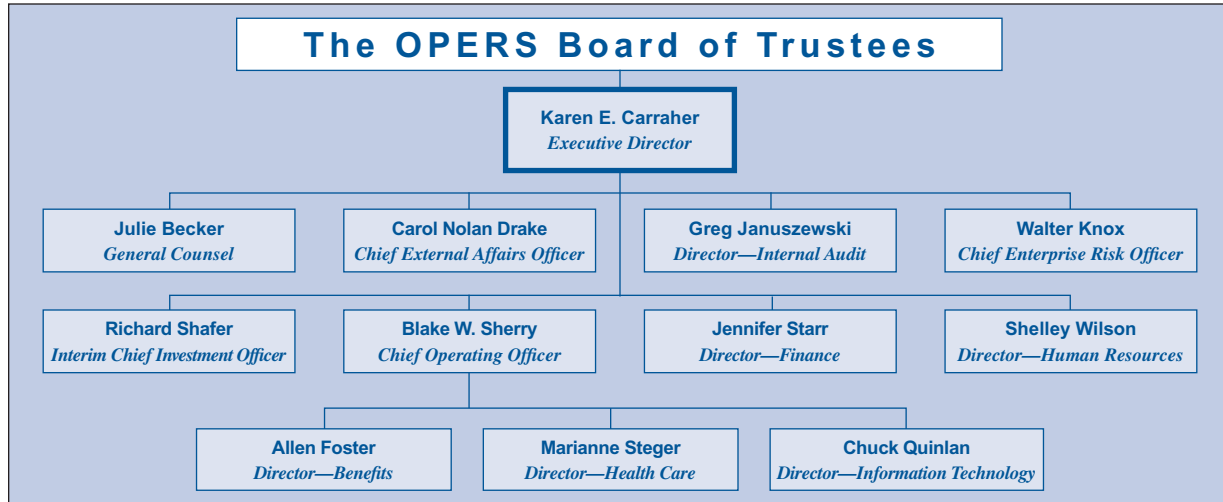
The 11-member Board of Trustees (Board) is the governing body of the Ohio Public Employees Retirement System (referred to as OPERS or System). The Board is ultimately responsible for the administration and management of all OPERS activities including oversight of investment activities.

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

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

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





**Leadership Team**



**Front row (left to right):** Chuck Quinlan, Director of Information Technology; Walter Knox, Chief Enterprise Risk Officer; Carol Nolan Drake, Chief External Affairs Officer; Greg Januszewski, Director of Internal Audit

**Standing:** Shelley Wilson, Director of Human Resources; Richard Shafer, Interim Chief Investment Officer; Marianne Steger, Director of Health Care; Blake W. Sherry, Chief Operating Officer; Karen E. Carraher, Executive Director; Jennifer Starr, Director of Finance; Allen Foster, Director of Benefits; Julie Becker, General Counsel

**Auditors**

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

**Advisors**

**Actuary—**  
**Gabriel, Roeder, Smith & Company**  
Southfield, Michigan

**Investment Policy Advisors to the Board of Trustees—**

**AON Hewitt Investment Consulting, Inc.**  
(formerly Hewitt EnnisKnupp, Inc.)  
Chicago, Illinois

**NEPC**  
Cambridge, Massachusetts

See pages 100-103 for a list of investment fees and external asset managers.



## Ohio Public Employees Retirement System

277 East Town Street Columbus, Ohio 43215-4642 1-800-222-7377 [www.opers.org](http://www.opers.org)

June 24, 2015

Dear Chair and Members of the Board of Trustees:

It's a pleasure to present to you the *2014 Comprehensive Annual Financial Report* (CAFR or annual report) of the Ohio Public Employees Retirement System (OPERS or System) for the fiscal years ended December 31, 2014 and 2013. Our theme, *Strength for our future—planted deep, growing strong, reaching high*, accurately reflects the spirit of our history and our 2014 activities and achievements. As an organization, the growth of OPERS is analogous to the mighty Ohio oaks found throughout the state. Similar to the tree, OPERS has grown from the acorn of an idea in 1933 when created by legislation, established a deep and stable foundation over the years, weathered challenging environments, flourished in nurturing ones, and adapted to continuously changing conditions. Each year has helped this organization develop the strength, adaptability, vitality, and maturity to continue to reach for the future—through every season.

A mature tree continues to experience growth, and requires constant shaping to ensure each increment of growth helps the tree remain strong, sturdy and able to continue to thrive. Similarly, OPERS stands tall and strong as we approach our 80<sup>th</sup> year of business.

As responsible caretakers of this System, our 2014 activities built on the changes we have made over the years, all designed to strengthen OPERS for the future. Sculpting a tree is never easy, but entirely necessary to ensure the tree can respond to every season and be hearty for future generations to enjoy.

We take significant pride in reviewing the system-wide progress in 2014 on diverse initiatives. Some initiatives span years, such as the implementation of the Governmental Accounting Standards Board's (GASB) new pension reporting requirements. Some accomplishments, such as multi-faceted outreach to ensure members are knowledgeable about pension benefits, are ongoing throughout every year and are woven through each initiative undertaken by this organization. Still others, although prepared for throughout 2014, will be fully implemented in 2015.

Here's an overview of our key 2014 activities:

- Ongoing implementation of changes resulting from the passage of the 2012 pension legislation and the commensurate education and outreach for members and other stakeholders to ensure a full understanding of the pension benefits OPERS provides.
- Ongoing work to strengthen OPERS for the future by analyzing and proposing changes designed to ensure the System will thrive through external conditions over which OPERS has no real control—such as a volatile market, rising health care costs—and the sweeping change in our demographics as retirees live longer and the baby-boomer generation reaches retirement age.
- Preparation for the implementation of the new pension financial reporting standards required by GASB, effective now, and ongoing outreach to prepare our 3,700 contributing employees.

- Continued implementation of the health care changes to ensure OPERS can consistently provide our current retirees and future retirees access to meaningful health care. A key component of this implementation is extensive outreach communication and ongoing education to our members through a variety of tools including newsletters, emails, blogs, webinars, automatic call outreach, and online videos—just to name a few.
- Extending our commitment to communication and education to all members by ensuring those impacted by changes will be well-informed and have the necessary tools to help them evaluate alternatives. We recognize our responsibility to ensure every OPERS member and all stakeholders understand the impact of the pension and health care changes, when the changes will occur, and the rationale for each and every change.
- Continuing work on the internal Our Way Forward initiative—a technology and business process redesign project that will enable OPERS to continue to deliver superior customer service to the expanding retiree population without adding significantly to staff.

### Report contents and structure

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

The management of OPERS is responsible for internal accounting controls designed to provide reasonable assurance for the safeguarding of assets and the reliability of financial records. The concept of reasonable assurance recognizes the relationship between the cost of a control and the benefit likely to be derived, based on the judgment of management. We believe the established internal accounting controls are adequate to meet the purpose for which they were intended.

We also believe the financial statements presented in this report, supporting schedules and statistical tables are presented fairly in all material aspects, because OPERS has established a comprehensive internal control framework designed to protect the assets from loss and to compile sufficient reliable information for the preparation of the OPERS financial statements in conformity with generally accepted accounting principles. Even effective internal controls may not prevent or detect misstatements and can provide only a reasonable assurance with respect to financial statement preparation.

The System's external auditors, CliftonLarsonAllen LLP, conducted an independent audit of the financial statements in accordance with U.S. generally accepted government auditing standards. This audit and the financial statements are described in the Financial Section, beginning on page 21.

### Overview of OPERS

OPERS was established and exists solely for the purpose of providing retirement, disability and survivor benefits to Ohio's public employees. Created by legislation in 1933, OPERS began operations January 1, 1935, prior to Social Security. Now in our 80<sup>th</sup> year, OPERS has evolved by anticipating the future and shaping the organization to not only survive, but to thrive through both robust and turbulent economies and changing demographics, to provide retirement security for our members.

In 1974, OPERS added access to health care—an important element for retirees, yet one that is neither mandated nor guaranteed. In 2003, OPERS increased the pension options offered from one to three. More information on current benefits can be found in the Plan Statement starting on page 215.

As of year-end 2014, OPERS served more than one million members, including 203,112 retirees and beneficiaries. In addition, the System works with approximately 3,700 public employers. With an asset base of \$91.2 billion, OPERS is the largest public pension system in Ohio, and the 11<sup>th</sup> largest public pension system in the nation. Our System remains strong due to a deeply rooted foundation and constant shaping to protect the core, while adapting to an ever-changing environment.

### Overview of 2014 achievements

Our accomplishments are only possible by the ongoing dedication of the entire team—from Board members to management to all levels of staff. We are united in our dedication to strengthen the System for current and future members. To do this, we work on our strategic initiatives to provide thoughtful, sustainable growth and strive to reach high to continue to provide financial security to members—a practice made possible by our deeply rooted foundation of excellence. Here are some highlights for 2014:

### Phased-in implementation of pension change provisions

In September 2012, landmark pension legislation became law. This legislation allowed the System to make changes to adapt to multiple shifts that had occurred in the environment over the past years. Most notably, the legislation provided for moderate, incremental changes to strengthen the funded status of the System by acknowledging the changing demographics of our membership. This incremental approach, which gave members time to become knowledgeable and able to plan and adjust, also enabled OPERS to become stronger through anticipated and unanticipated conditions.

Most importantly, the changes allowed OPERS to improve the System's overall funded status and improve health care funding. As a System, we are required to be able to fund the unfunded pension liabilities within a 30-year window. Changes implemented in 2014 from the 2012 legislation have enabled us to continue to meet that mandate. As of year-end 2014, the expected timeframe to meet unfunded liabilities, or amortization period, was at 21 years. The changes also allowed us to increase our health care funding.

Throughout 2014, we worked to implement pension and health care changes approved in 2012. In December 2014, the passage of Amended Substitute Bill 42 allowed OPERS to make changes that will continue to strengthen the System for the future. The most important provisions of the legislation include the modification of the transfer formula used in the process of joint retirement with other Ohio retirement systems. Additionally, the legislation provides for those members who do not qualify for premium-free Medicare Part A to join the OPERS Health Care Connector (Connector) when the retiree enrolls in Medicare Part A—meaning OPERS will not need to provide a separate plan, but rather treat these individuals the same as other Medicare-eligible retirees by providing a health reimbursement account and permitting them to select their insurance coverage.

Due to the deliberate and incremental implementation, OPERS can demonstrate that both the strength of the pension fund and solvency of the health care fund have steadily improved in 2014—as was anticipated when we partnered with stakeholders to ensure the legislation passed.

The Plan Statement, found on page 215 of this CAFR, includes more information on current benefits and requirements.

### **Health Care Preservation Plan 3.0 (HCPP 3.0)**

Health care is neither mandated nor guaranteed—yet we know access to health care for our retirees is an important aspect of our overall secure-retirement canopy. OPERS has provided access to health care for retirees since 1974. Just as a strong wind can damage or threaten a tree, so, too, did the increasing life span of our members, combined with the escalating cost of health care, threaten the strength of the OPERS health care plan and dilute the strength of our members' overall retirement security.

To address the risk, we worked with our members to ensure that access to meaningful health care will continue into the foreseeable future. Our ongoing work to frame the health care program with thoughtful modeling and transformation has strengthened the long-term viability of the program for current and future members and retirees.

OPERS has pre-funded health care in an Internal Revenue Code (IRC) 401(h) fund since its inception. This pre-funding approach has allowed OPERS to accumulate assets to be used to pay health care expenses—an approach that has strongly contributed to our ability to strengthen our health care program to withstand the challenges of volatile environments and flourish in nourishing environments. This strong asset base has afforded us the ability to transition changes over time, thereby allowing members a smoother path to the new plan.

While OPERS has one of the largest health care trust funds in the U.S., we recognized the need for change to shape the future to ensure sufficient health care funds would be available for both current and future retirees. We worked to thoughtfully model the health care program so that it was both sustainable for the long-term and to ensure the level of coverage could be consistent between generations.

The health care program and pension benefit changes were not introduced lightly, but only after significant study—and the realization that change must be made for OPERS to ensure the stability of our organization's overall mission to provide secure retirement benefits for our members.

In 2014, we focused on initiating the OPERS Connector, a program whereby eligible retirees over the age of 65 will receive funding (based on years of service and age at retirement) to apply to the health care program of their choice with the assistance of an OPERS vendor. Analysis shows the Connector will provide the majority of the 145,000 OPERS retirees who are over age 65 with better and more affordable health care than any group program OPERS could provide. While the Connector will become effective January 1, 2016, OPERS worked throughout 2014 to ensure retirees—present and future—fully understood the changes and their impact on each member. OPERS also worked with the Connector to prepare for the transition. These efforts will continue into 2015.

As of December 31, 2014, the health care fund totaled \$12.8 billion. As a result of the changes to the health care program, current calculations indicate the health care fund has sufficient

assets to provide coverage for a time period that matches the expected lives of all our members. This is a direct result of the strengthening of this health care branch with an eye toward the future—and a significant improvement over the 10-year solvency period calculated as of December 31, 2012.

Beginning in October 2014, OPERS established a 115 Health Care Trust (115 Trust). This trust will provide health care funding in much the same manner as the 401(h) health care fund and similarly, will be for the benefit of members of the Traditional Pension and Combined plans. The 115 Trust provides greater flexibility than the 401(h) fund. As OPERS prepares to change the manner of funding health care for Medicare-eligible retirees to a health reimbursement account (HRA), the System needed a funding vehicle that could accommodate such changes. Thus, OPERS will use both the 401(h) and the 115 Trust to fund health care expenses.

### **Defined contribution solutions**

In 2014, the OPERS Board of Trustees approved several changes to the defined contribution plans and the Member-Directed Plan retiree medical account (MD-RMA). Similar to the changes made to the defined benefit plan in 2012, these changes were designed to update the defined contribution program to enable the plan to fund itself. Specifically, these changes address various issues surrounding members with service credit in more than one OPERS retirement plan, modify health care funding vesting to be similar to other health care changes, identify a funding method for the Member-Directed Plan to complete the repayment of its start-up costs, and establish an administrative fee structure for the Member-Directed and Combined plans that will ensure each retirement plan is self-sufficient in funding its costs.

The implementation will occur in two phases. First, the plan change features and MD-RMA vesting schedule change will take effect July 1, 2015. The remaining changes will begin to take effect January 2016 and include the MD-RMA employer contribution rate allocation and interest rate changes, the replacement of the current administrative fee structure for active and inactive accounts with a monthly flat fee for all accounts, and an increase in the mitigating rate. The changes ultimately improve our ability to administer the plans and strengthen the financial structure of the plans for the future.

### **Governmental Accounting Standards Board (GASB)**

In 2012, GASB issued two standards (Statements 67 and 68) intended to improve transparency of pension-related information in financial reporting. In 2014, Statement 67 was implemented for OPERS. In 2015, Statement 68 implementation will begin for most OPERS-reporting employers.

The changes required by GASB are extensive and the timeline aggressive. Nevertheless, we prepared for the transition throughout 2013-2014 and were, therefore, able to meet the implementation deadline established by GASB. Simply put, the new standards require pension systems to allocate the net pension liability, or unfunded liability, to all contributing employers. As we worked to meet the implementation date for OPERS, we also recognized the impact the new standards would have on OPERS-reporting employers. Throughout 2014, OPERS partnered with all affected public employers—we provided employer-specific webinars, group meetings, self-help guides and an innovative online employer forum—to ensure all

OPERS-reporting employers have all the tools necessary to help implement these standards. Throughout 2015, we will continue to partner with public employers to ensure they receive the information needed for the GASB-mandated implementation date.

In 2014, GASB proposed additional reporting standards—this time to change how other post-employment benefits, such as health care, will be reported. These proposed standards would require the System to allocate the health care unfunded liability to all contributing employers, very similar to the pension standards. Throughout the year, OPERS provided feedback to GASB to mitigate the anticipated impact of the proposed standards. Our efforts have been extensive and included testimony, testing, and initiating an outreach campaign to GASB from affected employers. We anticipate GASB announcing the final version of the standards in late summer 2015. As was done previously with the pension standards, OPERS stands ready to assist all affected entities to ensure preparedness when the additional standards are issued and required.

### Targeted outreach to all stakeholders

We know our members and retirees are not pension experts. We recognize the trust placed in us to deliver on our promise of providing a secure retirement. As members and employers deposit contributions over the span of an employee's career, OPERS has the responsibility to deliver ongoing, accurate communication about the strength of the System and the pension benefits each employee has earned. Thus, our ongoing focus on outreach is both appropriate and of incalculable importance—for us and for our members, retirees and stakeholders. Every initiative, every action, every activity has a communication plan woven into it to ensure all stakeholders are knowledgeable about our actions and activities.

OPERS has more than one million members and a significant impact on Ohio's economy. We recognized the importance of ongoing, accurate, specialized outreach communications. As such, we provide:

- Member-specific communications designed to help each member evaluate the impact of changes, to further understand options, and to provide avenues to seek additional information and support.
- Stakeholder communication designed to enhance understanding of the pension and health care changes, the business of pensions, and the economic importance of OPERS to the state.
- Employer communication designed to assist all 3,700 employers to implement pension operations that are accurate, legally compliant, and minimally intrusive to their business.

Most importantly, we know that only through ongoing transparent, plain-language outreach can our members be well-informed and confident to make the right retirement decision for their particular situation. It is our responsibility to educate our members and all stakeholders about the modifications to both the pension plan and the health care program—and to present information in a manner that allows all individuals a high level of comprehension.

To accomplish this, we segment our multiple audiences and we take advantage of a multitude of outreach vehicles available to us—and we've even created a few—to ensure our multiple audiences understand each and every action we take.

The results of our outreach efforts in 2014 are:

- The Member Call Center fielded more than 500,000 calls.
- More than 100,000 members and retirees attended seminars, webinars and accessed videos online.
- The Employer Call Center answered more than 15,000 calls.
- The Member Education group, in conjunction with the Health Care educators, delivered approximately 400 presentations across the state.
- Health Care videos garnered more than 31,000 YouTube hits.
- Members (approximately 376,000) received an individualized account statement.
- The OPERS website tracked almost 240,000 unique visitors.
- More than 30,000 unique visitors accessed the new retirement planner launched in May 2014. The planner clearly displays what active members close to retirement must accrue to receive both access to health care and the desired level of financial security—allowing each individual to understand in real time how health care and pension benefits are separate, but intertwined.

As is appropriate, members and retirees were the recipients of the strongest outreach efforts. However, in addition, OPERS has and will continue to work to communicate effectively with all stakeholders. We sponsor employer-specific education, outreach and change-management materials; legislative-specific updates; media outreach; and, to ensure all audiences are reached, surveys, posters, town halls and more.

As previously noted, for each initiative, a strong outreach and educational component has been and will continue to be established—targeted outreach is the single most important element we have to assure each stakeholder that we will deliver on our promise of a secure retirement. Establishing and building relationships with all stakeholders is the only way we can educate and involve members and stakeholders. We'll continue to use traditional methods, seek to be innovative, and always deliver the personal touch to all—every initiative, every time.

### **Our Way Forward—internal systems refined**

As prudent fiscal managers of public funds, we understand that providing outstanding customer service is an absolute priority. Our Board has always steered OPERS to contain costs without jeopardizing service standards. To attain those twin goals, the Our Way Forward project was designed. Simply put, the project was carefully designed to improve process efficiency, update and align technology, and integrate systems so that we can adapt to the changing needs—and expectations—of our members. Only by harnessing the power of technology could OPERS continue to reach growing numbers of retirees with individualized financial information—without a commensurate increase in staff.

In 2014, the foundation stage of Our Way Forward was completed—and we are already realizing the fruits of the project. We're able to provide more than one million members with 24/7 account access, online tools and more self-service options than ever before. Members are embracing the technology. Prior to the initial implementation of Our Way Forward, approximately 99% of all initial retirement applications received were incomplete—in 2014, we documented that number to be about 20%. This improved accuracy in applications is a direct result of the improvements in online capability offered through the Our Way Forward project. In 2014, almost 77% of retirement applications were filed online, compared to only 10% prior to the initial implementation of Our Way Forward, proving that our members are successfully transitioning to stronger online interaction.



Most importantly, about 93% of retiring members now receive their first retirement payment by the effective date—prior to Our Way Forward, that figure was only 24%.

The Our Way Forward project is targeted for completion in 2018, with each year between now and then having specific implementation goals for the remaining elements to be deployed. Through these efforts, we will continue to strengthen this organization to effectively handle the anticipated peaking years of the baby-boomer generation, as well as other identified challenges. We will continue to invest in and advance our technology to provide the best possible customer service at the lowest possible cost.

### Investment results

The 2014 investment market was relatively good and, although OPERS fell short of the actuarial rate of return assumption of 8.0%, our returns were favorable and we did meet or exceed the targeted benchmarks. OPERS recorded a total return of 6.7%. It's important to note that OPERS, as a long-term institutional investor, invests in a diverse set of asset classes to minimize the risks inherent in the market. As with all total market investors, our returns for any given year will be very strong, good or average, or, in the worst case, poor. However, due to our investing strategies, we are able to weather poor market returns, while being opportunistic enough to maximize returns in strong, good and average years. We can do this because we are steadfast to our principles and focus on achieving a long-term rate of return. In addition, we are diligent in systematic funding and adhering to asset allocation strategies. Because of that diligence and focus on the long-term, we've strongly positioned the System to withstand volatile conditions and grow strategically.

OPERS total portfolio is made up of four underlying portfolios that fund pension benefits and the health care program. By portfolio, the 2014 returns were:

- Defined Benefit portfolio returned 7.0% compared to the benchmark return of 5.8% and compared to the actuarial rate of 8.0%.
- The Health Care portfolio returned 5.3% compared to the benchmark return of 5.0% and the actuarial rate of 5.0%.
- The Defined Contribution portfolio returned 4.8%, comparable to the benchmark return of 5.0%.
- The 115 Health Care Trust portfolio, new in 2014, experienced losses of less than 0.1% compared to the benchmark return of 0.7%.

As an institutional investor, OPERS has experienced both strong market years as well as multiple substantial drops in investment market performance. Yet, the System continues to average an 8.5% return on investments over the past 30 years, further evidence of a successful long-term investment strategy. A complete discussion of OPERS investment returns, activities, asset allocation strategy, and policies governing those activities can be found in the Investment Section, beginning on page 87. Additionally, information on investment fees and commissions can be found beginning on page 100.

### 2014 financial highlights

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

market conditions are poor. OPERS continues to thrive in virtually all market conditions by constantly monitoring its environment to ensure we have remained in compliance with the 30-year funding window required by law.

In this 2014 annual report and for the first time ever, OPERS is reporting actuarial valuation information current with our financial reporting information as of December 31, 2014. As we are implementing GASB Statement 67 in our 2014 financial reporting, we recognized the value for employers to have current actuarial information for the net pension liability, rather than information a year in arrears, as allowed by GASB standards. The December 31, 2014 valuation shows a funded status of 83.8%, with the unfunded liability expected to be funded within 21 years on a GASB-reporting basis.

These valuations reflect the continued positive results garnered from the pension legislation and clearly demonstrate that the modifications to the pension plan provided for by pension legislation continue to strengthen OPERS. As an overview:

- In 2011, prior to legislated changes, OPERS posted a funded status of 77.4% with the unfunded liability expected to be funded within 29 years (referred to as the amortization period) on a GASB-reporting basis.
- In 2012, as legislated changes were enacted and with strong investment returns, OPERS had a funded status of 80.9% and an amortization period of 21 years on a GASB-reporting basis, and which reflected the enacted changes.
- With continued implementation and strong investment returns, the 2013 funded status was 82.4%, with an amortization period of 24 years on a GASB-reporting basis.
- Finally, as noted above, the 2014 funded status was 83.8% funded with an amortization period of 21 years on a GASB-reporting basis.

OPERS is not required by statute or by GASB to pre-fund health care. However, OPERS has historically pre-funded this expense. The combined actions of our conservative approach to pre-funding and the changes to the health care plan design have yielded favorable results. As of the December 31, 2013 health care actuarial valuation, OPERS was 60.8% funded, with funds expected to be sufficient to fund future health care needs.

**Retirement contributions:** Employee contributions, employer contributions, and income from investments provide the funds necessary to finance retirement benefits. Approximately two-thirds of OPERS revenue, from which benefits are paid, is generated from investment returns. The remaining funding comes from employee and employer contributions. OPERS total net position at the end of 2014 was \$91.2 billion, as compared to the 2013 net position of \$89.0 billion, and the 2012 net position of \$81.4 billion.

**Expenses:** Expenses (which include pension benefit payments and health care coverage payments and refunds) for fiscal year 2014 were \$7.4 billion, an increase of 3.7% over 2013 expenses of \$7.1 billion. The increase in members receiving pension benefits reflects the baby-boomer generation reaching retirement age. Health care expenses rose 5.9% in 2014 to \$1.7 billion. These increases reflect our dedication to providing a secure retirement for our members. All told, in 2014, OPERS paid \$5.1 billion in pension benefits and \$1.7 billion in health care to more than 203,000 retired Ohioans and their beneficiaries. As such, OPERS is an important economic driver for Ohio as approximately 90.0% of OPERS retirees remain in Ohio.

**Administrative costs:** OPERS works to keep administrative costs low and all administrative costs are funded by investment returns, except for those associated with the defined contribution component of the Combined Plan and the Member-Directed Plan. Just as we invest carefully, we monitor expenses carefully. Administrative costs in 2014 were \$110.8 million, including investment expenses. This number represents a \$7.8 million increase, or 7.5%, over the 2013 administrative costs of \$103.0 million. This increase is primarily due to increases in custody-related fees incurred as a result of the change in international custodian. Additionally, an increase in depreciation expense resulted from completion of stages of Our Way Forward, including the foundation stage, deployed during the year, and additional inflation-related cost increases in personnel expenses, including an average merit increase for staff.

As a point of reference, the 2012 administrative costs increased 6.2% from fiscal 2011. The 2012 increase was primarily due to a change in accounting practice related to investment commission-sharing agreements. In prior years, these expenses were recorded as a component of the cost of investment assets. However, starting in 2012, these expenses were reported as administrative expenses of the System.

Complete details of administrative expenses are included in the Financial Section, starting on page 21. In addition, the Management's Discussion and Analysis, beginning on page 24, has a more in-depth discussion of the OPERS funded status and also provides a complete analysis of the additions and deductions to Plan Net Position.

### Professional services

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

### Acknowledgments

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

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

### Thriving through all environments

Our accomplishments in 2014 were substantial and have helped strengthen us for the future. However, we must remain alert to changes to our environment and continue to shape the organization so all branches are sturdy enough to support themselves and, therefore, support the overall strength of the organization. Only by constant shaping can we ensure this organization will be poised to withstand the winds of time through volatile and nourishing weather. Only then will OPERS continue to thrive and reach higher so that future generations can find shelter under the canopy of financial protection.

As always, our results have been made possible by the OPERS team of committed pension professionals. Each staff member is dedicated to ensuring the mission of OPERS is accomplished—not only for the retirees of today but for future generations as well. We are fortunate to report to an equally dedicated Board of Trustees—these individuals have led us with vision and unwavering standards. We appreciate and acknowledge the efforts of all those involved.

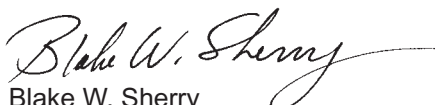
Overall, 2014 was a good year and a good year is always a pleasure to report. We continued to reach high so that we could continue to deliver on our promise to all members. Our organization is strong and is shaped for ongoing growth by anticipating and acclimating to every environment. We expect to thrive in 2015, as we did in 2014. However, no one knows what any given year will bring—just as no one can control the weather. We know OPERS has been shaped to bend with any weather and that ultimately our strength will allow us to straighten and reach new heights in all environments.

We are proud of the accomplishments of the year—each has strengthened OPERS for the future. Our promise to our members and retirees is clear: We will not simply endure, we will continue to thrive—that's our members' expectation; that's our promise; and that's our tradition. We continue to reach high—to serve our members.

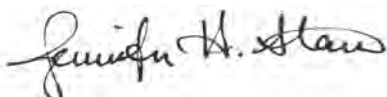
Respectfully submitted,



Karen E. Carraher, CPA  
Executive Director



Blake W. Sherry  
Chief Operating Officer



Jennifer H. Starr, CPA  
Chief Financial Officer



Blake Sherry, Jennifer Starr, and Karen Carraher

## Introductory Section

### Fiduciary Responsibilities

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

### Request for Information

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

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



#### In memoriam

#### Sharon Downs: Board member, mentor, friend

It is with profound sadness we report that a great limb has fallen from our tree. As this annual report was being compiled, Sharon Downs, former member of the Board of Trustees, pension advocate, and staunch supporter of OPERS, passed away April 19, 2015. Her last Board meeting was December 2014. Many of the Board actions—indeed, the ongoing strength of this System, highlighted in this annual report are the direct result of Sharon’s unflagging dedication.

During her 16 years of service on the OPERS Board, Sharon moved seamlessly from call centers to Board room, interacting with staff, management, the community, the retirees whom she represented and, of course, other members of the Board. Her ready smile and considerable intellect helped resolve many of the complex issues OPERS faced over the past two decades. She was a diligent Board member and served on multiple committees over the years.

Of special note, her work on the Health Care committee, where she was a tireless champion of health care for retirees—current and future—had a profound impact. She encouraged thoughtful examination of the OPERS Health Care Plan and worked to ensure ongoing funding was an integral element in preserving health care for future generations of retirees.

Her insights, integrity, courage and ability to navigate sustainable change for the best interest of retirees and this organization were remarkable. Although she has left a hole in our hearts, her incredible legacy remains—we are a much better organization because she was a part of it.

---

## Awards

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

- **2013 Certificate of Achievement**—For the 31<sup>st</sup> consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded OPERS a Certificate of Achievement for Excellence in Financial Reporting for its *Comprehensive Annual Financial Report* for the fiscal year ended December 31, 2013. In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.



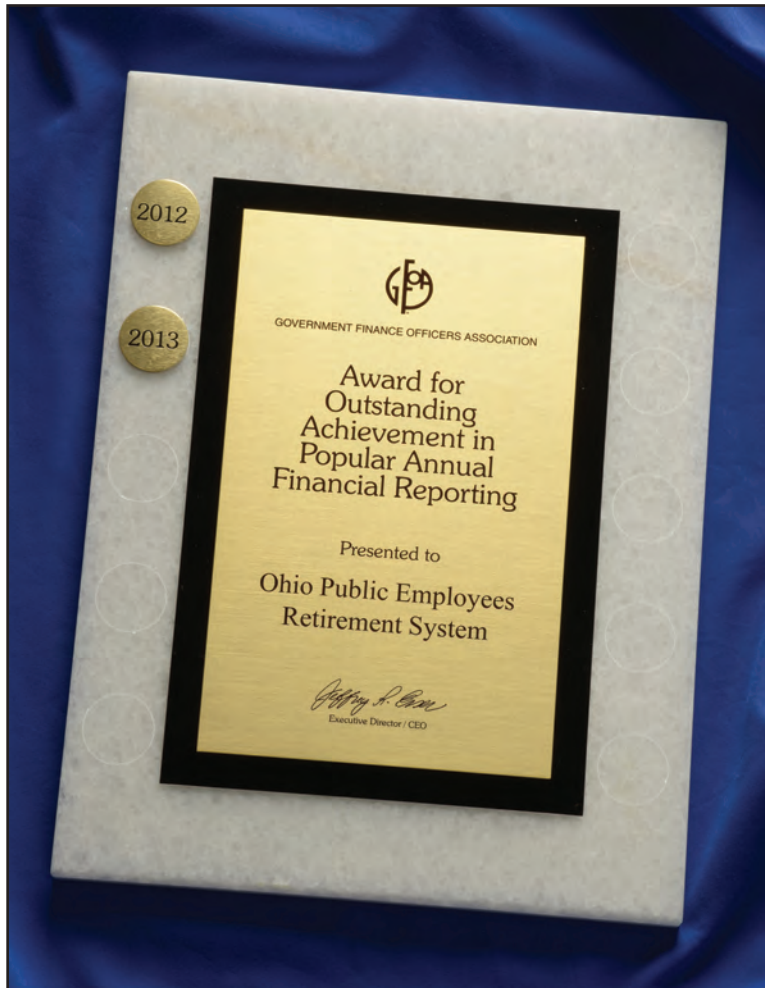
### Certificate of Achievement for Excellence in Financial Reporting



- **2013 Award for Outstanding Achievement**—The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to OPERS for its fourth *Popular Annual Financial Report* for the fiscal year ended December 31, 2013. This award is a prestigious national award recognizing conformance with the highest standards of creativity, presentation, understandability, and reader appeal for preparation of governmental popular reports.



**Award for Outstanding Achievement in Popular Annual Financial Reporting**



- **2014 Public Pension Standards Award**—Issued by the Public Pension Coordinating Council, this award recognizes OPERS for demonstrating a high level of plan design, funding, member communications and administrative practices. The Standards serve as a benchmark by which all public defined benefit plans are measured.

**2014 Public Pension Standards Award**

Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2014***

Presented to

***Ohio Public Employees Retirement System***

In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

Alan H. Winkle  
Program Administrator





## Monitoring sustainable growth

The age of a tree can be determined by meticulously counting the number of growth rings found inside the trunk—one for each year. Similarly, every year, OPERS provides a detailed personalized annual account statement that reflects the annual growth of the account and details the accrued time within the System.

OPERS can provide this information annually because we have implemented thorough financial and accounting practices. OPERS is dedicated to accuracy in keeping service credit and contributions records—for every single member. Only by vigorous and comprehensive monitoring of ongoing financial activities in the form of growth and liabilities can we provide, with certainty, the exact retirement benefit amount each member has earned.

*Note: Portions of this section are unaudited, including the Management's Discussion and Analysis, the Required Supplementary Information and Notes to Required Supplementary Information.*





CliftonLarsonAllen LLP  
 CLAAconnect.com

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Ohio Public Employees Retirement System (OPERS), which comprise the combining statements of fiduciary net position as of December 31, 2014 and 2013, and the related combining statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements, which collectively comprise OPERS' basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of OPERS as of December 31, 2014 and 2013, and the respective changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.



An independent member of Nexia International

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability, member and employer contributions, investment returns, funding progress, contributions from employers and other contributing entities, and notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

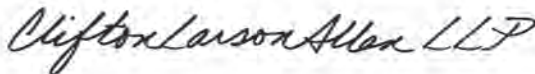
Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise OPERS' basic financial statements. The additional information, including the administrative expenses and schedule of investment expenses, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information, including the administrative expenses and schedule of investment expenses, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015 on our consideration of OPERS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OPERS' internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Toledo, Ohio  
June 24, 2015

The management of the Ohio Public Employees Retirement System (OPERS or System) offers readers of the System's financial statements this narrative overview of the financial activities of OPERS for the years ended December 31, 2014 and 2013. This narrative is intended to supplement the System's financial statements. Readers are encouraged to consider the information presented here in conjunction with the financial statements that begin on page 40.

## Overview of the Financial Statements

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

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

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

1. Schedules of Changes in Net Pension Liability—Traditional Pension Plan and Combined Plan
2. Schedule of Member and Employer Contributions—Traditional Pension Plan
3. Schedules of Employer Contributions—Traditional Pension Plan and Combined Plan
4. Schedule of Investment Returns—Defined Benefit Portfolio
5. Schedule of Funding Progress—Post-employment Health Care
6. Schedule of Contributions from Employers and Other Contributing Entities—Health Care
7. Notes to Required Supplementary Information

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

1. Administrative Expenses
2. Schedule of Investment Expenses

The financial statements contained in this annual report disclose financial data for each of the benefit plans described below. Please refer to the Plan Statement section beginning on page 215 for a comprehensive description of the plan structures and benefits. These plans are established as separate legal entities in accordance with Internal Revenue Service regulations and Ohio Law and are summarized below:

### The Traditional Pension Plan

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

 **The Combined Plan**

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

 **The Member-Directed Plan**

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

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

 **Post-employment Health Care Plan**

The Post-employment Health Care Plan is a legal plan established under Section 401(h) of the Internal Revenue Code. This plan is pre-funded and holds the portion of employer contributions of the Traditional Pension and Combined plans that are set aside for funding retiree health care. The health care portion of the employer contribution rate for the Traditional Pension and Combined plans is comparable, as the same benefits are provided to participants in both plans. Details of the coverage provided to OPERS retirees and their dependents can be found in the Plan Statement beginning on page 215.

While this 401(h) health care plan will continue to be used to fund health care expenses, employer contributions to this plan ceased in September 2014 upon the establishment of the 115 Health Care Trust.

 **115 Health Care Trust**

In 2014, OPERS established the 115 Health Care Trust (115 Trust) under Section 115 of the Internal Revenue Code. This trust will provide health care in much the same manner as the 401(h) health care fund and similarly, will be for the benefit of members of the Traditional Pension and Combined plans. On January 1, 2016, OPERS will launch the OPERS Medicare Connector (Connector), a program whereby eligible enrolled retirees over the age of 65 may have an allowance deposited to a health reimbursement account (HRA) to apply toward the health care program of their choice selected with the assistance of an OPERS vendor. As OPERS prepares to change the manner of funding health care for Medicare-eligible retirees, OPERS needed a vehicle that could accommodate such reimbursement mechanisms as the HRA. Employer contributions to this trust began in September 2014, with the initial health care disbursements from this trust to commence with January 2016 premiums. OPERS will use both the 401(h) and the 115 Trust to fund health care expenses.

 **Voluntary Employees' Beneficiary Association (VEBA)**

The Voluntary Employees' Beneficiary Association (VEBA) is established under Section 501(c)(9) of the Internal Revenue Code, and functions in a manner similar to a retiree medical account (RMA). The VEBA holds the portion of employer contributions of the Member-Directed Plan that are set aside for funding retiree health care. Upon separation or retirement, the member may use the vested funds in the VEBA for qualified health care expenses.

Vesting requirements for this plan have changed over the life of the plan. The plan originally required 10 years of participation to vest in the contributions and interest earned on the account. Effective January 1, 2009, contributions and interest vested with the member over a five-year period. Beginning July 1, 2015, new members to the plan will be required to participate for 15 years to become fully vested. Additional information on the changes to this plan can be found in the Plan Statement beginning on page 215.

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

 **Combining Statements of Fiduciary Net Position**

The Combining Statements of Fiduciary Net Position is a point-in-time snapshot of plan fund balances at fiscal year end. It reports the assets available to pay future benefits to retirees, and any liabilities that are owed as of the statement date. The resulting Net Position (Assets less Liabilities = Net Position) represents the value of assets held in trust for pension benefits and post-employment health care. This is the first year the 115 Health Care Trust is included in these combining statements. (See Combining Statements of Fiduciary Net Position as of December 31, 2014 and 2013 on pages 40-41 of this report.)

 **Combining Statements of Changes in Fiduciary Net Position**

The Combining Statements of Changes in Fiduciary Net Position displays the effect of financial transactions that occurred during the fiscal year, where Additions less Deductions = Net Increase (or Net Decrease) in Net Position. This Net Increase (or Net Decrease) in Net Position reflects the change in the value of Fiduciary Net Position that occurred between the current and prior year. This is the first year the 115 Health Care Trust is included in these combining statements. (See Combining Statements of Changes in Fiduciary Net Position for years ended December 31, 2014 and 2013 on pages 42-43 of this report.)

 **Notes to Combining Financial Statements**

The Notes to Combining Financial Statements are an integral part of the financial statements and provide additional information that is essential for a comprehensive understanding of the data provided in the financial statements. These notes describe the accounting and administrative policies under which OPERS operates, and provide additional levels of detail for selected financial statement items. The most significant changes to this section this year are found in Footnote 8 and include additional information to comply with Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans*, as 2014 is the initial year of implementation of this standard for OPERS. While the combining statements previously described are not impacted by GASB 67, the disclosures in this section were expanded to include detailed information on the Net Pension Liability (NPL), and related activity, as defined in GASB 67. (See Notes to Combining Financial Statements, December 31, 2014 and 2013 on pages 44-75 of this report.)

The financial statements described on the previous page are prepared in compliance with GASB Pronouncements. Information on the significant accounting policies and recent GASB standards adopted in the preparation of the financial statements can be found in Footnote 2 in the Notes to Combining Financial Statements beginning on page 44.

Because of the long-term nature of most pension plans, financial statements alone cannot provide sufficient information to properly reflect the ongoing plan perspective. Therefore, in addition to the financial statements explained on the previous page, this report includes six additional Required Supplementary Information (RSI) schedules and required notes. Historically, the RSI section included only Schedules of Funding Progress and Employer Contributions for all defined benefit pension plans and health care. In order to comply with GASB 67, this section was expanded to include additional information related to the pension plans, including Schedules of Changes in Net Pension Liability for each defined benefit pension plan, member contributions and a Schedule of Investment Returns in the Defined Benefit Portfolio, as described further below. The historical schedules of Funding Progress for the defined benefit pension plans are no longer required to be included in this section and have been moved to the Actuarial Section of this document. Each of the following schedules include historical trend information where required by standards, except the new Schedules of Changes in Net Pension Liability and Schedule of Investment Returns as this is the initial year of implementation of GASB 67 and historical information is unavailable for these schedules:

#### **Schedules of Changes in Net Pension Liability—Traditional Pension Plan and Combined Plan**

The Schedules of Changes in Net Pension Liability (pages 76-77) include actuarial information regarding the increase or decrease of each element of the net pension liability between the beginning and ending of the year for OPERS defined benefit pension plans. The values included in these schedules were calculated using the assumptions and requirements defined in GASB 67. The calculation method defined in GASB 67 requires different assumptions than are used to calculate the funded status of a plan. For example, GASB 67 requires the use of market value of assets versus the smoothed assets used for the funding valuation (refer to page 31 for additional information on actuarial smoothing techniques). Therefore, the GASB 67 net pension liability results will differ from the unfunded actuarial accrued liability results provided in the Schedule of Funding Progress included in the Actuarial Section of this document beginning on page 141. The new accounting and reporting standard breaks the link between accounting and funding. While these changes will affect the accounting information disclosed in the Notes to Combining Financial Statements and RSI, they do not have an effect on the actuarial methods and assumptions used by OPERS to determine the employer contributions needed to fund the plan.

Since these schedules are new with the implementation of GASB 67, historical information is not available. The schedules will be expanded each subsequent year until they contain the required 10-year presentation.

#### **Schedule of Member and Employer Contributions—Traditional Pension Plan**

The Schedule of Member and Employer Contributions (page 78) presents historical trend information regarding the value of total annual contributions required to be paid by the members and employers participating in the Traditional Pension Plan, and the actual amounts remitted. The information contained in this schedule reflects the required contributions based on the contribution rates approved by the OPERS Board of Trustees (Board of Trustees or Board). This schedule includes both member and employer contributions that are used to calculate the proportionate share by employer for the Traditional Pension Plan.

GASB Statement No.68 (GASB 68), *Accounting and Financial Reporting for Pensions*, was

issued by GASB in conjunction with GASB 67. GASB 68 applies to employers that participate in OPERS as well as other governmental employers that sponsor or contribute to pension plans. GASB 68 requires employers to recognize a proportionate share of the net pension liability in their financial statements, and includes other reporting changes. GASB 68 specifies that when different contribution rates are assessed for different classes of employees, the determination of the employer's proportionate share should reflect those relationships. The OPERS proportionate share calculation includes both member and employer contributions to recognize the differing benefits of members in the State, Local, Public Safety and Law divisions. The defined benefit pension portion of the Combined Plan is funded with employer contributions only. Separate schedules showing employer-only contributions for the Traditional Pension and Combined plans are also included in RSI and described below.

#### **Schedules of Employer Contributions—Traditional Pension Plan and Combined Plan**

The Schedules of Employer Contributions (page 79) present historical trend information regarding the value of total annual contributions required to be paid by employers only for the employees participating in each defined benefit plan, and the actual amounts remitted. The information contained in these schedules also reflects the required contributions based on the contribution rates approved by the Board of Trustees.

#### **Schedule of Investment Returns—Defined Benefit Portfolio**

The Schedule of Investment Returns (on page 80) provides information regarding the annual money-weighted rates of return on pension plan investments in the Defined Benefit portfolio, calculated and presented as required by GASB 67. Since this schedule is new with the implementation of GASB 67, historical information is not available. The table will be expanded each subsequent year until it contains the required 10-year presentation.

#### **Schedule of Funding Progress—Post-employment Health Care Plan**

The Schedule of Funding Progress for the Post-employment Health Care Plan (page 80) includes actuarial information about the status of the health care fund from an ongoing, long-term perspective, and the progress made in accumulating sufficient assets to pay future health care coverage costs. Health care coverage is not statutorily guaranteed and may be changed to ensure the long-term solvency of the fund and OPERS' ability to provide future coverage for all eligible retirees. Actuarial accrued liabilities are determined based on the current plan, and do not reflect potential changes until approved by the Board of Trustees.

#### **Schedule of Contributions from Employers and Other Contributing Entities—Health Care**

The Schedule of Contributions from Employers and Other Contributing Entities for health care (page 81) presents historical trend information regarding the value of total annual contributions required to fund health care coverage and the total portion of the employers' contributions applied toward this funding. The information contained in this schedule reflects the required contributions based on the contribution rates approved by the Board of Trustees. In addition, OPERS participates in federal programs such as Medicare Part D reimbursements and prescription drug plans that provide direct subsidies of health care expenses. These reimbursement/subsidy programs contribute to the funded status of the plan and are included in this schedule.



 **Notes to Required Supplementary Information**

The Notes to Required Supplementary Information (pages 82-84) provide background information, a summary of the actuarial assumptions used for valuation of the pension and post-employment health care plans, and explanatory detail to help in understanding the required supplementary schedules.

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

 **Administrative Expenses**


The Administrative Expenses schedule displays the total operating costs of managing the System, by major categories of expense (page 85). This schedule also includes payments made to outside professionals by the type of service providers used by the System (such as actuarial, legal).

 **Schedule of Investment Expenses**


The Schedule of Investment Expenses summarizes the costs incurred in managing the investment assets of the System (page 85). These costs are reported as Investment Administrative Expenses in the Combining Statements of Changes in Fiduciary Net Position, and are reflected as a reduction in Net Investment Income.

**Financial Highlights**

- OPERS established the 115 Health Care Trust effective September 2014. This trust will be used to provide funding for health care for members of the Traditional Pension and Combined plans similar to the 401(h) health care fund. Employer contributions to the trust began September 2014 with initial health care disbursements expected to commence with January 2016 premiums.
- The investment portfolio reported a total return of 6.7% for the year ended December 31, 2014, as compared to a return of 14.0% in 2013 and a return of 14.4% in 2012. The total portfolio is divided into four sub-portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio earned an investment return of 7.0% in 2014 compared to a return of 14.4% in 2013, and 14.5% in 2012. The Health Care portfolio experienced gains of 5.3% in 2014 compared to gains of 11.4% in 2013 and 13.7% in 2012. The 115 Health Care Trust portfolio, established in September 2014, experienced losses of less than 0.1%. The Defined Contribution portfolio experienced gains of 4.8% in 2014 compared to gains of 20.5% in 2013 and 13.4% in 2012.
- Net position increased by \$2.3 billion in 2014 compared to an increase of \$7.5 billion in 2013. Net income from investing activities totaled nearly \$5.8 billion in 2014 compared to income of \$11.0 billion in 2013 and \$10.4 billion in 2012. Net position continues to increase and is at \$91.2 billion as of December 31, 2014, an all-time high. (Refer to Table 1 on the next page for a three-year comparative history of changes in plan net position.)

|  <b>Changes to Fiduciary Net Position</b> (for the years ended December 31, 2014, 2013 and 2012) |                         |                         |                         |   | <b>Table 1</b>                                 |
|---|-------------------------|-------------------------|-------------------------|---|--|
|   | 2014                    | 2013                    | 2012                    | Amount Increase/ (Decrease) from 2013 to 2014 | Percent Increase/ (Decrease) from 2013 to 2014 |
| Member and Employer Contributions   | \$3,375,742,735         | \$3,252,125,177         | \$3,205,143,203         | \$123,617,558                                 | 3.8%   |
| Contract Receipts and Other Income  | 466,010,116             | 383,127,051             | 429,924,781             | 82,883,065                                    | 21.6   |
| Net Income from Investing Activity  | 5,775,317,835           | 11,006,164,375          | 10,375,431,044          | (5,230,846,540)                               | (47.5)   |
| <b>Total Additions</b>  | <b>9,617,070,686</b>    | <b>14,641,416,603</b>   | <b>14,010,499,028</b>   | <b>(5,024,345,917)</b>                        | <b>(34.3)</b>                                  |
| Benefits and Account Refunds  | 7,278,639,722           | 7,017,020,552           | 6,507,582,847           | 261,619,170                                   | 3.7  |
| Administrative and Other Expenses   | 84,472,154              | 81,653,262              | 86,598,838              | 2,818,892                                     | 3.5  |
| <b>Total Deductions</b>   | <b>7,363,111,876</b>    | <b>7,098,673,814</b>    | <b>6,594,181,685</b>    | <b>264,438,062</b>                            | <b>3.7</b>                                     |
| <b>Net Increase in Net Position</b>   | <b>2,253,958,810</b>    | <b>7,542,742,789</b>    | <b>7,416,317,343</b>    | <b>(5,288,783,979)</b>                        | <b>(70.1)</b>                                  |
| Net Position, Beginning of Year   | 88,989,936,298          | 81,447,193,509          | 74,030,876,166          | 7,542,742,789                                 | 9.3  |
| <b>Net Position, End of Year</b>  | <b>\$91,243,895,108</b> | <b>\$88,989,936,298</b> | <b>\$81,447,193,509</b> | <b>\$2,253,958,810</b>                        | <b>2.5%</b>                                    |

- This is the first year OPERS is providing current pension funding information (refer to Table 2 below) that aligns with the year-end of the financial statements presented in this document. As a result, the pension funding discussion includes information updated as of December 31, 2014 and 2013. The health care funding presented in this document (refer to Table 3 on page 32) remains a year in arrears as the most recent health care funding information is as of December 31, 2013.

|  <b>Schedule of Funding Progress*</b> (\$ in millions) <b>Traditional Pension, Combined, and Member-Directed Plans—Table 2</b> |                                     |                  |   |                        |               |
|---|-------------------------------------|------------------|---|------------------------|---------------|
| Valuation Year  | Actuarial Accrued Liabilities (AAL) | Valuation Assets | Unfunded Actuarial Accrued Liabilities (UAAL) | Ratio of Assets to AAL | Funding Years |
| 2014  | \$89,285                            | \$74,865         | \$14,420                                      | 83.8%                  | 21            |
| 2013  | 86,645                              | 71,411           | 15,234  | 82.4                   | 24            |
| 2012*****   | 83,878                              | 67,855           | 16,023  | 80.9                   | 21            |
| 2012****  | 87,105                              | 67,855           | 19,250  | 77.9                   | 29            |
| 2011  | 84,530                              | 65,436           | 19,094  | 77.4                   | 29            |
| 2010***   | 80,485                              | 63,649           | 16,836  | 79.1                   | 24            |
| 2010**  | 79,630                              | 60,600           | 19,030  | 76.1                   | 29            |
| 2009  | 76,555                              | 57,629           | 18,926  | 75.3                   | 30            |
| 2008  | 73,466                              | 55,315           | 18,151  | 75.3                   | 30            |
| 2007  | 69,734                              | 67,151           | 2,583   | 96.3                   | 14            |
| 2006  | 66,161                              | 61,296           | 4,865   | 92.6                   | 26            |

\* The amounts reported on this schedule do not include assets or liabilities for post-employment health care. Funding years are presented on a GASB reporting basis.

\*\* Results from original valuation prior to re-statement after completion of experience study.


\*\*\* Revised actuarial assumptions based on experience study.

\*\*\*\* Results prior to the provisions of Senate Bill 343.

\*\*\*\*\* Results reflecting the provisions of Senate Bill 343.

- OPERS continues its goal of ensuring the financial stability of both the pension and health care fund. In September 2012, the Legislature approved pension changes which became effective beginning January 7, 2013. These changes reduced the actuarial accrued liability for pension by approximately \$3.9 billion. Similarly, in September 2012, the OPERS Board-approved changes referred to as the Post-employment Health Care Preservation Plan 3.0 (HCPP 3.0), which became effective beginning January 1, 2014. These changes reduced the actuarial accrued liability for health care by approximately \$12.1 billion, with other changes being attributable to regular-experience gains and losses. Refer to the Plan Statement section (page 215) for additional information on changes to these plans.
- As previously noted, OPERS net investment income for the year ended December 31, 2014 totaled \$5.8 billion, representing a return of 6.7% on the total OPERS portfolio. Net investment income for the defined benefit plans comprised \$5.1 billion of this total, with a return of 7.0%. The Health Care and Defined Contribution portfolios experienced investment gains of \$648.6 million and \$42.7 million, respectively. The 115 Health Care Trust experienced investment losses of \$1.2 million. As with all mature retirement systems, OPERS' primary means of funding benefit payments in the future will be through investment income. Ultimately, investment income will provide more than 60% of the funds necessary to pay retirement benefits. Therefore, the long-term rate of investment return is critical to the funding status of the System.
- To fully understand the funding status of a retirement system, it is often advisable to view actuarial data in conjunction with financial data. The actuarial value of assets used to calculate funded status is not based on year-end fair value (market value) as of the valuation date. Market gains and losses for actuarial funding purposes are smoothed over a rolling four-year period subject to a 12% market corridor. This smoothing of actuarial gains and losses mitigates the need to constantly increase or lower contribution rates because volatile market conditions can be recognized (smoothed in) over several years.
- The reality of actuarial smoothing techniques is that the fair value (market value) of assets may be significantly different from the funding value (actuarial value) of assets at a given point in time. This means that in periods of extended market decline the fair value of assets will usually be less than the funding, or actuarial value of assets. This was the case with OPERS during the extended down market from 2000 to 2002, and in 2008. Conversely, during periods of extended market gains, the fair value of assets will usually be greater than the funding, or actuarial value of assets.
- To ensure that the funding value of assets and the fair value of assets remain within reasonable proximity of each other, OPERS uses a 12% market corridor in conjunction with its four-year smoothing. This policy, instituted by the Board in 2001, ensures that the funding value of assets is neither lower than 88% nor higher than 112% of the fair value of the assets. At the end of 2012, OPERS fair value of assets was approximately equal to the funding value. At the end of 2013 and 2014, the fair value of assets was higher than the funding value due to continued strong returns in 2013 following a strong year of returns in 2012.
- At December 31, 2014, the date of the latest actuarial evaluation, the funding value of net assets set aside to pay defined benefit pension benefits (non-health care assets) was \$74.9 billion. The fair value of these defined benefit assets at December 31, 2014, included in the pension plans on OPERS financial statements, was \$77.3 billion. As of December 31, 2014, OPERS fair value of assets was higher than the funding value of assets, indicating that the remaining actuarial investment losses of 2011 and actuarial losses of 2014 are offset by the actuarial gains of 2012 and 2013, recognized or smoothed in 2014.
- As of December 31, 2014, OPERS had accumulated sufficient assets to fund 100% of the benefits for retirees and their beneficiaries, and had also provided nearly 57.8% of the reserves necessary to fund pensions for active and inactive members based on service credit earned through 2014.

- As of December 31, 2014, the date of the most recent actuarial valuation, the unfunded actuarial accrued liability for the OPERS defined benefit pension plans was \$14.4 billion. While the OPERS defined benefit investment return of 7.0% was less than the 8.0% actuarially assumed rate of return in 2014, the funding return was 8.7%. The higher funding return reflects the realization of a portion of prior year gains smoothed in over a four year period. As a result, the unfunded actuarial liability decreased from \$15.2 billion as of December 31, 2013 to \$14.4 billion as of December 31, 2014. As of December 31, 2012, OPERS unfunded actuarial liability for defined benefit pension plans was \$16.0 billion. The decrease in the unfunded actuarial accrued liability between 2012 and 2013 is reflective of continued positive investment returns. The unfunded actuarial accrued liability for 2012 reflects the results of plan changes enacted into law with Senate Bill 343 (SB 343). Information on the plan changes under SB 343 can be found in the Plan Statement beginning on page 215. Refer to Table 2 on page 30 for a comparative history of actuarial liabilities and funding years for OPERS pension benefits.
- As of December 31, 2014, the date of the latest actuarial valuation, OPERS funded ratio for defined benefit pensions was 83.8%. In general, this means that for each dollar of future pension liability, OPERS had accumulated approximately \$0.84 to meet that obligation. The funded ratio increased in 2014 when compared to 2013 due to the funding value investment rate of return increasing above the actuarially assumed investment rate of return due to the smoothed gains from 2013 and 2012 off-setting the losses in 2014 and 2011. The funded ratios for 2013 and 2012 were 82.4% and 80.9%, respectively. The December 31, 2014 actuarial report indicates that if future activity proceeded according to assumptions, OPERS would accumulate sufficient assets to pay all pension liabilities for active members and retirees within 21 years on a valuation and GASB-reporting basis. The funding years as of December 31, 2013 were 24 years on a valuation and GASB basis. As of December 31, 2012, the funding years on a valuation basis were 26 years and 21 years on a GASB basis. The differences between GASB funding years and valuation funding years occur as a result of the inclusion of the future expected contribution rate allocation between pension and health care in the valuation funding years.

|  <b>Schedule of Funding Progress</b> (\$ in millions) <b>Post-employment Health Care Plan—Table 3</b> |                                     |                  |   |                        |                 |
|--|-------------------------------------|------------------|---|------------------------|-----------------|
| Valuation Year   | Actuarial Accrued Liabilities (AAL) | Valuation Assets | Unfunded Actuarial Accrued Liabilities (UAAL) | Ratio of Assets to AAL | Solvency Years* |
| 2013   | \$19,784                            | \$12,031         | \$7,753                                       | 60.8%                  | Indefinite      |
| 2012   | 19,182                              | 12,193           | 6,989   | 63.6                   | Indefinite      |
| 2011   | 31,020                              | 12,115           | 18,905  | 39.1                   | 10              |
| 2010***  | 30,531                              | 12,320           | 18,211  | 40.4                   | 11              |
| 2010**   | 26,929                              | 11,267           | 15,662  | 41.8                   | 11              |
| 2009   | 31,558                              | 10,936           | 20,622  | 34.7                   | 11              |
| 2008   | 29,623                              | 10,748           | 18,875  | 36.3                   | 11              |
| 2007   | 29,825                              | 12,801           | 17,024  | 42.9                   | 31              |
| 2006   | 30,748                              | 12,025           | 18,723  | 39.1                   | 27              |

\* Solvency years represent an estimate of the number of years the fund will be able to provide health care under the intermediate actuarial assumptions.

\*\* Results from original valuation prior to re-statement after completion of experience study.

\*\*\* Revised actuarial assumptions based on experience study.

- The OPERS funding objective is to meet long-term pension benefit obligations and, to the extent possible, fund post-employment health care. As of December 31, 2013, the date of the latest health care actuarial valuation, the actuarial liability for OPERS health care was \$19.8 billion and the System had accumulated assets of \$12.0 billion for that obligation. OPERS had an unfunded actuarial accrued liability of \$7.8 billion, representing an increase of approximately \$0.8 billion from the 2012 valuation.


The funding ratio decreased from 63.6% in 2012 to 60.8% in 2013. These changes in the unfunded liability and funding ratio were primarily due to employer contributions of 1.0% of payroll allocated to health care during 2013 compared to 4.0% allocated for 2012. Health care coverage is not statutorily guaranteed, and may be changed to ensure the long-term solvency of the fund and the ability to provide future coverage. The funding progress of the Health Care Plan is measured in terms of solvency years, or the number of years that funds are projected to be available to pay health care expenses under the current plan structure before the plan would be reduced to a pay-as-you-go basis. The market losses of 2008 reduced the solvency years of the health care fund from 31 years as of December 31, 2007, to 11 years for the years ended December 31, 2008 through 2010. The investment losses of 2011 resulted in a decline in the solvency years to 10 years for the year ended December 31, 2011. The investment gains of 2012 and 2013, the implementation of plan design changes (HCPP 3.0) approved by the Board in 2012, and changes in assumptions resulted in transitioning the solvency years from 10 to an indefinite period under actuarial terms as of the December 31, 2012 and 2013 valuations. An indefinite solvency period indicates that health care assets are projected to be sufficient to fund expected liabilities. Refer to Table 3 on the previous page for a comparative history of OPERS actuarial liabilities and solvency years for health care.

### Analysis of Financial Activities

OPERS funding objective is to meet long-term benefit obligations with investment income and contributions. Accordingly, the collection of employer and member contributions and the income generated from investment activities provide the reserves needed to finance future pension benefits and health care. The following discussion provides an analysis of the current year's financial activities. Where appropriate, comparative data from the prior year is also presented.

### Additions to Fiduciary Net Position (Revenues) (Refer to Table 4)

As previously noted, the reserves needed to finance retirement benefits are accumulated primarily through the collection of member and employer contributions, and through investment income (net of investment expense). Revenues (additions to plan net position) for the year 2014 were \$9.6 billion, and include member and employer contributions of \$3.4 billion, net income from investment activities of \$5.8 billion, and other income totaling approximately \$0.4 billion. Other income is comprised of purchased service agreements, employer interest and penalty charges, vendor performance guarantees and rebates, federal subsidies, settlements, interplan activity, and miscellaneous other income. Interplan activity represents transactions between plans that are additions to plan assets. Additions to plan net position for the year 2013 were \$14.6 billion, comprised of \$3.2 billion in contribution revenues, \$11.0 billion in net income from investment activities, and other income totaling approximately \$0.4 billion. Additions to plan net position for the year 2012 were \$14.0 billion, comprised of \$3.2 billion in contribution revenues, \$10.4 billion in net income from investing activities, and other income totaling approximately \$0.4 billion. Refer to Table 4 on the next page for a comparative history of OPERS Additions to Fiduciary Net Position. On average, investment income historically represents approximately 60-75% of total revenues.

|  <b>Additions to Fiduciary Net Position (Revenues)</b> (for the years ended December 31, 2014, 2013 and 2012) <b>Table 4</b> |                        |                         |                         |   |  |
|---|------------------------|-------------------------|-------------------------|---|--|
|   | 2014                   | 2013                    | 2012                    | Amount Increase/ (Decrease) from 2013 to 2014 | Percent Increase/ (Decrease) from 2013 to 2014 |
| Member Contributions  | \$1,545,835,210        | \$1,458,086,045         | \$1,426,415,134         | \$87,749,165                                  | 6.0%   |
| Employer Contributions  | 1,829,907,525          | 1,794,039,132           | 1,778,728,069           | 35,868,393                                    | 2.0  |
| Contract and Other Receipts   | 270,728,202            | 250,228,379             | 218,259,489             | 20,499,823                                    | 8.2  |
| Federal Subsidy   | 176,619,891            | 105,965,762             | 182,579,917             | 70,654,129                                    | 66.7   |
| Other Income, Net   | 8,304,360              | 13,898,739              | 12,103,692              | (5,594,379)                                   | (40.3)   |
| Interplan Activity  | 10,357,663             | 13,034,171              | 16,981,683              | (2,676,508)                                   | (20.5)   |
| Net Income from Investing Activities  | 5,775,317,835          | 11,006,164,375          | 10,375,431,044          | (5,230,846,540)                               | (47.5)   |
| <b>Total Additions</b>  | <b>\$9,617,070,686</b> | <b>\$14,641,416,603</b> | <b>\$14,010,499,028</b> | <b>(\$5,024,345,917)</b>                      | <b>(34.3)%</b>                                 |

OPERS has achieved an average annual rate of return of 8.5% during this 30-year period, exceeding the annual actuarial funding requirement of 8.0%. (Refer to the Investment Section for historical rates of return.)

Member and employer contributions for 2014 compared to 2013 increased by \$123.6 million, or 3.8%. Member and employer contributions include amounts paid by active members and their employers for future retirement benefits, which represents about half of the increase in this activity from 2013 to 2014, or 2.1%. Contributions also include amounts paid by retirees toward the cost of OPERS-provided health care, which represents the other half of the increase in total contributions from 2013 and 2014. In general, as wages start to rise, the retirement contributions from active members, and their employers, also increase. These contributions can also be influenced by the number of active members who move to retirement. In 2014, approximately 5,800 active members retired and will generally be replaced with less tenure or entry level staff. The national average wage increase given to government employees for 2014 was 2.0%, slightly higher than the actual increase in non-health care contributions for 2014.

Member contributions also include amounts paid by retirees toward the cost of OPERS-provided health care. Retirees share in the cost of providing health care coverage for their spouse and dependents. In 2014, these contributions totaled \$238.4 million, compared to \$178.1 million in 2013 and \$159.6 million in 2012. This increase is primarily related to an increase in the retiree population, the rising cost of health care, program design changes and the exhaustion of federal dollars historically available to contain increases in cost to the retiree.

Since OPERS is self-insured for health care provided to retirees under the age of 65, the member's cost share is not based on market premiums. Retirees over the age of 65 are covered by the Medicare Advantage program. To determine the member's cost share, OPERS determines self-supporting rates for each population based on claims and premium experience. In 2012 and 2013, the self-supporting rates were frozen using funds received from the federal Early Retirement Reinsurance Program (ERRP) to cover cost increases that otherwise would have been passed on to the retirees. Under the federal guidelines, these ERRP funds had to be used by 2014. As of December 31, 2013, all ERRP funds were used. Retirees saw a significant increase in their cost share in 2014. By keeping the retiree's cost share low with the ERRP funds, the retiree realized an increase in cost share equal to the difference between the 2014 self-supporting rate and the 2011 self-supporting rate.

Contracts and other receipts represent funds received for member purchase of service contracts, employer early retirement incentive programs, vendor rebates, and funds received from other Ohio retirement systems for members with service credit under more than one retirement system. These receipts totaled \$270.7 million in 2014, or an increase of 8.2% over the \$250.2 million earned in 2013. The increase in these receipts is the result of significant changes occurring in three of the four activities described above. Receipts from health care vendors comprise \$150.4 million of this line item in 2014, compared to \$121.7 million and \$90.1 million in 2013 and 2012, respectively. The majority of this increase results from gain-sharing revenues received in conjunction with the Medicare Advantage program, provided to retirees over the age of 65. The Medicare Advantage premiums are estimated at the beginning of the year, and adjusted at year end based on actual claims experience. These gain-sharing revenues represent a premium adjustment based on actual experience that results in receiving a vendor rebate. In 2014, gain-sharing revenues totaled \$109.2 million compared to \$77.9 million in 2013 and \$52.2 million in 2012.

Public employees with service in more than one Ohio system can combine their service credit and retirement savings into one pension benefit administered by the system with the most contributions. Transfers received from other Ohio retirement systems represent receipts for members electing to combine their service for which OPERS will administer the member's benefit. This activity increased by approximately \$24.1 million in 2014 compared to 2013 due to the combination of statutory changes in the amount of funds required to be transferred and a larger number of members retiring. The increase in vendor rebates and transfers from other Ohio systems is offset in the Contracts and Other Receipts line item by a decrease in member service credit purchases of \$37.7 million in 2014. The decrease in service purchases was expected because of statutory changes that resulted in an increase in the member's cost of this purchase. The statute changed the cost from an interest-based to an actuarially equivalent methodology.

Federal subsidy revenue is comprised of reimbursements and direct subsidies OPERS received from the federal government for participation in the Medicare Prescription Drug Program (PDP). In 2014, the PDP subsidy totaled \$176.2 million compared to \$105.7 million in 2013 and \$181.7 million in 2012. In 2013, total federal subsidies decreased primarily due to across-the-board reductions in federal spending in accordance with the Balanced Budget and Emergency Deficit Act of 1985 as amended, which resulted in mandatory payment reductions to Medicare PDP subsidies (referred to as sequestration). Despite the continuation of the sequestration throughout 2014, receipts for the PDP increased by \$21.1 million in 2014 compared to 2013. The higher subsidy reflects an increase in plan participants and individual risk scores assigned by the Center for Medicare & Medicaid Services (CMS) for each participant.

Additionally, the PDP is eligible for a Catastrophic Reinsurance subsidy for retirees that reach the level of catastrophic drug costs as defined by CMS. Once a member reaches the catastrophic threshold, CMS covers 80% of the drug costs over the threshold. Plan sponsors, such as OPERS, receive a subsidy to recover claims paid for retirees exceeding the threshold. The number of retirees exceeding the threshold cannot be determined until after the plan year is complete and the amount of this subsidy can vary from year to year. Catastrophic claims reimbursements for 2014 are estimated to increase by more than \$50.0 million when compared to 2013, mainly due to rising costs in prescription medications in 2014 resulting in an increase in the number of retirees exceeding the threshold.

Other income for 2014 was \$8.3 million, compared to \$13.9 million in 2013 and \$12.1 million in 2012. Other income is comprised of lease property proceeds, proceeds related to canceling prior year checks, gains or losses on the disposal of fixed assets and litigation settlements activity. This activity typically fluctuates from year-to-year and in 2014, the majority of the balance in this line item is comprised of \$7.6 million collected in prescription drug class action law suits.

The majority of other income in 2012 and 2013 included adjustments to prior years' expense accruals for health care claims. The amounts related to the reversal of prior years' accruals or reduction to the liability included for 2013 and 2012 was \$13.5 million and \$10.7 million, respectively. At the end of each year, OPERS estimates the value of health care claims incurred but not yet reported (IBNR), and records an expense necessary to adjust the medical accounts payable liability for the value of these pending claims. Payment of these delayed claims may lag several years beyond the incurred date. Accordingly, the accrual is estimated based on an average of the historical claims experience for the preceding four years. Participation in the Medicare Advantage program is mandatory when a retiree and spouse reach age 65. As a premium-based program, OPERS does not bear the risk of unreported claims. As the retiree population ages and moves to the Medicare Advantage program, the IBNR reserve also decreases, with a corresponding charge to other income for the write-off of prior years' expense accruals or reduction of the liability. The liability account was gradually reduced for this impact over a four-year period through 2013, commensurate with the claims-lag history. The accrual estimate for the end of 2014 did not result in a significant reduction or increase to the liability and remained relatively flat compared to 2013.

Interplan activity represents transfers between the plans to settle up for activity occurring between the plans. This activity includes members changing from one plan to another in addition to the repayment of initial plan start-up costs. Interplan activity in 2014 resulted in a net inflow of \$10.4 million, compared to \$13.0 million in 2013 and \$17.0 million in 2012. Since this activity represents one plan paying another plan, there is a corresponding interplan expense activity of the same amount in each year. (Refer also to the Deductions from Fiduciary Net Position discussion below.)


Net income from investing activities represents total investment income net of external management fees and administrative expenses. Investment income includes dividends, interest, and gains or losses on the sales of investments. OPERS reflects both income and management fees from external managers in this line item. Investment administrative fees include investment-specific expenses such as staff wages, professional services contracted by the Board, legal services and a share of the OPERS facility and operational costs. For a discussion on the current year activity within net income from investing activities, refer to the Financial Highlights section on page 29.

### **Deductions from Fiduciary Net Position (Expenses) (Refer to Table 5)**

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

Expenses (deductions to plan net position) for 2014 were \$7.4 billion, an increase of \$0.3 billion compared to 2013, or 3.7%. Pension benefits and health care payments comprise \$6.9 billion of the 2014 expenditures and \$6.6 billion for 2013. Refunds of member contributions, including interest and additional payments on withdrawal where required by statute, fluctuate each year, but were \$425.7 million in 2014. Non-investment related administrative expenses increased by \$5.5 million to \$74.1 million and represent 1.0% of the total expenses. When compared to total disbursements for 2012 of \$6.6 billion, 2013 expenses increased by 7.7%. Pension benefits and post-employment health care paid on behalf of current retirees and their beneficiaries comprise more than 93% of the total expenses reported in each of these years. The remaining expenses are comprised of interplan activity transactions representing deductions to plan assets. Refer to Table 5 on the next page for a comparative history of Deductions from Fiduciary Net Position.



|  <b>Deductions from Fiduciary Net Position (Expenses)</b><br>(for the years ended December 31, 2014, 2013 and 2012) |                        |                        |                        |   | <b>Table 5</b>                                 |
|--|------------------------|------------------------|------------------------|---|--|
|  | 2014                   | 2013                   | 2012                   | Amount Increase/ (Decrease) from 2013 to 2014 | Percent Increase/ (Decrease) from 2013 to 2014 |
| Benefits—Pension   | \$5,112,123,787        | \$4,931,491,707        | \$4,590,938,871        | \$180,632,080                                 | 3.7%   |
| Benefits—Health Care Expenses  | 1,740,814,106          | 1,644,244,641          | 1,609,157,697          | 96,569,465                                    | 5.9  |
| Refunds  | 425,701,829            | 441,284,204            | 307,486,279            | (15,582,375)                                  | (3.5)  |
| Administrative Expenses  | 74,114,491             | 68,619,091             | 69,617,155             | 5,495,400                                     | 8.0  |
| Interplan Activity   | 10,357,663             | 13,034,171             | 16,981,683             | (2,676,508)                                   | (20.5)   |
| <b>Total Deductions</b>  | <b>\$7,363,111,876</b> | <b>\$7,098,673,814</b> | <b>\$6,594,181,685</b> | <b>\$264,438,062</b>                          | <b>3.7%</b>                                    |

Pension benefits totaled \$5.1 billion in 2014, an increase of \$180.6 million, or 3.7%, over 2013 benefits. In 2013, pension benefits increased by \$340.6 million over the 2012 level, or 7.4%. The increase in 2014 reflects the combination of a net growth of 3.3% in the total number of retirees and beneficiaries receiving benefits, an annual simple cost of living adjustment (COLA) granted on the retirees benefit anniversary, and demographic changes in the retiree population. For the past three years, OPERS has experienced annual increases of over 3.3% in the number of pension recipients due to the combination of a greater than expected number of members retiring to avoid the impact of pension and/or health care changes and the baby-boomers reaching retirement age. In addition to the increasing number of retirees, the increase in pension benefits represents the net effect of new retirees being added to the rolls less terminated benefits related to retiree deaths and disabled recipients returning to service. The cost of retirements will continue to increase as newer retirees with higher FAS replace terminated long-time retirees with lower FAS. Refer to the Schedule of Average Benefits on page 202 of the Statistical Section for details related to the new retiree populations by year. Also refer to the Plan Statement on page 215 for details on pension benefits.

Total post-employment health care expenses increased to \$1.7 billion in 2014, or 5.9%, compared to 2013 and increased \$35.1 million in 2013 and \$32.7 million in 2012. The majority of health care expenses are comprised of medical, dental, vision, and prescription drug costs, as well as reimbursements to retirees for Medicare Part B premiums. Medical, dental, vision and disease-management costs represent approximately 56% of total health care expenses for 2014, a decrease from 2013 and 2012 which approximated 59% of total health care expenses each year. Prescription drug costs comprised 36% of total health care expenses in 2014, an increase over the 34% reported for both 2013 and 2012. Medicare Part B premium reimbursements were approximately 7% of the total and remained constant over the past three years.

OPERS is self-insured for the health care expenses of recipients under the age of 65. For retirees over and under the age of 65, OPERS is also self-insured for prescription drug costs. Medical coverage for recipients over the age of 65 is provided through a premium based Medicare Advantage Plan. Costs in self-insured plans will fluctuate based on the timing of claims incurrence and the magnitude of catastrophic claims, in addition to overall increases in costs occurring in the market. Medical, dental, vision and disease-management expenses for 2014 rose 1.2% to \$985.5 million compared to \$973.8 million in 2013 and \$943.0 million in 2012. Prescription drug costs rose 15.1% to \$634.5 million in 2014 compared to \$551.4 million in 2013 and \$541.6 million in 2012. The Truveris National Drug Index cited double-digit price increases for prescription medications in 2014 with branded drugs rising 14.8%, specialty drugs by 9.7% and generic drugs by 4.9%, for a combined increase of 10.9%.


Statutorily required Medicare Part B reimbursements have increased steadily by 1.0% over the past three years. As part of plan changes approved by the Board in 2012, the Medicare Part B reimbursement will be phased-out over the next two years, resulting in no reimbursements beginning January 1, 2017.

Refunds of member accounts are at the discretion of the member, and vary from year to year. In 2014, member-elected refunds totaled \$425.7 million, compared to \$441.3 million in 2013 and \$307.5 million in 2012. Members may only refund their account if they have been separated from OPERS-covered employment for at least three months. Accordingly, refunds represent disbursements of inactive member accounts. While the number of refunded accounts increased by 11.7% in 2014, the corresponding refund amounts decreased overall. This indicates that the majority of the members electing to withdraw in 2014 had a minimal amount of service credit that likely would not have qualified for a pension benefit. Refunds increased 4.4% in 2013 compared to 2012, and decreased 7.2% in 2012 compared to 2011. The spike in 2013 refunds was mainly the result of a legislative change effective January 7, 2013, amending the statutory formula required for the transfer of service credit to other Ohio retirement systems for joint retirements.

OPERS has consistently managed its administrative expense budget with no material variances experienced between planned and actual expenditures in either 2013 or 2012. Administrative Expenses shown in Table 5 on the previous page do not include investment administrative expenses. Administrative expenses shown, not including investment expenses, totaled \$74.1 million in 2014 compared to \$68.6 million in 2013 and \$69.6 million in 2012. The increase in 2014 administrative expenses mainly includes an increase in custodial-related costs associated with an international custodian change mandated by the Ohio Treasurer of State and not within OPERS control.


## Net Position Summary

Net position may serve over time as a useful indication of OPERS financial status (please refer to Table 6 below). At the close of calendar years 2014 and 2013, the net positions of OPERS totaled \$91.2 billion and \$89.0 billion, respectively, compared to the last record high of \$83.6 billion in 2007. These plan net positions are available to meet OPERS ongoing obligations to plan participants and their beneficiaries, and to the extent possible, OPERS post-employment health care.

|  <b>Net Position</b> (as of December 31, 2014, 2013 and 2012) |                        |                        |                        | <b>Table 6</b>                                |  |
|--|------------------------|------------------------|------------------------|---|--|
|  | 2014                   | 2013                   | 2012                   | Amount Increase/ (Decrease) from 2013 to 2014 | Percent Increase/ (Decrease) from 2013 to 2014 |
| Current and Other Assets   | \$1,091,098,502        | \$1,095,758,699        | \$2,215,845,748        | (\$4,660,197)                                 | (0.4)%   |
| Cash and Investments at Fair Value   | 98,628,369,208         | 95,429,957,806         | 87,225,720,113         | 3,198,411,402                                 | 3.4  |
| Capital Assets   | 133,629,210            | 131,389,851            | 121,172,935            | 2,239,359                                     | 1.7  |
| <b>Total Assets</b>  | <b>99,853,096,920</b>  | <b>96,657,106,356</b>  | <b>89,562,738,796</b>  | <b>3,195,990,564</b>                          | <b>3.3</b>                                     |
| <b>Total Liabilities</b>   | <b>8,609,201,812</b>   | <b>7,667,170,058</b>   | <b>8,115,545,287</b>   | <b>942,031,754</b>                            | <b>12.3</b>                                    |
| <b>Net Position, End of Year</b>   | <b>91,243,895,108</b>  | <b>88,989,936,298</b>  | <b>81,447,193,509</b>  | <b>2,253,958,810</b>                          | <b>2.5</b>                                     |
| Net Position, Beginning of Year  | 88,989,936,298         | 81,447,193,509         | 74,030,876,166         | 7,542,742,789                                 | 9.3  |
| <b>Net Increase in Net Position</b>  | <b>\$2,253,958,810</b> | <b>\$7,542,742,789</b> | <b>\$7,416,317,343</b> | <b>(\$5,288,783,979)</b>                      | <b>(70.1)%</b>                                 |


**Summary**


OPERS remains a strong system with sound funding. The 2012 changes to both the pension and health care plans strengthened the funding and established a path for improved funding levels. Those improved levels are found, in detail, and by category, in this annual report.

|  <b>Combining Statements of Fiduciary Net Position</b> (as of December 31, 2014 and 2013) |                          |                                  |                       |                      |                      |
|--|--------------------------|----------------------------------|-----------------------|----------------------|----------------------|
|  | 2014                     |                                  |                       |                      |                      |
|  | Traditional Pension Plan | Post-employment Health Care Plan | 115 Health Care Trust | Combined Plan        | Member-Directed Plan |
| <b>Assets</b>  |                          |                                  |                       |                      |                      |
| <b>Cash and Short-Term Investments</b>   | <b>\$2,357,796,670</b>   | <b>\$503,893,407</b>             | <b>\$7,797,254</b>    | <b>\$8,947,770</b>   | <b>\$274,295</b>     |
| <b>Receivables</b>   |                          |                                  |                       |                      |                      |
| Members and Employers  | 164,748,830              | 12,096,566                       | 20,597,780            | 19,600,562           | 21,518,352           |
| Early Retirement Incentive Plan  | 114,044                  | 6,062                            |                       |                      |                      |
| Vendor and Other   | 192,681                  | 1,309,906                        | 175,326,214           |                      |                      |
| Investment Sales Proceeds  | 293,560,564              | 64,470,004                       | 988,589               | 1,075,921            | 33,995               |
| Accrued Interest and Dividends   | 217,200,363              | 47,590,193                       | 728,607               | 796,055              | 25,152               |
| Due From Other Plans   | 34,115,840               |                                  |                       |                      |                      |
| <b>Total Receivables</b>   | <b>709,932,322</b>       | <b>125,472,731</b>               | <b>197,641,190</b>    | <b>21,472,538</b>    | <b>21,577,499</b>    |
| <b>Investments, at fair value</b>  |                          |                                  |                       |                      |                      |
| Fixed Income   | 17,942,066,609           | 4,434,483,598                    | 66,380,103            | 150,795,557          | 145,135,242          |
| Domestic Equities  | 13,184,988,008           | 3,296,381,497                    | 50,172,724            | 224,579,100          | 323,012,778          |
| Real Estate  | 7,664,531,912            |                                  |                       | 28,091,055           | 887,569              |
| Private Equity   | 9,292,148,222            |                                  |                       | 34,056,384           | 1,076,049            |
| International Equities   | 14,687,427,894           | 2,661,469,316                    | 41,687,272            | 144,291,965          | 166,700,798          |
| Other Investments  | 11,507,919,860           | 1,615,807,236                    | 24,508,856            | 42,177,345           | 1,332,639            |
| <b>Total Investments</b>   | <b>74,279,082,505</b>    | <b>12,008,141,647</b>            | <b>182,748,955</b>    | <b>623,991,406</b>   | <b>638,145,075</b>   |
| <b>Collateral on Loaned Securities</b>   | <b>7,809,036,934</b>     |                                  |                       | <b>27,497,528</b>    | <b>767,134</b>       |
| <b>Capital Assets</b>  |                          |                                  |                       |                      |                      |
| Land   | 2,626,888                | 916,220                          |                       | 82,647               | 82,550               |
| Building and Building Improvements   | 78,160,597               | 27,261,277                       |                       | 2,459,081            | 2,456,204            |
| Furniture and Equipment  | 91,101,530               | 28,536,399                       |                       | 3,920,424            | 3,316,914            |
| Total Capital Assets   | 171,889,015              | 56,713,896                       |                       | 6,462,152            | 5,855,668            |
| Accumulated Depreciation   | (74,925,472)             | (28,082,475)                     |                       | (2,463,714)          | (2,705,299)          |
| <b>Net Capital Assets</b>  | <b>96,963,543</b>        | <b>28,631,421</b>                |                       | <b>3,998,438</b>     | <b>3,150,369</b>     |
| <b>Prepaid Expenses and Other Assets</b>   | <b>2,261,461</b>         |                                  |                       |                      |                      |
| <b>TOTAL ASSETS</b>  | <b>85,255,073,435</b>    | <b>12,666,139,206</b>            | <b>388,187,399</b>    | <b>685,907,680</b>   | <b>663,914,372</b>   |
| <b>Liabilities</b>   |                          |                                  |                       |                      |                      |
| Undistributed Deposits   | 1,467,646                | 183,002                          |                       |                      |                      |
| Benefits Payable   | 311,575                  | 99,279,185                       |                       |                      |                      |
| Investment Commitments Payable   | 475,297,939              | 113,120,724                      | 1,803,774             | 1,787,256            | 137,585              |
| Accounts Payable and Other Liabilities   | 14,284,748               |                                  | 303,453               |                      |                      |
| Accounts Payable RMA Claims  |                          | 13,033,505                       |                       |                      |                      |
| Due To Other Plans   |                          |                                  |                       | 6,378,648            | 27,737,192           |
| Obligations Under Securities Lending   | 7,807,480,885            |                                  |                       | 27,492,049           | 766,982              |
| <b>TOTAL LIABILITIES</b>   | <b>8,298,842,793</b>     | <b>225,616,416</b>               | <b>2,107,227</b>      | <b>35,657,953</b>    | <b>28,641,759</b>    |
| <b>Net Positions Held in Trust for Pension Benefits and Post-employment Health Care</b>  | <b>\$76,956,230,642</b>  | <b>\$12,440,522,790</b>          | <b>\$386,080,172</b>  | <b>\$650,249,727</b> | <b>\$635,272,613</b> |

See Notes to Combining Financial Statements, beginning on page 44.


## Financial Section

|  <b>Combining Statements of Fiduciary Net Position</b> (continued) |                         |                          |                                  |                      |                      |   |                         |
|---|-------------------------|--------------------------|----------------------------------|----------------------|----------------------|---|-------------------------|
|   |                         | 2013                     |                                  |                      |                      |   |                         |
| Voluntary Employees' Beneficiary Association Plan   | 2014 Total All Plans    | Traditional Pension Plan | Post-employment Health Care Plan | Combined Plan        | Member-Directed Plan | Voluntary Employees' Beneficiary Association Plan | 2013 Total All Plans    |
| <b>\$4,148,957</b>  | <b>\$2,882,858,353</b>  | <b>\$2,826,596,339</b>   | <b>\$491,371,340</b>             | <b>\$9,425,463</b>   | <b>\$282,346</b>     | <b>\$5,707,117</b>                                | <b>\$3,333,382,605</b>  |
| 11,647,166  | 250,209,256             | 199,117,715              | 19,417,032                       | 15,375,220           | 15,534,367           | 7,953,038   | 257,397,372             |
|   | 120,106                 | 1,497,085                | 64,600                           |                      |                      |   | 1,561,685               |
|   | 176,828,801             | 195,743                  | 147,929,032                      |                      |                      |   | 148,124,775             |
| 628,545   | 360,757,618             | 314,511,377              | 75,148,940                       | 1,018,897            | 31,281               | 610,262   | 391,320,757             |
| 465,050   | 266,805,420             | 209,032,295              | 47,924,681                       | 677,184              | 20,790               | 405,596   | 258,060,546             |
|   | 34,115,840              | 36,380,855               |                                  |                      |                      |   | 36,380,855              |
| <b>12,740,761</b>   | <b>1,088,837,041</b>    | <b>760,735,070</b>       | <b>290,484,285</b>               | <b>17,071,301</b>    | <b>15,586,438</b>    | <b>8,968,896</b>                                  | <b>1,092,845,990</b>    |
| 38,408,780  | 22,777,269,889          | 17,198,343,183           | 4,313,177,166                    | 115,944,940          | 123,972,116          | 33,339,330  | 21,784,776,735          |
| 28,230,500  | 17,107,364,607          | 14,531,824,200           | 3,594,242,223                    | 202,808,795          | 277,851,775          | 28,196,827  | 18,634,923,820          |
| 16,410,600  | 7,709,921,136           | 7,622,862,955            |                                  | 24,695,161           | 758,155              | 14,791,023  | 7,663,107,294           |
| 19,895,505  | 9,347,176,160           | 8,115,075,253            | 110,263,964                      | 26,289,740           | 807,109              | 15,746,087  | 8,268,182,153           |
| 31,447,388  | 17,733,024,633          | 16,973,601,330           | 3,333,565,455                    | 142,410,163          | 156,853,288          | 32,934,729  | 20,639,364,965          |
| 24,639,714  | 13,216,385,650          | 6,951,335,127            | 1,159,221,629                    | 22,519,668           | 691,366              | 13,488,024  | 8,147,255,814           |
| <b>159,032,487</b>  | <b>87,891,142,075</b>   | <b>71,393,042,048</b>    | <b>12,510,470,437</b>            | <b>534,668,467</b>   | <b>560,933,809</b>   | <b>138,496,020</b>                                | <b>85,137,610,781</b>   |
| <b>17,067,184</b>   | <b>7,854,368,780</b>    | <b>6,924,316,299</b>     |                                  | <b>20,966,014</b>    | <b>482,373</b>       | <b>13,199,734</b>                                 | <b>6,958,964,420</b>    |
| 26,508  | 3,734,813               | 2,815,764                | 729,981                          | 90,951               | 78,386               | 19,731  | 3,734,813               |
| 788,717   | 111,125,876             | 84,932,609               | 21,476,205                       | 2,192,499            | 1,907,078            | 617,485   | 111,125,876             |
| 2,171,989   | 129,047,256             | 80,874,325               | 26,907,290                       | 3,707,356            | 3,171,620            | 2,148,108   | 116,808,699             |
| 2,987,214   | 243,907,945             | 168,622,698              | 49,113,476                       | 5,990,806            | 5,157,084            | 2,785,324   | 231,669,388             |
| (2,101,775)   | (110,278,735)           | (69,673,878)             | (24,246,817)                     | (2,069,076)          | (2,300,435)          | (1,989,331)                                       | (100,279,537)           |
| <b>885,439</b>  | <b>133,629,210</b>      | <b>98,948,820</b>        | <b>24,866,659</b>                | <b>3,921,730</b>     | <b>2,856,649</b>     | <b>795,993</b>                                    | <b>131,389,851</b>      |
|   | <b>2,261,461</b>        | <b>2,912,709</b>         |                                  |                      |                      |   | <b>2,912,709</b>        |
| <b>193,874,828</b>  | <b>99,853,096,920</b>   | <b>82,006,551,285</b>    | <b>13,317,192,721</b>            | <b>586,052,975</b>   | <b>580,141,615</b>   | <b>167,167,760</b>                                | <b>96,657,106,356</b>   |
|   | 1,650,648               | 3,424,913                | 146,606                          |                      |                      |   | 3,571,519               |
| 254,216   | 99,844,976              | 78,477                   | 90,019,865                       |                      |                      | 16,688  | 90,115,030              |
| 1,017,665   | 593,164,943             | 451,977,660              | 99,797,215                       | 1,549,789            | 196,803              | 876,994   | 554,398,461             |
|   | 14,588,201              | 13,442,080               |                                  |                      |                      |   | 13,442,080              |
|   | 13,033,505              |                          | 15,544,228                       |                      |                      |   | 15,544,228              |
|   | 34,115,840              |                          |                                  | 3,940,089            | 32,440,766           |   | 36,380,855              |
| 17,063,783  | 7,852,803,699           | 6,919,095,886            |                                  | 20,950,208           | 482,009              | 13,189,782  | 6,953,717,885           |
| <b>18,335,664</b>   | <b>8,609,201,812</b>    | <b>7,388,019,016</b>     | <b>205,507,914</b>               | <b>26,440,086</b>    | <b>33,119,578</b>    | <b>14,083,464</b>                                 | <b>7,667,170,058</b>    |
| <b>\$175,539,164</b>  | <b>\$91,243,895,108</b> | <b>\$74,618,532,269</b>  | <b>\$13,111,684,807</b>          | <b>\$559,612,889</b> | <b>\$547,022,037</b> | <b>\$153,084,296</b>                              | <b>\$88,989,936,298</b> |

|  <b>Combining Statements of Changes in Fiduciary Net Position</b> (for the years ended December 31, 2014 and 2013) |                          |                                  |                       |                      |                      |
|---|--------------------------|----------------------------------|-----------------------|----------------------|----------------------|
|   | 2014                     |                                  |                       |                      |                      |
|   | Traditional Pension Plan | Post-employment Health Care Plan | 115 Health Care Trust | Combined Plan        | Member-Directed Plan |
| <b>Additions</b>  |                          |                                  |                       |                      |                      |
| Member Contributions  | \$1,228,144,074          | \$238,406,380                    |                       | \$34,604,398         | \$44,680,358         |
| Employer Contributions  | 1,476,074,083            | 135,522,351                      | \$111,561,319         | 44,196,044           | 47,851,530           |
| Contract and Other Receipts   | 114,830,564              | 10,950,386                       | 143,813,190           | 412,808              | 700,770              |
| Federal Subsidy   |                          | 44,715,641                       | 131,904,250           |                      |                      |
| Other Income, Net   | 625,549                  | 7,601,841                        | 76,970                |                      |                      |
| Interplan Activity  | 10,357,663               |                                  |                       |                      |                      |
| <b>Total Non-investment Income</b>  | <b>2,830,031,933</b>     | <b>437,196,599</b>               | <b>387,355,729</b>    | <b>79,213,250</b>    | <b>93,232,658</b>    |
| <b>Income From Investing Activities</b>   |                          |                                  |                       |                      |                      |
| Net Appreciation/(Depreciation) in Fair Value   | 439,907,577              | 209,726,745                      | (2,660,677)           | 16,210,446           | 27,864,320           |
| Bond Interest   | 743,720,778              | 284,087,239                      | 535,544               | 2,934,849            | 672,552              |
| Dividends   | 1,165,713,965            | 186,495,341                      | 1,019,374             | 4,104,770            | 114,493              |
| Real Estate Operating Income, net   | 1,380,420,150            |                                  |                       | 4,860,804            | 135,580              |
| International Income/(Loss)   | 109,590                  | 18,941                           | 223                   | 386                  | 11                   |
| Other Investment Income   | 1,639,946,866            | 4,302,396                        |                       | 5,774,691            | 161,127              |
| External Asset Management Fees  | (316,878,977)            | (30,811,500)                     | (61,239)              | (1,354,560)          | (467,676)            |
| <b>Net Investment Income/(Loss)</b>   | <b>5,052,939,949</b>     | <b>653,819,162</b>               | <b>(1,166,775)</b>    | <b>32,531,386</b>    | <b>28,480,407</b>    |
| From Securities Lending Activity  |                          |                                  |                       |                      |                      |
| Security Lending Income   | 35,681,744               |                                  |                       | 125,644              | 3,505                |
| Security Lending Expenses   | (3,087,018)              |                                  |                       | (10,870)             | (303)                |
| Net Security Lending Income   | 32,594,726               |                                  |                       | 114,774              | 3,202                |
| Unrealized Gains  | 1,556,048                |                                  |                       | 5,479                | 153                  |
| <b>Net Income from Securities Lending</b>   | <b>34,150,774</b>        |                                  |                       | <b>120,253</b>       | <b>3,355</b>         |
| Investment Administrative Expenses  | (30,783,366)             | (5,252,268)                      | (26,581)              | (271,776)            | (271,213)            |
| <b>Net Income/(Loss) from Investing Activity</b>  | <b>5,056,307,357</b>     | <b>648,566,894</b>               | <b>(1,193,356)</b>    | <b>32,379,863</b>    | <b>28,212,549</b>    |
| <b>TOTAL ADDITIONS</b>  | <b>7,886,339,290</b>     | <b>1,085,763,493</b>             | <b>386,162,373</b>    | <b>111,593,113</b>   | <b>121,445,207</b>   |
| <b>Deductions</b>   |                          |                                  |                       |                      |                      |
| Benefits  | 5,109,100,939            | 1,738,596,173                    |                       | 2,230,987            | 791,861              |
| Refunds of Contributions  | 389,707,612              |                                  |                       | 10,974,442           | 25,019,775           |
| Administrative Expenses   | 49,832,366               | 18,329,337                       | 82,201                | 2,375,278            | 2,400,900            |
| Interplan Activity  |                          |                                  |                       | 5,375,568            | 4,982,095            |
| <b>TOTAL DEDUCTIONS</b>   | <b>5,548,640,917</b>     | <b>1,756,925,510</b>             | <b>82,201</b>         | <b>20,956,275</b>    | <b>33,194,631</b>    |
| Net Increase/(Decrease)   | 2,337,698,373            | (671,162,017)                    | 386,080,172           | 90,636,838           | 88,250,576           |
| Net Positions Held in Trust for Pension Benefits and Post-employment Health Care Balance, Beginning of Year   | 74,618,532,269           | 13,111,684,807                   |                       | 559,612,889          | 547,022,037          |
| <b>Balance, End of Year</b>   | <b>\$76,956,230,642</b>  | <b>\$12,440,522,790</b>          | <b>\$386,080,172</b>  | <b>\$650,249,727</b> | <b>\$635,272,613</b> |

See Notes to Combining Financial Statements, beginning on page 44.

## Financial Section

|  <b>Combining Statements of Changes in Fiduciary Net Position</b> (continued) |                         |                          |                                  |                      |                        |   |                         |
|--|-------------------------|--------------------------|----------------------------------|----------------------|------------------------|---|-------------------------|
|  |                         | 2013                     |                                  |                      |                        |   |                         |
| Voluntary Employees' Beneficiary Association Plan  | 2014 Total All Plans    | Traditional Pension Plan | Post-employment Health Care Plan | Combined Plan        | Member - Directed Plan | Voluntary Employees' Beneficiary Association Plan | 2013 Total All Plans    |
| \$14,702,198   | \$1,545,835,210         | \$1,206,808,750          | \$178,140,822                    | \$32,535,565         | \$40,600,908           | \$18,256,171                                      | \$1,458,086,045         |
| 20,484   | 1,829,907,525           | 1,571,758,150            | 120,056,440                      | 45,427,520           | 38,540,851             | 3,061   | 1,794,039,132           |
|  | 270,728,202             | 121,818,099              | 126,941,889                      | 680,258              | 785,072                |   | 250,228,379             |
|  | 176,619,891             |                          | 105,965,762                      |                      |                        |   | 105,965,762             |
|  | 8,304,360               | 414,878                  | 13,483,861                       |                      |                        |   | 13,898,739              |
|  | 10,357,663              | 13,034,171               |                                  |                      |                        |   | 13,034,171              |
| <b>14,722,682</b>  | <b>3,841,752,851</b>    | <b>2,913,834,048</b>     | <b>544,588,774</b>               | <b>78,643,343</b>    | <b>79,926,831</b>      | <b>18,259,232</b>                                 | <b>3,635,252,228</b>    |
| 958,805  | 692,007,216             | 5,584,626,328            | 1,106,685,064                    | 66,748,612           | 88,360,865             | 10,641,920  | 6,857,062,789           |
| 1,625,463  | 1,033,576,425           | 858,074,939              | 116,748,678                      | 2,929,124            | 643,893                | 1,635,744   | 980,032,378             |
| 2,547,764  | 1,359,995,707           | 1,081,840,870            | 206,180,289                      | 3,275,699            | 75,365                 | 2,062,309   | 1,293,434,532           |
| 3,017,022  | 1,388,433,556           | 1,064,157,624            |                                  | 3,222,158            | 74,133                 | 2,028,598   | 1,069,482,513           |
| 240  | 129,391                 | (22,790)                 | (4,659)                          | (69)                 | (2)                    | (43)  | (27,563)                |
| 3,584,241  | 1,653,769,321           | 1,159,796,292            | 13,183,549                       | 3,511,742            | 80,795                 | 2,210,914   | 1,178,783,292           |
| (692,565)  | (350,266,517)           | (338,739,266)            | (40,036,389)                     | (1,223,419)          | (376,652)              | (645,737)   | (381,021,463)           |
| <b>11,040,970</b>  | <b>5,777,645,099</b>    | <b>9,409,733,997</b>     | <b>1,402,756,532</b>             | <b>78,463,847</b>    | <b>88,858,397</b>      | <b>17,933,705</b>                                 | <b>10,997,746,478</b>   |
| 77,985   | 35,888,878              | 43,641,020               |                                  | 132,140              | 3,040                  | 83,192  | 43,859,392              |
| (6,747)  | (3,104,938)             | (6,232,696)              |                                  | (18,872)             | (434)                  | (11,881)  | (6,263,883)             |
| 71,238   | 32,783,940              | 37,408,324               |                                  | 113,268              | 2,606                  | 71,311  | 37,595,509              |
| 3,401  | 1,565,081               | 5,220,412                |                                  | 15,807               | 364                    | 9,952   | 5,246,535               |
| <b>74,639</b>  | <b>34,349,021</b>       | <b>42,628,736</b>        |                                  | <b>129,075</b>       | <b>2,970</b>           | <b>81,263</b>                                     | <b>42,842,044</b>       |
| (71,081)   | (36,676,285)            | (28,514,793)             | (5,407,709)                      | (213,782)            | (227,576)              | (60,287)  | (34,424,147)            |
| <b>11,044,528</b>  | <b>5,775,317,835</b>    | <b>9,423,847,940</b>     | <b>1,397,348,823</b>             | <b>78,379,140</b>    | <b>88,633,791</b>      | <b>17,954,681</b>                                 | <b>11,006,164,375</b>   |
| <b>25,767,210</b>  | <b>9,617,070,686</b>    | <b>12,337,681,988</b>    | <b>1,941,937,597</b>             | <b>157,022,483</b>   | <b>168,560,622</b>     | <b>36,213,913</b>                                 | <b>14,641,416,603</b>   |
| 2,217,933  | 6,852,937,893           | 4,928,972,847            | 1,642,525,598                    | 1,526,005            | 992,855                | 1,719,043   | 6,575,736,348           |
|  | 425,701,829             | 411,321,700              |                                  | 7,731,155            | 22,231,349             |   | 441,284,204             |
| 1,094,409  | 74,114,491              | 46,946,971               | 16,352,514                       | 2,264,293            | 2,028,864              | 1,026,449   | 68,619,091              |
|  | 10,357,663              |                          |                                  | 6,085,687            | 6,948,484              |   | 13,034,171              |
| <b>3,312,342</b>   | <b>7,363,111,876</b>    | <b>5,387,241,518</b>     | <b>1,658,878,112</b>             | <b>17,607,140</b>    | <b>32,201,552</b>      | <b>2,745,492</b>                                  | <b>7,098,673,814</b>    |
| 22,454,868   | 2,253,958,810           | 6,950,440,470            | 283,059,485                      | 139,415,343          | 136,359,070            | 33,468,421  | 7,542,742,789           |
| 153,084,296  | 88,989,936,298          | 67,668,091,799           | 12,828,625,322                   | 420,197,546          | 410,662,967            | 119,615,875                                       | 81,447,193,509          |
| <b>\$175,539,164</b>   | <b>\$91,243,895,108</b> | <b>\$74,618,532,269</b>  | <b>\$13,111,684,807</b>          | <b>\$559,612,889</b> | <b>\$547,022,037</b>   | <b>\$153,084,296</b>                              | <b>\$88,989,936,298</b> |

## 1. Description of OPERS

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

OPERS maintains three health trusts. Two trusts, the Post-employment Health Care Fund (401(h) fund) and the 115 Health Care Trust, work together to provide funding to eligible members of the Traditional Pension and Combined plans. The third trust is a Voluntary Employees' Beneficiary Association (VEBA) that provides funding for members of the Member-Directed Plan. The 401(h) health care fund is considered a separate legal entity under Internal Revenue Service regulations and is reported separately in the financial statements as the Post-employment Health Care Plan. In 2016, OPERS will introduce the OPERS Medicare Connector (Connector) for Traditional Pension and Combined plan retirees enrolled in Medicare Parts A and B. Eligible retirees will receive an allowance to purchase coverage through the Connector. The 115 Health Care Trust was established in 2014 to operate as the funding vehicle for this allowance under IRC Section 115. These plans are reported as an other post-employment benefit plan (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care plan design to improve the ongoing solvency of the plan. Generally, 10 or more years of service were required to qualify for coverage under the 401(h) plan; however, changes to eligibility will be implemented in 2015. Please see the Plan Statement for complete plan details. Health care coverage is neither guaranteed nor statutorily required. The VEBA Plan provides Member-Directed Plan participants with a medical spending account.

OPERS is administered in accordance with Chapter 145 of the Ohio Revised Code (ORC Chapter 145). The accompanying financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and with the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—An Amendment of GASB Statement No. 14*. These statements require that financial statements of the reporting entity include all the organizations, activities, functions and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board of directors and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the reporting entity. OPERS does not have financial accountability over any entities.

Individual audited financial statements, as of and for the years ended December 31, 2014 and 2013, for each of the following plans as presented in the OPERS Combining Statements of Fiduciary Net Position and Changes in Fiduciary Net Position, were issued:


- Post-employment Health Care Plan
- 115 Health Care Trust (new in 2014)
- Combined Plan
- Member-Directed Plan
- Voluntary Employees' Beneficiary Association Plan



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

The Board of Trustees appoints the Executive Director, an actuary, and other consultants necessary for the transaction of business. The Board of Trustees meets monthly and receives no compensation, but is reimbursed for necessary expenses.

**Plan membership**—All public employees, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded as defined by the ORC. For actuarial purposes, employees who have earned sufficient service credit (60 contributing months) are entitled to a future benefit from OPERS. Employer, employee and retiree data as of December 31, 2014 and 2013 follows:

|  Plan Membership* |                          |                                  |                 |                      |   |                |
|--|--------------------------|----------------------------------|-----------------|----------------------|---|----------------|
| As of December 31, 2014  | Traditional Pension Plan | Post-employment Health Care Plan | Combined Plan** | Member-Directed Plan | Voluntary Employees' Beneficiary Association Plan | 2014 Total     |
| <b>Employer Units</b>  |                          |                                  |                 |                      |   | <b>3,692</b>   |
| State Division   |                          |                                  |                 |                      |   | 264            |
| Local Division   |                          |                                  |                 |                      |   | 3,187          |
| Law Enforcement and Public Safety Divisions  |                          |                                  |                 |                      |   | 241            |
| <b>Inactive Members and Retirees—Defined Benefit Pension</b>                                       |                          |                                  |                 |                      |   | <b>703,557</b> |
| Retirees and Primary Beneficiaries currently receiving benefits                                    | 202,789                  |                                  | 156             | 154                  |   | 203,099        |
| Dependents and Other Beneficiaries currently receiving benefits                                    | 6,070                    |                                  | 99              |                      |   | 6,169          |
| Inactive Members eligible for, but not yet receiving benefits ***                                  | 7,022                    |                                  | 48              |                      |   | 7,070          |
| Inactive Members not yet age eligible for benefits ***   | 25,264                   |                                  | 604             |                      |   | 25,868         |
| Inactive Members eligible for refund value of account only ***                                     | 460,185                  |                                  | 1,166           |                      |   | 461,351        |
| <b>Inactive Members and Retirees—Defined Contribution Accounts</b>                                 |                          |                                  |                 |                      |   | <b>4,264</b>   |
| Retirees currently receiving benefits  |                          |                                  | 7               | 13                   |   | 20             |
| Inactive Members   |                          |                                  |                 | 4,244                |   | 4,244          |
| <b>Inactive Members and Retirees—Health Care</b>   |                          |                                  |                 |                      |   | <b>231,209</b> |
| Retirees and Primary Beneficiaries currently receiving benefits                                    |                          | 167,327                          |                 |                      | 3,509   | 170,836        |
| Dependent and Other Beneficiaries currently receiving benefits                                     |                          | 58,692                           |                 |                      |   | 58,692         |
| Inactive Members eligible for, but not yet receiving benefits                                      |                          | 1,681                            |                 |                      |   | 1,681          |
| <b>Active Employees</b>  |                          |                                  |                 |                      |   | <b>346,509</b> |
| State Division   | 117,307                  |                                  | 2,715           | 3,855                |   | 123,877        |
| Local Division   | 203,315                  |                                  | 4,698           | 6,900                |   | 214,913        |
| Law Enforcement Division   | 7,633                    |                                  |                 |                      |   | 7,633          |
| Public Safety Division   | 86                       |                                  |                 |                      |   | 86             |

\* In 2014, OPERS established the 115 Health Care Trust. As of December 31, 2014, the 115 Health Care Trust did not have any active, inactive or retired membership.

\*\* Combined Plan members receiving a defined formula benefit may also be receiving a distribution of their defined contribution account, so may be counted more than once in this table.

\*\*\* Inactive members with at least five years of service are eligible for a retirement benefit at the age of 60. Inactive members with less than five years of service are eligible for a refund of account. Inactive members with five or more years of service are displayed based on their age eligibility for a retirement benefit as of the end of the year.

| Plan Membership  |                          |                                  |                |                      |   |                |
|--|--------------------------|----------------------------------|----------------|----------------------|---|----------------|
| As of December 31, 2013  | Traditional Pension Plan | Post-employment Health Care Plan | Combined Plan* | Member-Directed Plan | Voluntary Employees' Beneficiary Association Plan | 2013 Total     |
| <b>Employer Units</b>  |                          |                                  |                |                      |   | <b>3,718</b>   |
| State Division   |                          |                                  |                |                      |   | 282            |
| Local Division   |                          |                                  |                |                      |   | 3,192          |
| Law Enforcement and Public Safety Divisions                        |                          |                                  |                |                      |   | 244            |
| <b>Inactive Members and Retirees—Defined Benefit Pension</b>       |                          |                                  |                |                      |   | <b>682,389</b> |
| Retirees and Primary Beneficiaries currently receiving benefits    | 196,349                  |                                  | 100            | 131                  |   | 196,580        |
| Dependents and Other Beneficiaries currently receiving benefits    | 5,817                    |                                  | 64             |                      |   | 5,881          |
| Inactive Members eligible for, but not yet receiving benefits **   | 6,559                    |                                  | 30             |                      |   | 6,589          |
| Inactive Members not yet age eligible for benefits **              | 25,420                   |                                  | 531            |                      |   | 25,951         |
| Inactive Members eligible for refund value of account only **      | 446,312                  |                                  | 1,076          |                      |   | 447,388        |
| <b>Inactive Members and Retirees—Defined Contribution Accounts</b> |                          |                                  |                |                      |   | <b>3,614</b>   |
| Retirees currently receiving benefits                              |                          |                                  | 7              | 14                   |   | 21             |
| Inactive Members   |                          |                                  |                | 3,593                |   | 3,593          |
| <b>Inactive Members and Retirees—Health Care</b>                   |                          |                                  |                |                      |   | <b>244,356</b> |
| Retirees and Primary Beneficiaries currently receiving benefits    |                          | 165,967                          |                |                      | 3,112   | 169,079        |
| Dependent and Other Beneficiaries currently receiving benefits     |                          | 61,041                           |                |                      |   | 61,041         |
| Inactive Members eligible for, but not yet receiving benefits      |                          | 14,236                           |                |                      |   | 14,236         |
| <b>Active Employees</b>  |                          |                                  |                |                      |   | <b>347,727</b> |
| State Division   | 117,739                  |                                  | 2,634          | 3,678                |   | 124,051        |
| Local Division   | 205,197                  |                                  | 4,541          | 6,279                |   | 216,017        |
| Law Enforcement Division   | 7,573                    |                                  |                |                      |   | 7,573          |
| Public Safety Division   | 86                       |                                  |                |                      |   | 86             |

\* Combined Plan members receiving a defined formula benefit may also be receiving a distribution of their defined contribution account, so may be counted more than once in this table.

\*\* Inactive members with at least five years of service are eligible for a retirement benefit at the age of 60. Inactive members with less than five years of service are eligible for a refund of account. Inactive members with five or more years of service are displayed based on their age eligibility for a retirement benefit as of the end of the year.

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

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

- **Age-and-Service Defined Benefits**—Benefits in the Traditional Pension Plan for State and Local members are calculated on the basis of age, final average salary, and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with five years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Refer to the age-and-service tables located in the Plan Statement section on page 215 for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Effective January 1, 2001, House Bill 416 divided the OPERS Law Enforcement Program into two separate divisions: Law Enforcement and Public Safety. Both groups of members, as defined in ORC Chapter 145, are eligible for special retirement options under the Traditional Pension Plan and are not eligible to participate in the Member-Directed or Combined plans. Public Safety members may file an application for full retirement benefits at age 48 or older with 25 or more years of credited service or 52 or older with 15 or more years of credited service for Groups A and B. Public Safety Group C is eligible for benefits at age 52 or older with 25 years or at age 56 or older with 15 years. Those members classified as Law Enforcement officers are eligible for full retirement at age 52 or older with 15 or more years of credited service for Group A. Law Enforcement Group B is eligible at age 48 or older with 25 years or at age 52 or older with 15 years of service. Law Enforcement Group C is eligible at age 48 or older with 25 years of service or at age 56 with 15 years of service. Annual benefits under both divisions are calculated by multiplying 2.5% of FAS by the actual years of service for the first 25 years of service credit, and 2.1% of FAS for each year of service over 25 years. These options also permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

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

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and

a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

- **Defined Contribution Benefits**—Defined contribution plan benefits are established in the plan documents, which may be amended by the Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.
- **Early Retirement Incentive Plan (ERIP)**—Employers under OPERS may establish an early retirement incentive plan by purchasing service credit for eligible employees. To be eligible, employees must be able to retire under existing plan provisions after the purchase of the additional credit. Electing employers must contribute all such additional costs as are actuarially determined to fund the benefit. Such a plan, if adopted by an employer, must be offered to a minimum of 5% of covered employees, and may provide for the purchase of up to five years service credit, limited to a maximum of 20% of the member's total service credit. Members electing to participate in the employer's plan must retire within 90 days of receiving notice of the purchased service or the service is withdrawn and refunded to the employer.

Employers offering an ERIP may choose to pay the full cost of the additional benefits at the time the plan is adopted, or elect an installment payment plan. The required contributions are recognized in full by OPERS in the year in which the payment plan becomes effective. In addition, interest is charged annually on the unpaid balance.

- **Disability Benefits**—OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect, by April 7, 1993, coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. After the disability benefit ends, the member may apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. Law Enforcement officers are immediately eligible

for disability benefits if disabled by an on-duty illness or injury. Members participating in the Member-Directed Plan are not eligible for disability benefits.

- **Survivor Benefits**—Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. ORC Chapter 145 specifies the dependents and the conditions under which they qualify for survivor benefits. Law Enforcement and Public Safety personnel are eligible for survivor benefits immediately upon employment.
- **Health Care Coverage**—The ORC permits, but does not require, OPERS to offer post-employment health care coverage (OPEB). The ORC allows a portion of the employers' contributions to be used to fund health care coverage. OPERS maintains a Health Care Fund established under IRC Section 401(h), to provide coverage to the retirees and beneficiaries of the Traditional Pension Plan and Combined Plan. In 2014, OPERS established a 115 Health Care Trust under IRC Section 115. Starting with January 2016 premiums, enrolled and eligible retirees in OPERS Medicare Connector will receive an allowance to use through a HRA. The 115 Health Care Trust was established in 2014 to eventually operate as the funding vehicle for this allowance. The System currently provides comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offers coverage to their dependents on a premium deduction or direct bill basis. Beginning January 1, 2015, the service eligibility criteria for health care coverage will increase from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Coverage includes hospitalization, medical expenses, prescription drugs, and reimbursement of monthly Medicare premiums. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, health maintenance organizations (HMOs), case management, disease management, and other programs.

Effective January 1, 2007, OPERS implemented the first changes referred to as the Health Care Preservation Plan (HCPP) to improve the long-term solvency of the Health Care Fund. The plan provides monthly allowances for health care coverage for retirees and their dependents based on the retiree's years of service. The monthly allowances must be used for the purchase of medical and pharmacy coverage. If the cost of coverage exceeds the retiree's monthly allowance, the difference is billed to the retiree. In September 2012, the Board adopted additional changes to the Health Care plan. These changes have staggered effective dates beginning January 1, 2014. Additional details on changes to the Health Care Plan can be found on pages 229-230 of the Plan Statement.

Participants in the Member-Directed Plan are not eligible for health care coverage under the Post-employment Health Care Plan. A portion of employer contributions for these members is allocated to the VEBA established under IRC 501(c)(9). Terminated members and retirees may be reimbursed for qualified medical expenses from their VEBA funds.

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

- **Money Purchase Annuity**—Age-and-service retirees who become re-employed in an OPERS-covered position must contribute the regular contribution rates, which are applied towards a money purchase annuity. The money purchase annuity calculation is based on the accumulated contributions of the retiree for the period of re-employment, and an amount of the employer contributions determined by the Board of Trustees. Upon termination of service, members over the age of 65 can elect to receive a lump-sum payout or a monthly annuity. Members under age 65 may leave the funds on deposit with OPERS to receive an annuity benefit at age 65, or may elect to receive a refund of their employee contributions made during the period of re-employment, plus interest.
- **Refunds**—Members who have terminated service in OPERS-covered employment may file an application for refund of their account. The Ohio Revised Code requires a three-month waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's rights and benefits in OPERS.


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

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

Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2014. Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age actuarial funding method. This formula determines the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time. The annual employer contributions reported for the Traditional Pension Plan for 2014 and 2013 were \$1,476,074,083 and \$1,571,758,150, respectively. Employer contributions for the Combined Plan for 2014 and 2013 were \$44,196,044 and \$45,427,520, respectively. Employers satisfied 100% of the contribution requirements.

The following table displays the employee and employer contribution rates as a percent of covered payroll for each division for 2014, 2013, and 2012. Based upon the recommendation of the System's actuary, a portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan employer contributions allocated to health care was 2.0% for 2014 and 1.0% for 2013. The

portion of Combined Plan employer contributions allocated to health care was 2.0% for 2014 and 1.0% for 2013. The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for both 2014 and 2013 was 4.5%.

|  <b>Board of Trustees – Approved Contribution Rates – All Plans</b> |               |        |        |               |        |        |
|--|---------------|--------|--------|---------------|--------|--------|
|  | Employee Rate |        |        | Employer Rate |        |        |
|  | 2014          | 2013   | 2012   | 2014          | 2013   | 2012   |
| State Division   | 10.00%        | 10.00% | 10.00% | 14.00%        | 14.00% | 14.00% |
| Local Division   | 10.00         | 10.00  | 10.00  | 14.00         | 14.00  | 14.00  |
| Law Enforcement Division   | 13.00         | 12.60  | 12.10  | 18.10         | 18.10  | 18.10  |
| Public Safety Division   | 12.00         | 12.00  | 11.50  | 18.10         | 18.10  | 18.10  |


The employee and employer contribution rates for the State and Local divisions are currently set at the maximums authorized by the Ohio Revised Code of 10% and 14%, respectively. The Public Safety and Law Enforcement employer rates are also set at the maximum authorized rate of 18.1%. The employee Public Safety rate is determined by the Board and has no maximum rate established by the Ohio Revised Code. The employee rate for Law Enforcement members is also determined by the Board, but is limited by the Ohio Revised Code to not more than 2% greater than the Public Safety rate.

Ohio Revised Code Chapter 145 assigns authority to the Board to amend the funding policy. As of December 31, 2014 and 2013, the Board of Trustees adopted the contribution rates that were recommended by the actuary. The contribution rates were included in a new funding policy adopted by the Board in October 2013, and are certified periodically by the Board as required by the Ohio Revised Code.

As of December 31, 2014, the date of the last actuarial study, the funding period for all defined benefits of the System was 21 years. The funding period for the actuarial study performed for the year ended December 31, 2013, was 24 years for all defined benefits of the System.

- d. Federal Subsidies**—OPERS participates in several federal programs that subsidize or provide reimbursements to the Post-employment Health Care Plan and the new 115 Health Care Trust. Medicare Part D is a federal program that reimburses 28% of the cost of prescription drugs for Medicare beneficiaries in the United States. During 2011, OPERS implemented a prescription drug plan (PDP) in which the System receives a direct subsidy from the Center for Medicare & Medicaid Services (CMS) based on the risk score of each eligible retiree. Depending on circumstances, retirees are placed either with the Medicare Part D program or with the PDP plan.

The following table summarizes the various federal subsidies received by OPERS for the years ended December 31, 2014 and 2013:

|  <b>Federal Subsidy Received</b> (for the years ended December 31, 2014 and 2013) |                                  |                       |                      |                                  |
|--|----------------------------------|-----------------------|----------------------|----------------------------------|
|  | 2014                             |                       |                      | 2013                             |
|  | Post-employment Health Care Plan | 115 Health Care Trust | Total                | Post-employment Health Care Plan |
| Medicare Part D Retiree Drug Subsidy   | \$170,515                        | \$223,579             | \$394,094            | \$246,139                        |
| Medicare Prescription Drug Plan  | 44,545,126                       | 131,680,671           | 176,225,797          | 105,719,623                      |
| <b>Total Federal Subsidy</b>   | <b>\$44,715,641</b>              | <b>\$131,904,250</b>  | <b>\$176,619,891</b> | <b>\$105,965,762</b>             |

- e. **Commitments and Contingencies**—OPERS has committed to fund various private equity and closed-end real estate investments totaling approximately \$7.0 billion and \$7.9 billion at December 31, 2014 and 2013, respectively. The expected funding dates for these commitments extend through 2020. OPERS is a party in various lawsuits relating to plan benefits and investments. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the OPERS financial position.

## 2. Summary of Significant Accounting Policies

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

- a. **Basis of Accounting**—The financial statements are prepared using the accrual basis of accounting under which deductions are recorded when the liability is incurred and revenues are recognized when earned. Pension benefit payments are due the first day of the month following the retirement of a member, and the first of each month thereafter. Refunds, for any member who makes a written application to withdraw his/her contributions, are payable three months after termination of the member's OPERS-covered employment. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Additions to the plans consist of contributions (member and employer), health care reimbursements, federal health care subsidies, other contracts and receipts, interplan activities, net investment income, and other miscellaneous income. Contributions are recorded in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements. Accordingly, both member and employer contributions for the years ended December 31, 2014 and 2013 include year-end accruals based upon estimates derived from subsequent payment activity and historical payment patterns. Member and employer contributions are due 30 days after the month in which salaries are earned based on pay period end date. Health care reimbursements are recognized when they become measurable and due to OPERS based on contractual requirements. Therefore, health care reimbursements contain estimates based on information received from health care vendors and other sources. Plan changes, settlement activity and other interplan activity are recorded as an addition or deduction based on the nature of the transaction, when the transaction occurs. Investment purchases and sales are recorded as of their trade date.

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

GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, introduces and defines these elements as a consumption or acquisition of net assets that is applicable to a future reporting period. These transactions are distinct from assets and liabilities, and result in the redefinition of net assets to the concept of net position. Because the total net position includes both statutory pension benefits and discretionary health care coverage, OPERS discloses the System's total net position as Net Position Held in Trust for Pension Benefits and Post-employment Health Care. GASB 63 was implemented for the year ended December 31, 2012.



GASB Statement No. 64 (GASB 64), *Derivative Instruments: Application of Hedge Accounting Termination Provisions—An Amendment of GASB Statement 53*, establishes criteria for when an effective hedging relationship continues and hedge accounting should continue to be applied. GASB 64 was implemented for the year ended December 31, 2012.

The GASB has issued Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25*, establishing additional financial reporting by state and local governmental pension plans. GASB 67 replaces the requirements of Statements No. 25 and 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements. The requirements of GASB 67 are effective for financial statements for fiscal years beginning after June 15, 2013. GASB 67 was implemented in this current annual report for the year ended December 31, 2014. Footnote 8 beginning on page 72 and the Required Supplementary Information beginning on page 76 contain the majority of the changes related to the implementation of GASB 67. These changes eliminate the requirement that defined benefit pension plan funding status tables be included within the Required Supplementary Information section. This information has been moved to the Actuarial Section of this document.

OPERS is a cost-sharing, multiple-employer pension plan as defined by GASB 67. The requirements for GASB 67 include changes in presentation of the financial statements, notes to the financial statements, and required supplementary information of state and local pension plans established as trusts. The new accounting and reporting standards break the link between accounting and funding. While these changes affect the accounting measures, they do not have an effect on the actuarial methods and assumptions used by OPERS to determine the employer contributions needed to fund the plan. The new standard does, however, impact the financial statement presentation for pension accounting and related disclosures for OPERS and participating employers (refer to GASB 68 information below).

GASB 67 and GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, require that the three pension plans (Traditional Pension, Member-Directed and Combined) and the three health care funds (Post-employment Health Care, 115 Health Care Trust and VEBA) be shown separately in the combining financial statements as they each are legally separate plans. To meet this requirement, plan assets and liabilities, where possible, were specifically identified to a plan or health care fund. Assets and liabilities that were not specifically identifiable to a plan or health care fund were allocated based on calculations and projection formulas that take into account daily investment returns, daily plan cash inflows and outflows, and analysis and allocation of administrative expenses.

The GASB also issued Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. These statements are effective for state and local governmental employers that sponsor or contribute to pension plans for fiscal years beginning after June 15, 2014. Several elements required by GASB 68 are defined in GASB 67 and will be calculated by OPERS and the OPERS external actuaries. Information needed by OPERS participating employers to implement these statements beginning in 2015 is compiled in separate audited schedules of employer allocations and collective pension totals, including related footnotes to those schedules. The schedule of collective pension totals includes net pension liability, pension expense and deferred inflows/outflows related to pension as defined in GASB 68.

The GASB issued Statement No. 69 (GASB 69), *Government Combinations and Disposals of*

*Government Operations*, applying to all state and local governmental entities. GASB 69 establishes accounting and financial reporting standards for mergers, acquisitions and transfers of operations (i.e. government combinations). This statement also provides guidance on how to determine the gain or loss on a disposal of government operations. The requirements of GASB 69 should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Since OPERS did not incur this type of activity during the year, this statement has no impact on this report.

The GASB also issued Statement No. 70 (GASB 70), *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2013. Since OPERS did not incur this type of activity during the year, this statement has no impact on this report.

The GASB recently issued Statement No. 72 (GASB 72), *Fair Value Measurement and Application*. GASB 72 addresses accounting and financial reporting related to fair value measurements of assets and liabilities. Guidance is provided around valuation techniques to measure fair value and extensive disclosures will be required around the hierarchy of inputs to valuation techniques used to measure fair value as established by the statement. Since the statement generally requires investments to be measured at fair value, the impact to OPERS financial statements is expected to be minimal. However, the investment-related notes to the combining financial statements will need to be significantly enhanced to comply with this new standard. The requirements of GASB 72 are effective for financial statements for periods beginning after June 15, 2015, resulting in planned initial implementation in the OPERS December 31, 2016 report.

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

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

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


Plan investments are reported at fair value. Fair value is the amount that a plan can reasonably

expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. All investments, with the exception of real estate, private equity, and hedge funds are valued based on closing market prices or broker quotes. Securities not having a quoted market price have been valued based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate investments is based on estimated current values and independent appraisals. The fair value of private equity is based on management’s valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. The fair value of hedge funds is based on a net asset value, which is struck by the fund or by the fund’s third-party administrator.


Net appreciation (depreciation) in the fair value of investment assets is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less purchases of investments at cost, plus sales of investments at fair value. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Commissions paid to brokers are considered a part of the investment asset cost and are, therefore, not reported as expenses of the System. Brokerage commissions for 2014 and 2013 were \$13,912,825 and \$16,807,196, respectively. Investment administrative expenses consist of custodial banking fees and those expenses directly related to OPERS internal investment operations, and include a proportional amount of overhead that is allocated based on the ratio of investment personnel to total OPERS personnel.

- c. **Capital Assets**—Capital assets are recorded at cost. OPERS has adopted a capitalization threshold that is used to identify whether assets purchased by the System are classified as capital assets or operating expenses. Building enhancements, furniture and equipment with a cost equal to or greater than \$5,000 and computer software purchases of \$25,000 or more are recorded as capital assets and depreciated based on the useful life of the asset. OPERS implemented GASB Statement No. 51 (GASB 51), *Accounting and Financial Reporting for Intangible Assets*, in 2008 for internally developed software and capitalizes software projects in accordance with this standard.

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

|  Useful Lives of Capital Assets |       |
|--|-------|
|  | Years |
| Buildings and Building Improvements  | 50    |
| Furniture and Equipment  | 3-10  |
| Computer Software  | 3-8   |

The table below is a schedule of the capital asset account balances as of December 31, 2013, and changes to those account balances during the year ended December 31, 2014:

|  Capital Asset Account Balances |                    |                                    |                                    |                      |
|--|--------------------|------------------------------------|------------------------------------|----------------------|
|  | Land               | Building and Building Improvements | Furniture, Fixtures, and Equipment | Total Capital Assets |
| <b>Cost</b>  |                    |                                    |                                    |                      |
| Balances December 31, 2013   | \$3,734,813        | \$111,125,876                      | \$116,808,699                      | \$231,669,388        |
| Additions  |                    |                                    | 12,378,187                         | 12,378,187           |
| Write-offs   |                    |                                    | (139,630)                          | (139,630)            |
| Balances December 31, 2014   | 3,734,813          | 111,125,876                        | 129,047,256                        | 243,907,945          |
| <b>Accumulated Depreciation</b>  |                    |                                    |                                    |                      |
| Balances December 31, 2013   |                    | 27,204,926                         | 73,074,611                         | 100,279,537          |
| Depreciation Expense   |                    | 2,331,637                          | 7,802,922                          | 10,134,559           |
| Write-offs   |                    |                                    | (135,361)                          | (135,361)            |
| Balances December 31, 2014   |                    | 29,536,563                         | 80,742,172                         | 110,278,735          |
| <b>Net Capital Assets December 31, 2014</b>  | <b>\$3,734,813</b> | <b>\$81,589,313</b>                | <b>\$48,305,084</b>                | <b>\$133,629,210</b> |

- d. **Undistributed Deposits**—Cash receipts are recorded as undistributed deposits until they are allocated to employer receivables, member contributions, miscellaneous or investment income.
- e. **Federal Income Tax Status**—OPERS is a qualified plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a).
- f. **Funds**—In accordance with the ORC and Internal Revenue Service (IRS) regulations, various funds have been established to account for the reserves held for future and current payments. Statutory and IRS-mandated funds within each of the three pension plans are as follows:

#### Traditional Pension Plan

- **The Employees' Savings Fund**—represents member contributions held in trust pending their refund or transfer to a benefit disbursement fund. Upon an employee's refund or retirement, such employee's account is credited with an amount of interest (statutory interest) on the employee's contributions based on a Board of Trustees approved rate, which currently ranges from 1% to 4%. Employees eligible for a refund also receive additional funds from the Employers' Accumulation Fund, if qualified. The ORC Chapter 145 requires statutory interest to be compounded annually.
- **The Employers' Accumulation Fund**—is used to accumulate employer contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve Fund as members retire or become eligible for disability benefits, and to the Survivors' Benefit Fund for benefits due dependents of deceased members.
- **The Employers' Accumulation Health Care Fund (IRC 401h)**—is used to accumulate employer contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve and Survivors' Benefit funds for health care coverage paid for retirees and eligible dependents of deceased members.

- **The Employers' Accumulation Health Care Fund (IRC 115)**—is used to accumulate employer contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve and Survivors' Benefit funds, similar to the IRC 401(h) fund, for health care coverage paid for Medicare-eligible retirees under the new Connector program and eligible dependents of deceased members, commencing with January 2016 premiums. For additional information, refer to page 25.
- **The Annuity and Pension Reserve Fund**—is the fund from which retirement allowances that do not exceed the IRC 415(b) limitations, and health care coverage are paid. This reserve was fully funded for pension benefits according to the latest actuarial study dated December 31, 2014. Accordingly, sufficient assets are available in this fund to pay the vested pension benefits of all retirees and beneficiaries as of the valuation date.
- **The Survivors' Benefit Fund**—is the fund from which benefits due dependents of deceased members of the System that do not exceed the IRC 415(b) limitations are paid. This fund also was fully funded in relation to vested pension benefits as of December 31, 2014.
- **Qualified Excess Benefit Arrangement (QEBA) Fund**—is the fund from which annuity, disability and survivors' benefits are paid when the recipient exceeds the IRC 415(b) limits. This reserve is funded by employer contributions; therefore, it is fully funded.
- **The Income Fund**—is the fund credited with all investment earnings and miscellaneous income. Annually, the balance in this fund is transferred to other funds to aid in the funding of future benefit payments and administrative expenses.
- **The Expense Fund**—provides for the payment of administrative expenses with the necessary monies allocated to it from the Income Fund.

#### Member-Directed Plan

- **The Defined Contribution Fund**—represents member and employer contributions held in trust pending their refund or commencement of benefit payments. Members self-direct the investment of these funds. Employer funds vest with the member over a five-year period at a rate of 20% per year.
- **The Annuity and Pension Reserve Fund**—is the fund from which purchased annuity benefits are paid. Upon retirement, Member-Directed participants may elect to liquidate their defined contribution accounts for deposit into a defined benefit annuity. The value of the annuity is based on the value of the defined contribution account at the time of liquidation.
- **The Income Fund**—is the fund credited with all investment earnings, account fees, and miscellaneous income. The balance in this fund is used to fund the gains or losses incurred by participants and to fund the administrative expenses of the Member-Directed Plan.
- **The Expense Fund**—provides for the payment of administrative expenses with the necessary monies allocated to it from the Income Fund.
- **The Voluntary Employees' Beneficiary Association (VEBA) Fund**—is the fund used to accumulate employer contributions in a retiree medical account. The effective date of the VEBA coincides with the effective date of the Member-Directed Plan. Accordingly, since January 1, 2003, a portion of employer contributions made on behalf of members electing to participate in the Member-Directed Plan has been deposited to the VEBA. Upon termination or retirement, Member-Directed participants can use vested VEBA funds for reimbursements of qualified medical expenses. Currently, VEBA funds vest with the member over a five-year period at a rate of 20% per year. Members who elect the Member-Directed Plan after July 1, 2015 will


vest over 15 years at a rate of 10% each year starting with the sixth year of participation. Refer to the Plan Statement on page 231 for details of the new vesting schedule.

### Combined Plan

- **The Defined Contribution Fund**—represents member contributions held in trust pending their refund or commencement of benefit payments. Members self-direct the investment of these funds.
- **The Employees' Savings Fund**—represents member deposits for the purchase of service credit held in trust pending their refund or transfer to the plan's Annuity and Pension Reserve Fund. Upon an employee's refund or retirement, such employee's accounts are credited with an amount of interest (statutory interest) on the employee's deposits based on a Board of Trustees approved rate. The interest rate has been 1% since January 1, 2003.
- **The Employers' Accumulation Fund**—is used to accumulate employer contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve Fund as members retire. Disability and survivor benefits are funded by transfers to Traditional Pension Plan funds, which pay such benefits.
- **The Employers' Accumulation Health Care Fund (IRC 401h)**—is used to accumulate employer contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve Fund for health care coverage paid for retirees.
- **The Employers' Accumulation Health Care Fund (IRC 115)**—is used to accumulate employer contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve and Survivors' Benefit funds, similar to the IRC 401(h) fund, for health care coverage paid for Medicare-eligible retirees under the new Connector program and eligible dependents of deceased members, commencing with January 2016 premiums. For additional information, refer to page 25.
- **The Annuity and Pension Reserve Fund**—is the fund from which retirement allowances and health-care coverage are paid. This reserve was fully funded according to the latest actuarial study dated December 31, 2014.
- **The Income Fund**—is the fund credited with all investment earnings, account fees and miscellaneous income. The balance in this fund is transferred to other funds to the credit of member accounts and to aid in the funding of future benefit payments and administrative expenses.
- **The Expense Fund**—provides for the payment of administrative expenses with the necessary monies allocated to it from the Income Fund.

The statutory funds defined by ORC 145 and the IRC-required funds are not mutually exclusive. The Combining Statements of Fiduciary Net Position and the Combining Statements of Changes in Fiduciary Net Position (pages 40-43) are presented based on IRC requirements. The following schedule provides the values of the statutory funds and how they are distributed among the various retirement and health care plans administered by the System. The rows represent the statutory funds required by the ORC. In total, these funds will equal the fiduciary net position of the System. To support the fiduciary net position for each plan included in the statements, the schedule has been expanded to include the value of the statutory funds as they relate to each plan.

Statutory and IRC Fund balances at December 31, 2014 and 2013 are as follows:

|  |                             |  |                           |                      |                             |                      |                         |
|---|-----------------------------|--|---------------------------|----------------------|-----------------------------|----------------------|-------------------------|
| For Year Ended<br>December 31, 2014   | Traditional<br>Pension Plan | Post-employment<br>Health Care<br>Plan | 115 Health<br>Care Trust* | Combined<br>Plan     | Member-<br>Directed<br>Plan | VEBA<br>Plan         | Total                   |
| Employees' Savings Fund   | \$13,191,067,352            |  |                           | \$2,994,501          | \$244,818                   |                      | \$13,194,306,671        |
| Employers' Accumulation Fund  | 9,655,043,969               | \$12,440,522,790                       | \$386,080,172             | 286,747,478          | 250,542                     |                      | 22,768,644,951          |
| Annuity and Pension Reserve Fund  | 52,314,439,706              |  |                           | 8,359,792            | 8,384,470                   |                      | 52,331,183,968          |
| Survivors' Benefit Fund   | 1,675,926,615               |  |                           |                      |                             |                      | 1,675,926,615           |
| Defined Contribution Fund   |                             |  |                           | 352,147,956          | 626,392,783                 | \$175,539,164        | 1,154,079,903           |
| Income Fund   | 114,494,235                 |  |                           |                      |                             |                      | 114,494,235             |
| Expense Fund  | 5,258,765                   |  |                           |                      |                             |                      | 5,258,765               |
| <b>Total</b>  | <b>\$76,956,230,642</b>     | <b>\$12,440,522,790</b>                | <b>\$386,080,172</b>      | <b>\$650,249,727</b> | <b>\$635,272,613</b>        | <b>\$175,539,164</b> | <b>\$91,243,895,108</b> |


\* Trust established in 2014.

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

- g. Risk Management**—OPERS is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; and court challenges to fiduciary decisions. To cover these risks, OPERS maintains commercial insurance and holds fidelity bonds on employees. There were no reductions in coverage nor have there been any settlements exceeding insurance coverage for the past three years. As required by state law, OPERS is registered and insured through the state of Ohio Bureau of Workers' Compensation for injuries to employees. OPERS is self-insured for employee health care coverage. The only outstanding liabilities at the end of 2014 and 2013 were related to the employee health care coverage (see Note 7).

### 3. Cash and Investments

A summary of cash and short-term securities and investments held at December 31, 2014 and 2013 is as follows:

|  <b>Summary of Cash and Short-Term Securities and Investments</b> (as of December 31, 2014 and 2013) |                         |                         |
|---|-------------------------|-------------------------|
|   | 2014 Fair Value         | 2013 Fair Value         |
| <b>Cash and Short-Term Investments</b>  |                         |                         |
| Cash  | \$132,212,530           | \$422,096,377           |
| Short-Term Securities   |                         |                         |
| Commercial Paper  | 98,997,913              | 411,701,600             |
| U.S. Treasury Obligations   | 103,949,453             | 111,974,939             |
| Agency Discount Notes   | 50,796,611              | 39,795,052              |
| Repurchase Agreements   | 700,000,000             | 640,000,000             |
| Yankee Certificate  | 101,198,500             | 156,116,462             |
| Short-Term Investment Funds (STIF)  | 1,695,703,346           | 1,551,698,175           |
| Subtotal Short-Term Securities  | 2,750,645,823           | 2,911,286,228           |
| <b>Total Cash and Short-Term Investments</b>  | <b>\$2,882,858,353</b>  | <b>\$3,333,382,605</b>  |
| <b>Investments</b>  |                         |                         |
| Fixed Income  |                         |                         |
| U.S. Corporate Bonds  | \$6,599,800,119         | \$8,199,027,148         |
| Non-U.S. Notes/Bonds  | 6,772,178,246           | 4,839,356,188           |
| U.S. Government and Agencies  | 5,490,075,238           | 5,133,062,161           |
| U.S. Mortgage Backed  | 3,915,216,286           | 3,613,331,238           |
| Subtotal Fixed Income   | 22,777,269,889          | 21,784,776,735          |
| Domestic Equities   | 17,107,364,607          | 18,634,923,820          |
| Real Estate   | 7,709,921,136           | 7,663,107,294           |
| Private Equity  | 9,347,176,160           | 8,268,182,153           |
| International Equities  | 17,733,024,633          | 20,639,364,965          |
| Hedge Funds   | 13,206,149,302          | 8,132,098,714           |
| Derivatives   | 10,236,348              | 15,157,100              |
| <b>Total Investments Before Collateral on Loaned Securities</b>   | <b>87,891,142,075</b>   | <b>85,137,610,781</b>   |
| Collateral on Loaned Securities   |                         |                         |
| Cash  | 7,854,368,780           | 6,958,964,420           |
| <b>Total Collateral on Loaned Securities</b>  | <b>7,854,368,780</b>    | <b>6,958,964,420</b>    |
| <b>Total Investments Including Collateral on Loaned Securities</b>  | <b>\$95,745,510,855</b> | <b>\$92,096,575,201</b> |
| <b>Total Cash and Investments</b>   | <b>\$98,628,369,208</b> | <b>\$95,429,957,806</b> |





- a. **Custodial Credit Risk, Deposits**—Custodial credit risk for deposits is risk that, in the event of the failure of a depository financial institution, OPERS will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. The total amounts of cash and cash equivalent balances held by the bank were \$120,484,422 and \$420,674,720 at December 31, 2014 and 2013, respectively. OPERS has not experienced any losses in its accounts and believes it is not exposed to a significant credit risk on its cash. OPERS has no formal policy specific to custodial credit risk. These assets are under the custody of the State Treasurer of Ohio.
- b. **Custodial Credit Risk, Investments**—Custodial credit risk for investments is the risk that, in the event of the failure of the custodian, OPERS will not be able to recover the value of its investment or collateral securities that are in the possession of the custodian. The State Treasurer of Ohio, as custodian, selects the custodian in the name of OPERS or its nominee, thus OPERS investments are not exposed to custodial credit risk.
- c. **Credit Risk**—Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by ratings assigned by a nationally recognized statistical rating organization.


The OPERS Public Fixed Income Policy includes limiting non-investment grade securities to 35% of the fixed income assets within the Defined Benefit portfolio, Health Care portfolio, the 115 Health Care Trust portfolio, fixed income components of any target date funds and fixed income funds offered directly to OPERS members. Limitations on holdings of non-investment grade securities are included in portfolio guidelines.

- d. **Interest Rate Risk**—Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. OPERS monitors the interest rate risk inherent in its portfolio by measuring the weighted average duration of its portfolio. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The effective duration measures the sensitivity of the market price to parallel shifts in the yield curve. The OPERS Fixed Income Policy states the average effective duration of all Defined Benefit, Health Care, and 115 Health Care Trust assets must be within 20% of the average effective duration of the benchmark (60% Lehman Universal Index; 40% Lehman Long Government/Credit Index).

The following tables present the credit quality ratings and effective durations of OPERS fixed income assets, including short-term investments, as of December 31, 2014 and 2013:


|  <b>2014 Average Credit Quality and Exposure Levels of Guaranteed Securities</b> |                         |                                    |   |                        |                         |
|---|-------------------------|------------------------------------|---|------------------------|-------------------------|
| Fixed Income Security Type  | Fair Value              | Percent of All Fixed Income Assets | Weighted Average Duration to Maturity (years) | AAA                    | AA                      |
| Commercial Paper  | \$98,997,913            | 0.4%                               | 0.01  | \$49,998,889           |                         |
| Money Market/STIF   | 1,695,703,346           | 6.6                                | 0.08  | 1,695,703,346          |                         |
| Repurchase Agreements   | 700,000,000             | 2.7                                | 0.01  | 200,000,000            | \$500,000,000           |
| Agency Discount Notes   | 50,796,611              | 0.2                                | 0.93  |                        | 50,796,611              |
| Short-Term Other  | 101,198,500             | 0.4                                | 0.20  | 100,000,000            |                         |
| Corporate Bonds   | 4,917,240,548           | 19.3                               | 5.81  | 2,111,154              | 255,815,399             |
| Municipal Bonds   | 105,747,682             | 0.4                                | 14.56   | 3,425,974              | 51,627,704              |
| Asset-Backed Securities   | 775,558,525             | 3.0                                | 2.54  | 286,338,906            | 73,749,137              |
| Mortgages   | 749,661,367             | 2.9                                | 2.87  | 63,260,030             | 60,381,507              |
| Agency Mortgages  | 3,063,068,591           | 12.0                               | 3.73  |                        | 3,063,068,591           |
| Non-U.S. Corporate Bonds  | 2,472,392,267           | 9.7                                | 4.89  | 210,343,197            | 364,084,153             |
| Non-U.S. MBS and ABS  | 193,126,170             | 0.8                                | 7.12  | 26,152,098             | 8,007,076               |
| Non-U.S. Government   | 4,106,659,809           | 16.1                               | 6.48  | 49,605,618             | 52,978,058              |
| Agency Bonds  | 497,046,319             | 2.0                                | 1.39  |                        | 497,046,319             |
| Commingled Long-Term Global Funds   | 923,882,380             | 3.6                                | 3.04  |                        |                         |
| <b>Total Non-Government Guaranteed</b>  | <b>20,451,080,028</b>   | <b>80.1</b>                        |   | <b>2,686,939,212</b>   | <b>4,977,554,555</b>    |
| U.S. Treasury Notes   | 3,154,724,848           | 12.3                               | 3.35  |                        | 3,154,724,848           |
| U.S. Treasury Bonds   | 403,455,919             | 1.6                                | 16.83   |                        | 403,455,919             |
| U.S. Treasury Inflation Protected   | 1,414,705,464           | 5.5                                | 7.36  |                        | 1,414,705,464           |
| U.S. Treasury Discount Notes  | 103,949,453             | 0.5                                | 0.47  |                        | 103,949,453             |
| <b>Total Fixed Income and Short-Term Securities</b>   | <b>\$25,527,915,712</b> | <b>100.0%</b>                      | <b>4.68</b>                                   | <b>\$2,686,939,212</b> | <b>\$10,054,390,239</b> |


|  <b>2014 Average Credit Quality and Exposure Levels of Guaranteed Securities</b> (continued) |                        |                        |                        |                      |                     |                     |                     |                        |
|--|------------------------|------------------------|------------------------|----------------------|---------------------|---------------------|---------------------|------------------------|
| A  | BBB                    | BB                     | B                      | CCC                  | CC                  | C                   | D                   | Not Rated              |
| \$48,999,024   |                        |                        |                        |                      |                     |                     |                     |                        |
|  |                        |                        |                        |                      |                     |                     |                     |                        |
|  |                        |                        |                        |                      |                     |                     |                     | \$1,198,500            |
| 901,502,244  | \$1,217,608,509        | \$1,016,971,149        | \$1,100,364,368        | \$393,608,354        |                     | \$502,500           | \$98,425            | 28,658,446             |
| 50,694,004   |                        |                        |                        |                      |                     |                     |                     |                        |
| 84,602,218   | 22,836,682             | 30,326,666             | 20,625,234             | 90,978,073           | \$54,116,306        | 18,824,566          | 12,641,900          | 80,518,837             |
| 48,735,900   | 73,729,612             | 159,374,015            | 215,074,423            | 62,856,672           | 24,584,037          | 8,810,646           | 29,710,627          | 3,143,898              |
|  |                        |                        |                        |                      |                     |                     |                     |                        |
| 297,287,509  | 509,679,849            | 515,568,087            | 380,895,222            | 181,520,099          |                     |                     |                     | 13,014,151             |
|  | 46,834,414             | 34,491,286             | 24,750,928             | 37,116,118           | 12,898,529          |                     | 100,895             | 2,774,826              |
| 800,674,092  | 1,994,675,038          | 530,579,654            | 490,077,959            | 162,615,256          | 1,551,030           |                     |                     | 23,903,104             |
|  |                        |                        |                        |                      |                     |                     |                     |                        |
|  |                        |                        |                        |                      |                     |                     |                     | 923,882,380            |
| <b>2,232,494,991</b>   | <b>3,865,364,104</b>   | <b>2,287,310,857</b>   | <b>2,231,788,134</b>   | <b>928,694,572</b>   | <b>93,149,902</b>   | <b>28,137,712</b>   | <b>42,551,847</b>   | <b>1,077,094,142</b>   |
|  |                        |                        |                        |                      |                     |                     |                     |                        |
|  |                        |                        |                        |                      |                     |                     |                     |                        |
|  |                        |                        |                        |                      |                     |                     |                     |                        |
|  |                        |                        |                        |                      |                     |                     |                     |                        |
| <b>\$2,232,494,991</b>   | <b>\$3,865,364,104</b> | <b>\$2,287,310,857</b> | <b>\$2,231,788,134</b> | <b>\$928,694,572</b> | <b>\$93,149,902</b> | <b>\$28,137,712</b> | <b>\$42,551,847</b> | <b>\$1,077,094,142</b> |

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

| 2013 Average Credit Quality and Exposure Levels of Guaranteed Securities (continued) |                        |                        |                        |                        |                     |                    |                     |                        |
|--|------------------------|------------------------|------------------------|------------------------|---------------------|--------------------|---------------------|------------------------|
| A  | BBB                    | BB                     | B                      | CCC                    | CC                  | C                  | D                   | Not Rated              |
| \$17,999,600   |                        |                        |                        |                        |                     |                    |                     |                        |
|  |                        |                        |                        |                        |                     |                    |                     |                        |
|  |                        |                        |                        |                        |                     |                    |                     |                        |
| 75,824,842   |                        |                        |                        |                        |                     |                    |                     |                        |
| 933,594,092  | \$1,364,180,712        | \$1,402,180,003        | \$1,633,007,485        | \$779,263,452          | \$5,883,570         |                    | \$19,035,816        | \$16,602,732           |
| 40,799,282   |                        |                        |                        |                        |                     |                    |                     |                        |
| 142,802,037  | 19,964,408             | 38,626,112             | 38,050,484             | 119,073,993            | 56,982,812          | \$7,422,807        | 11,002,425          | 51,228,087             |
| 50,740,544   | 47,438,198             | 175,147,124            | 135,955,775            | 28,228,485             | 505,476             | 87,697             | 36,884,447          | 32,858,804             |
|  |                        |                        |                        |                        |                     |                    |                     |                        |
| 220,466,794  | 390,994,553            | 527,826,019            | 534,233,646            | 109,475,559            |                     |                    |                     | 46,481,620             |
| 26,440,708   | 39,031,451             | 27,443,959             | 38,272,655             | 39,328,496             | 4,276,218           | 841                |                     | 2,116                  |
| 596,528,035  | 759,744,791            | 338,729,505            | 241,921,495            | 26,014,770             |                     |                    | 4,257,000           | 80,717,899             |
|  |                        |                        |                        |                        |                     |                    |                     | 1,037,270,940          |
| <b>2,105,195,934</b>   | <b>2,621,354,113</b>   | <b>2,509,952,722</b>   | <b>2,621,441,540</b>   | <b>1,101,384,755</b>   | <b>67,648,076</b>   | <b>7,511,345</b>   | <b>71,179,688</b>   | <b>1,265,162,198</b>   |
|  |                        |                        |                        |                        |                     |                    |                     |                        |
|  |                        |                        |                        |                        |                     |                    |                     |                        |
|  |                        |                        |                        |                        |                     |                    |                     |                        |
| <b>\$2,105,195,934</b>   | <b>\$2,621,354,113</b> | <b>\$2,509,952,722</b> | <b>\$2,621,441,540</b> | <b>\$1,101,384,755</b> | <b>\$67,648,076</b> | <b>\$7,511,345</b> | <b>\$71,179,688</b> | <b>\$1,265,162,198</b> |

- e. **Concentration of Credit Risk**—Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of December 31, 2014 and 2013, the portfolio has no single issuer exposure that comprises 5% or more of the overall portfolio, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Therefore, no concentration of credit risk exists.
- f. **Foreign Currency Risk**—Foreign currency risk is the risk that changes in exchange rates will adversely impact the local currency value of an investment. The OPERS foreign currency exposures primarily reside within non-U.S. investment holdings. The OPERS implementation policy is to allow external managers to decide what action to take within approved portfolio guidelines for their respective portfolios' foreign currency exposures using forward-currency contracts. See chart on next page for foreign currency detail.

|  <b>2014 Exposure to Foreign Currency Risk in U.S. Dollars</b> (as of December 31, 2014) |                     |                       |                        |                         |                      |                        |
|---|---------------------|-----------------------|------------------------|-------------------------|----------------------|------------------------|
| Currency  | Cash                | Forwards              | Fixed Income           | International Equities  | Real Estate          | Private Equity         |
| Argentine Peso  | \$44,598            |                       |                        |                         |                      |                        |
| Australian Dollar   | 781,357             |                       |                        | \$415,976,299           |                      |                        |
| Brazilian Real  | 1,314,225           | (\$27,626,934)        | \$246,913,018          | 313,727,435             |                      |                        |
| British Pound Sterling  | 4,350,636           | (4,637,077)           | 37,919,321             | 2,000,031,028           |                      | \$416,874,357          |
| Canadian Dollar   | 881,927             |                       |                        | 625,616,010             |                      |                        |
| Chilean Peso  | 10,694              |                       | 320,431                | 8,857,182               |                      |                        |
| Chinese Yuan Renminbi   | (1,179)             |                       |                        |                         |                      |                        |
| Colombian Peso  | 11,454              | (18,364,754)          | 146,837,426            | 5,435,293               |                      |                        |
| Costa Rican Colon   | 203,001             |                       | 12,159,221             |                         |                      |                        |
| Czech Koruna  | 6,987               |                       |                        | 5,535,690               |                      |                        |
| Danish Krone  | 64,192              |                       |                        | 149,424,931             |                      |                        |
| Dominican Peso  | 60,077              |                       | 12,379,165             |                         |                      |                        |
| Egyptian Pound  | 1,380,615           |                       |                        | 4,681,934               |                      |                        |
| Euro Currency   | 6,110,965           | (2,100,907)           | 151,686,257            | 2,599,473,569           | \$200,973,175        | 840,684,645            |
| Georgian Lari   | (2)                 |                       |                        |                         |                      |                        |
| Ghanian Cedi  |                     |                       | 16,509,600             |                         |                      |                        |
| Hong Kong Dollar  | 846,026             |                       |                        |                         |                      |                        |
| Hungarian Forint  | 3,905               |                       | 33,788,216             | 1,086,202,372           |                      |                        |
| Indian Rupee  | 1,093,133           | (13,289,614)          | 99,694,956             | 5,987,526               |                      |                        |
| Indonesian Rupiah   | 415,005             |                       | 237,241,390            | 541,012,860             |                      |                        |
| Israeli Shekel  | 283,060             | (7,166,180)           |                        | 136,688,233             |                      |                        |
| Japanese Yen  | 2,756,400           |                       |                        | 36,697,144              |                      |                        |
| Kenyan Shilling   |                     | 3,054,149             | 11,613,263             | 1,823,884,562           |                      |                        |
| Kuwaiti Dinar   |                     |                       |                        |                         |                      |                        |
| Malaysian Ringgit   | 490,918             |                       | 137,549,072            |                         |                      |                        |
| Mexican Peso  | 806,203             | 5,769,324             | 286,278,053            | 88,444,827              |                      |                        |
| Moroccan Dirham   | 2                   | (8,215,993)           |                        | 113,985,351             |                      |                        |
| New Zealand Dollar  | 1,028,625           |                       |                        |                         |                      |                        |
| Nigerian Naira  | 199,200             |                       | 27,976,522             | 22,161,594              |                      |                        |
| Norwegian Krone   | 588,697             |                       |                        |                         |                      |                        |
| Peruvian Nuevo Sol  | 7,100               |                       | 49,342,099             | 82,748,372              |                      |                        |
| Philippine Peso   | 97,686              |                       | 26,220,986             | 1,286,901               |                      |                        |
| Polish Zolty  | 123,430             |                       | 119,952,747            | 49,638,833              |                      |                        |
| Qatari Rial   | 210,412             |                       |                        | 34,798,212              |                      |                        |
| Romanian New Leu  | 201,478             |                       | 10,431,253             | 33,360,353              |                      |                        |
| Russian Ruble   |                     |                       | 100,477,217            |                         |                      |                        |
| Singapore Dollar  | 371,188             | (3,223,110)           |                        |                         |                      |                        |
| South African Rand  | 4,540,321           |                       | 191,528,795            | 154,830,284             |                      |                        |
| South Korean Won  | 455,220             | (10,773,112)          |                        | 318,447,874             |                      |                        |
| Swedish Krona   | 442,192             |                       |                        | 579,866,417             |                      |                        |
| Swiss Franc   | 4,193,080           | 425,852               |                        | 235,957,712             |                      |                        |
| Taiwan Dollar   | 2,944,145           | 1,166,912             |                        | 830,227,708             |                      |                        |
| Thailand Baht   | 964,432             |                       | 74,363,784             | 340,414,658             |                      |                        |
| Turkish Lira  | 651,815             | 2,724,034             | 200,061,873            | 146,788,781             |                      |                        |
| UAE Dirham  | 1,786               |                       |                        | 7,855,578               |                      |                        |
| Uganda Shilling   | 319,621             |                       | 8,477,516              | 98,493,142              |                      |                        |
| Uruguay Peso  |                     |                       | 46,643,795             |                         |                      |                        |
| Zambian Kwacha  | 2,513               |                       | 8,672,769              |                         |                      |                        |
| <b>Total</b>  | <b>\$39,257,140</b> | <b>(\$82,257,410)</b> | <b>\$2,295,038,745</b> | <b>\$12,898,538,665</b> | <b>\$200,973,175</b> | <b>\$1,257,559,002</b> |

|  <b>2013 Exposure to Foreign Currency Risk in U.S. Dollars</b> (as of December 31, 2013) |                     |                       |                        |                         |                      |                        |
|---|---------------------|-----------------------|------------------------|-------------------------|----------------------|------------------------|
| Currency  | Cash                | Forwards              | Fixed Income           | International Equities  | Real Estate          | Private Equity         |
| Argentine Peso  | \$57,916            |                       |                        |                         |                      |                        |
| Australian Dollar   | 2,296,299           |                       |                        | \$444,483,589           |                      |                        |
| Brazilian Real  | 2,888,094           | (\$20,908,886)        | \$174,722,039          | 389,307,705             |                      |                        |
| British Pound Sterling  | (10,985,150)        | (5,117,359)           | 52,238,994             | 2,295,205,444           | (\$15,397,304)       | \$295,587,101          |
| Canadian Dollar   | 1,558,972           | (1,587,257)           | 1,669,116              | 683,565,323             |                      |                        |
| Chilean Peso  | 23,479              |                       | 11,515,063             | 3,975,548               |                      |                        |
| Chinese Yuan Renminbi   | 33,488              |                       |                        |                         |                      |                        |
| Colombian Peso  | (18,086)            | (2,915,815)           | 52,467,369             | 6,956,689               |                      |                        |
| Costa Rican Colon   |                     |                       | 13,104,190             |                         |                      |                        |
| Czech Koruna  | 113,287             |                       |                        | 2,127,951               |                      |                        |
| Danish Krone  | 168,691             | (256,806)             |                        | 160,121,619             |                      |                        |
| Dominican Peso  |                     |                       | 12,136,765             |                         |                      |                        |
| Egyptian Pound  | 723,786             |                       |                        | 4,063,252               |                      |                        |
| Euro Currency   | 27,571,390          | (11,698,741)          | 238,942,840            | 3,169,664,373           | 224,813,014          | 794,414,239            |
| Ghanian Cedi  |                     |                       | 4,995,349              |                         |                      |                        |
| Hong Kong Dollar  | 2,006,257           | (239,872)             |                        | 1,203,002,284           |                      |                        |
| Hungarian Forint  | 305,459             |                       | 22,155,170             | 2,374,848               |                      |                        |
| Indian Rupee  | 1,048,000           |                       | 11,283,950             | 389,416,183             |                      |                        |
| Indonesian Rupiah   | 904,556             |                       | 51,327,546             | 111,381,571             |                      |                        |
| Israeli Shekel  | 383,536             |                       |                        | 42,240,168              |                      |                        |
| Japanese Yen  | 10,850,601          | (39,217,035)          |                        | 2,184,380,099           |                      |                        |
| Kenyan Shilling   |                     |                       | 6,595,468              |                         |                      |                        |
| Kuwaiti Dinar   | (278)               |                       |                        |                         |                      |                        |
| Malaysian Ringgit   | 1,141,993           |                       | 56,317,950             | 122,877,016             |                      |                        |
| Mexican Peso  | 2,303,495           | 1,536,398             | 148,819,939            | 191,334,613             |                      |                        |
| Moroccan Dirham   | 5                   |                       |                        |                         |                      |                        |
| New Zealand Dollar  | 1,213,976           |                       |                        | 18,929,223              |                      |                        |
| Nigerian Naira  | 1,435,427           |                       | 57,726,248             |                         |                      |                        |
| Norwegian Krone   | 3,145,148           | (1,151,333)           |                        | 130,133,857             |                      |                        |
| Peruvian Nuevo Sol  | (7,784)             | 2,352,986             | 14,051,020             | 1,713,591               |                      |                        |
| Philippine Peso   | 162,685             | (890,492)             | 30,432,951             | 39,415,916              |                      |                        |
| Polish Zolty  | 1,574,541           | (14,325,326)          | 108,683,994            | 30,214,037              |                      |                        |
| Qatari Rial   |                     |                       |                        | 22,010,386              |                      |                        |
| Romanian New Leu  | 185,663             |                       | 4,302,066              |                         |                      |                        |
| Russian Ruble   | 1,304,239           |                       | 115,878,384            |                         |                      |                        |
| Singapore Dollar  | 2,060,792           | 12,391,773            |                        | 165,404,831             |                      |                        |
| South African Rand  | 1,624,473           | (5,963,192)           | 116,481,297            | 300,725,455             |                      |                        |
| South Korean Won  | 882,464             | (2,921,536)           | 2,980,353              | 753,417,480             |                      |                        |
| Swedish Krona   | 903,790             | 516,234               |                        | 312,809,667             |                      |                        |
| Swiss Franc   | 2,921,766           | 1,303,977             |                        | 866,747,053             |                      |                        |
| Taiwan Dollar   | 8,575,376           |                       |                        | 315,292,234             |                      |                        |
| Thailand Baht   | 1,134,629           |                       | 31,258,271             | 178,373,330             |                      |                        |
| Turkish Lira  | 414,107             | (9,437,843)           | 89,177,153             | 109,302,278             |                      |                        |
| Uganda Shilling   | 93,143              |                       | 7,002,875              |                         |                      |                        |
| Uruguay Peso  |                     |                       | 20,887,447             |                         |                      |                        |
| <b>Total</b>  | <b>\$71,000,225</b> | <b>(\$98,530,125)</b> | <b>\$1,457,153,807</b> | <b>\$14,650,967,613</b> | <b>\$209,415,710</b> | <b>\$1,090,001,340</b> |

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

As of December 31, 2014, the fair value of securities on loan was \$7,648,897,575. Associated collateral totaling \$7,852,803,699 was received. The fair market value of reinvested collateral was \$7,854,368,780 at December 31, 2014, which includes unrealized gains on securities lending income totaling \$1,565,081.


As of December 31, 2013, the fair value of securities on loan was \$6,737,550,263. Associated collateral totaling \$6,953,717,885 was received. The fair market value of reinvested collateral was \$6,958,964,420 at December 31, 2013, which includes unrealized gains on securities lending income totaling \$5,246,535.

Net security lending income/(loss) is composed of four components: gross income, broker rebates, agent fees and unrealized gains/(losses) on collateral. Gross income is equal to earnings on cash collateral received in a security lending transaction. A broker rebate is the cost of using that cash collateral. Agent fees represent the fees paid to the agent for administering the lending program. Unrealized gains/(losses) result from the change in fair value of the reinvested cash collateral. Net security lending income is equal to gross income less broker rebates, agent fees, and unrealized losses on collateral. Security lending income for 2014 and 2013 was recorded on a cash basis, which approximated the accrual basis.

- h. Derivatives**—Derivatives are generally defined as contracts whose values depend on, or are derived from, the value of an underlying asset, reference rate or index. OPERS has classified the following as derivatives:
- **Forward-Currency Contracts**—OPERS enters into various forward-currency contracts to manage exposure to changes in foreign currency exchange rates on its foreign portfolio holdings. The System may also enter into forward-currency exchange contracts to provide a quantity of foreign currency needed at a future time at the current exchange rates, if rates are expected to change dramatically. A forward-exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risk associated with such contracts includes movement in the value of foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward-exchange rates, and the changes in value of open contracts are recognized as net appreciation/depreciation in the Combining Statements of Changes in Fiduciary Net Position. The realized gains or losses on forward-currency contracts represent the difference between the value of the original contracts and the closing value of such contracts and is included as net appreciation/depreciation in the Combining Statements of Changes in Fiduciary Net Position. The net realized and unrealized gains on forward-currency contracts for the years 2014 and 2013, were \$5,234,107 and \$5,646,991, respectively.



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

|  <b>Fair Value of Forward-Currency and Hedged Contracts</b> (as of December 31, 2014 and 2013) |              |              |
|---|--------------|--------------|
|   | 2014         | 2013         |
| Forward-currency purchases  | \$69,968,033 | \$96,088,201 |
| Forward-currency sales  | 152,225,441  | 194,618,326  |
| Unrealized gains  | 569,876      | 3,439,081    |

- Futures Contracts**—OPERS enters into various futures contracts to manage exposure to changes in foreign equity and currency markets and to take advantage of movements on an opportunistic basis. A stock index future is a futures contract that uses a stock index as its base, and which is settled by cash or delivery of the underlying stocks in the index. Financial futures represent an off balance sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts; however, the realized and unrealized gains and losses on futures are recorded in the Combining Statement of Changes in Fiduciary Net Position. Futures contracts differ from forward-currency contracts by their standardization, exchange trading, margin requirements, and daily settlement (marking-to-market). Risk associated with stock index futures contracts includes adverse movements in the underlying stock index. The following table shows the futures positions held by OPERS as of December 31, 2014 and 2013. The net realized and unrealized gains on futures contracts for the years 2014 and 2013 were \$185,336,436 and \$296,473,824, respectively.

|  <b>Futures Positions Held</b> (as of December 31, 2014 and 2013) |                     |                    |                     |                    |
|--|---------------------|--------------------|---------------------|--------------------|
| Futures Contracts  | 2014                |                    | 2013                |                    |
|  | Number of Contracts | Contract Principal | Number of Contracts | Contract Principal |
| U.S. Equity Index Futures purchased long   | 12,350              | \$1,345,035,480    | 4,268               | \$479,623,720      |
| U.S. Treasury Futures purchased long   | 2,707               | 420,724,243        | 4,937               | 749,082,000        |
| U.S. Treasury Futures purchased short  | (145)               | (18,385,547)       | (475)               | (104,410,937)      |
| Currency Futures purchased long  | 50                  | 7,566,875          | 162                 | 27,920,700         |
| Currency Futures purchased short   | (10)                | (973,125)          | (3)                 | (310,463)          |
| Non-U.S. Equity Index Futures purchased long   | 5,496               | 272,912,371        | 15                  | 1,706,924          |
| Non-U.S. Equity Index Futures purchased short  |                     |                    | (4,856)             | (361,486,240)      |

- Total Return Swaps**—OPERS may manage market exposure through the use of total return swaps. A total return swap is an agreement in which one party commits to pay a fee in exchange for a return linked to the market performance of an underlying security, group of securities, index or other asset (reference obligation). Risks may arise if the value of the swap acquired decreases because of an unfavorable change in price of the reference obligation or the counterparty's ability to meet the terms of the contract. OPERS held total return swaps with a notional value of \$1,361,893,482 and \$1,311,571,602 as of December 31, 2014 and 2013, respectively. The unrealized gains at December 31, 2014 and 2013 were \$9,625,223 and \$11,718,020, respectively. The net realized and unrealized gains/(losses) in total return swaps for the years 2014 and 2013 were (\$307,132,127) and \$162,533,952, respectively.

- **Options**—Options give buyers the right, but not the obligation, to buy or sell an asset at a predetermined strike price over a specified period. The option premium is usually a small percentage of the underlying asset's value. When writing an option, OPERS receives a premium up front and bears the risk of an unfavorable change in the price of the underlying asset during the option's life. When OPERS purchases an option, it pays a premium to a counterparty that bears the risk of an unfavorable change in the price of the underlying asset during the option's life. The fair value of outstanding options at December 31, 2014 was \$41,250. There were no outstanding options at December 31, 2013. Net realized losses in options for 2014 and 2013 were (\$34,885) and zero, respectively.

#### 4. Vacation and Sick Leave

As of December 31, 2014 and 2013, \$6,646,885 and \$6,073,801, respectively, were accrued for unused vacation and sick leave for employees. Employees who resign or retire are entitled to full compensation for all earned but unused vacation leave for balances up to three times their annual accrual rate at the time of separation. Unused sick leave is forfeited upon termination. However, employees who retire with more than 10 years of service with OPERS are entitled to receive payment for 50% of their unused sick leave up to a maximum of 2,000 hours.


#### 5. Deferred Compensation Plan

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

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

## 6. Schedule of Required Contributions


All employees of OPERS are eligible for membership in the benefit plans of the System. The employer contributions paid on behalf of these employees are funded by revenues in the Income Fund, arising from investment activity and other income. The annual required pension and health care contributions for employees for the years ended December 31, 2014, 2013 and 2012 are as follows:

|  Annual Required Pension and Health Care Contributions |                               |                     |                               |                     |
|---|-------------------------------|---------------------|-------------------------------|---------------------|
| Year Ended  | Pension                       |                     | Health Care                   |                     |
|   | Annual Required Contributions | Percent Contributed | Annual Required Contributions | Percent Contributed |
| 2014  | \$5,346,483                   | 100%                | \$891,081                     | 100%                |
| 2013  | 5,595,005                     | 100                 | 430,385                       | 100                 |
| 2012  | 4,179,866                     | 100                 | 1,671,947                     | 100                 |

Under GASB 51, internal payroll related to the implementation of capital projects is capitalized as part of the fixed asset cost. OPERS implemented GASB 51 at the end of 2008, and began capitalizing internal labor costs effective January 1, 2009. The capitalized cost includes salary and wages as well as the corresponding employer paid Medicare and retirement contribution expenses. The portion of the 2014 annual required contribution included in fixed assets was \$264,984 for pension and \$44,164 for health care. The portion of the 2013 annual required contribution included in fixed assets was \$418,820 for pension and \$32,217 for health care.

## 7. Self-insured Employee Health Care


OPERS is self-insured under a professionally administered plan for general health, hospitalization, and prescription drug employee benefits. OPERS maintained specific stop-loss coverage per employee for medical benefits in the amount of \$250,000 for both 2014 and 2013. Employees share in the cost of coverage by payroll deductions, which are netted against the claims cost. Employee deductions and vendor rebates totaled \$1,072,195 in 2014 and \$903,044 in 2013. The summary of changes in incurred but not reported claims for the years ended December 31, 2014 and 2013 follows:

|  Employee Health Insurance |                 |                 |
|---|-----------------|-----------------|
|   | 2014            | 2013            |
| Balance January 1   | \$14,093        | \$89,522        |
| Claims Incurred   | 6,880,398       | 5,083,942       |
| Claims Paid   | (6,855,750)     | (5,159,371)     |
| <b>Balance December 31</b>  | <b>\$38,741</b> | <b>\$14,093</b> |

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

## 8. Net Pension Liability


The components of the net pension liability of the defined benefit pension plans as of December 31, 2014 are as follows:

|  <b>Net Pension Liability/(Asset)</b> (\$ in millions) |                          |                |
|---|--------------------------|----------------|
|   | Traditional Pension Plan | Combined Plan* |
| Total Pension Liability   | \$89,017                 | \$260          |
| Plan Fiduciary Net Position   | 76,956                   | 298            |
| Employers' Net Pension Liability/(Asset)  | \$12,061                 | (\$38)         |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability/(Asset)  | 86.45%                   | 114.83%        |

\*The Combined Plan information in the Net Pension Liability includes only the defined benefit portion of this plan to comply with GASB-reporting standards and does not include the defined contribution portion. The Combining Statements of Fiduciary Net Position and Changes in Fiduciary Net Position present the combined defined benefit and defined contribution portions of the Combined Plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

|  <b>Key Methods and Assumptions Used in Valuation of Total Pension Liability</b> |  |   |
|---|--|---|
| Actuarial information   | Traditional Pension Plan                           | Combined Plan                                     |
| Valuation Date  | December 31, 2014                                  | December 31, 2014                                 |
| Experience Study  | 5 Year Period Ended December 31, 2010              | 5 Year Period Ended December 31, 2010             |
| Actuarial Cost Method   | Individual entry age                               | Individual entry age                              |
| Actuarial Assumptions   |  |   |
| Investment Rate of Return   | 8.00%  | 8.00%   |
| Wage Inflation  | 3.75%  | 3.75%   |
| Projected Salary Increases  | 4.25%-10.05%<br>(includes wage inflation at 3.75%) | 4.25%-8.05%<br>(includes wage inflation at 3.75%) |
| Cost-of-living Adjustments  | 3.00% Simple                                       | 3.00% Simple                                      |

Mortality rates are based on the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based upon the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

The discount rate used to measure the total pension liability was 8.0% for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount

rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.


The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return.

| Asset Class            | Target Allocation for 2014 | Weighted Average Long-Term Expected Real Rate of Return |
|------------------------|----------------------------|---|
|                        |                            | (Arithmetic)  |
| Fixed Income           | 23.00%                     | 2.31%   |
| Domestic Equities      | 19.90                      | 5.84  |
| Real Estate            | 10.00                      | 4.25  |
| Private Equity         | 10.00                      | 9.25  |
| International Equities | 19.10                      | 7.40  |
| Other Investments      | 18.00                      | 4.59  |
| <b>TOTAL</b>           | <b>100.00%</b>             | <b>5.28%</b>  |

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio is 6.95% for 2014.


The following table presents the net pension liability calculated using the discount rate of 8.0%, and the expected net pension liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

|  Sensitivity of Net Pension Liability/(Asset) to Changes in the Discount Rate (\$ in millions) |                     |                               |                     |
|---|---------------------|-------------------------------|---------------------|
| Employers' Net Pension Liability/(Asset)  | 1% Decrease<br>7.0% | Current Discount Rate<br>8.0% | 1% Increase<br>9.0% |
| Traditional Pension Plan  | \$22,189            | \$12,061                      | \$3,531             |
| Combined Plan   | \$5                 | (\$38)                        | (\$73)              |

The funding status of the three pension plans and their Schedules of Funding Progress may be found in the Actuarial Section of this document on page 158. The Member-Directed Plan is a defined contribution plan in which at retirement, members have the option to convert their defined contribution account to a defined benefit annuity. The purchased defined benefit annuities under this plan were immaterial to the System and immaterial from a GASB 67 perspective to these combining financial statements as of December 31, 2014. The Member-Directed Plan Schedule of Funding Progress may also be found in the Actuarial Section of this document on page 159.

## 9. Post-employment Health Care Plans


The 115 Health Care Trust established in 2014 did not have any active, inactive or retired membership as of December 31, 2014. Therefore, no actuarial accrued liability exists for the 115 Health Care Trust as of December 31, 2014. The funded status of the Post-employment Health Care Plan as of December 31, 2013, the most recent actuarial valuation date, is as follows:

|  <b>Funded Status of the Post-employment Health Care Plan</b> (\$ in millions) |                                     |                  |   |                        |                       |                                      |
|---|-------------------------------------|------------------|---|------------------------|-----------------------|--------------------------------------|
| As of December 31, 2013   | Actuarial Accrued Liabilities (AAL) | Valuation Assets | Unfunded Actuarial Accrued Liabilities (UAAL) | Ratio of Assets to AAL | Active Member Payroll | UAAL as a % of Active Member Payroll |
| Health Care   | \$19,784                            | \$12,031         | \$7,753                                       | 60.8%                  | \$12,331              | 62.9%                                |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits. The Schedule of Funding Progress for post-employment health care is presented on page 80 of the Required Supplementary Information section of this document.


The accompanying Schedule of Contributions from Employers and Other Contributing Entities (refer to page 81) presents trend information about the amounts contributed to the plan in comparison to the Annual Required Contribution. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover estimated health care costs for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

|  <b>Key Methods and Assumptions Used in Valuation of Health Care Liability</b> |  |
|---|--|
| Actuarial Information   | Health Care  |
| Valuation Date  | December 31, 2013                                  |
| Actuarial Cost Method   | Individual entry age normal                        |
| Amortization Method   | Level percentage of pay, open                      |
| Amortization Period   | 30 years   |
| Assets Valuation Method   | 4-year, smoothed market-12% corridor               |
| Actuarial Assumptions   |  |
| Investment Rate of Return   | 5.0%   |
| Projected Salary Increases  | 4.25%-10.05%<br>(includes wage inflation at 3.75%) |
| Health Care Cost Trend Rate   | 8.0% initial, 3.75% ultimate                       |

**Defined Benefit Pension Plans**

The Schedule of Changes in Net Pension Liability displays the components of the total pension liability and plan fiduciary net position for each defined benefit pension plan, calculated in conformity with the requirements of GASB 67. Covered employee payroll represents the collective total of the OPERS eligible wages of all OPERS employers within each plan.

|  <b>Schedule of Changes in Net Pension Liability</b> (\$ in millions) <b>Traditional Pension Plan*</b> |                   |
|---|-------------------|
| Year  | 2014              |
| <b>Net Change in Total Pension Liability</b>  |                   |
| Service Cost  | \$1,659.6         |
| Interest on Total Pension Liability   | 6,759.0           |
| Changes of Benefit Terms  |                   |
| Difference Between Expected and Actual Experience   | (309.7)           |
| Changes in Assumptions  |                   |
| Benefit Payments, Including Refunds of Employee Contributions   | (5,498.8)         |
| <b>Net Change in Total Pension Liability</b>  | <b>2,610.1</b>    |
| Total Pension Liability—Beginning   | 86,407.2          |
| <b>Total Pension Liability—Ending</b>   | <b>\$89,017.3</b> |
| <b>Net Change in Plan Fiduciary Net Position</b>  |                   |
| Employer Contributions  | \$1,476.1         |
| Member Contributions  | 1,228.1           |
| Net Investment Income   | 5,056.3           |
| Benefit Payments, Including Refunds of Employee Contributions   | (5,498.8)         |
| Non-Investment Administrative Expenses  | (49.8)            |
| Other**   | 125.8             |
| <b>Net Change in Plan Fiduciary Net Position</b>  | <b>2,337.7</b>    |
| Plan Fiduciary Net Position—Beginning   | 74,618.5          |
| <b>Plan Fiduciary Net Position—Ending</b>   | <b>\$76,956.2</b> |
| <b>Net Pension Liability/(Asset)</b>  | <b>\$12,061.1</b> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)  | 86.45%            |
| Covered Employee Payroll  | \$12,139.7        |
| Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll   | 99.35%            |


\* Includes money purchase annuities for re-employed retirees and additional annuities.

\*\* Other includes Contract and Other Receipts, Other Income and Interplan Activity.

See Notes to Required Supplementary Information, beginning on page 82.

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



|  <b>Schedule of Changes in Net Pension Liability</b> (\$ in millions) | <b>Combined Plan*</b> |
|--|-----------------------|
| Year   | 2014                  |
| <b>Net Change in Total Pension Liability</b>   |                       |
| Service Cost   | \$25.7                |
| Interest on Total Pension Liability  | 19.4                  |
| Changes of Benefit Terms   |                       |
| Difference Between Expected and Actual Experience  | (13.2)                |
| Changes in Assumptions   |                       |
| Benefit Payments, Including Refunds of Employee Contributions  | (2.8)                 |
| <b>Net Change in Total Pension Liability</b>   | <b>29.1</b>           |
| Total Pension Liability—Beginning  | 230.5                 |
| <b>Total Pension Liability—Ending</b>  | <b>\$259.6</b>        |
| <b>Net Change in Plan Fiduciary Net Position</b>   |                       |
| Employer Contributions   | \$44.2                |
| Member Contributions   |                       |
| Net Investment Income  | 17.9                  |
| Benefit Payments, Including Refunds of Employee Contributions  | (2.8)                 |
| Non-Investment Administrative Expenses   |                       |
| Other**  | (2.2)                 |
| <b>Net Change in Plan Fiduciary Net Position</b>   | <b>57.1</b>           |
| Plan Fiduciary Net Position—Beginning  | 241.0                 |
| <b>Plan Fiduciary Net Position—Ending</b>  | <b>\$298.1</b>        |
| <b>Net Pension Liability/(Asset)</b>   | <b>(\$38.5)</b>       |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)   | 114.83%               |
| Covered Employee Payroll   | \$346.0               |
| Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll  | (11.13)%              |

\* Includes annuitized defined contribution accounts. The Combined Plan information in the Net Pension Liability includes only the defined benefit portion of this plan to comply with GASB-reporting standards and does not include the defined contribution portion. The Combining Statements of Fiduciary Net Position and Changes in Fiduciary Net Position present the combined defined benefit and defined contribution portions of the Combined Plan.

\*\* Other includes Contract and Other Receipts, Other Income and Interplan Activity.

See Notes to Required Supplementary Information, beginning on page 82.

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

Within the Traditional Pension Plan, OPERS classifies employees into four divisions: State, Local, Law Enforcement and Public Safety. The Public Safety and Law Enforcement divisions have different contribution rates, benefit formulas, and retirement eligibility requirements than those of the State and Local members. The member and employer contribution rates are actuarially determined within the constraints of statutory limits for each division. Both the member and employer contribution rates for Public Safety and Law Enforcement members are higher than those of the State and Local members to recognize the higher cost of these benefits. Accordingly, both member and employer contributions are used to calculate the proportionate shares for employers.

| Schedule of Member and Employer Contributions |  |                    | Traditional Pension Plan*         |                          |   |
|---|--|--------------------|-----------------------------------|--------------------------|---|
| Year Ended December 31                        | Actuarially Determined Contributions** | Contributions Paid | Contribution Deficiency/ (Excess) | Covered Employee Payroll | Contributions as a % of Covered Payroll |
| 2014  | \$2,704,218,157                        | \$2,704,218,157    | -                                 | \$12,139,692,990         | 22.3%                                   |
| 2013  | 2,778,566,900                          | 2,778,566,900      | -                                 | 11,999,928,351           | 23.2                                    |
| 2012  | 2,407,224,107                          | 2,407,224,107      | -                                 | 11,883,831,019           | 20.3                                    |
| 2011  | 2,454,599,959                          | 2,454,599,959      | -                                 | 12,103,258,896           | 20.3                                    |
| 2010  | 2,315,100,186                          | 2,315,100,186      | -                                 | 12,165,415,760           | 19.0                                    |
| 2009  | 2,256,548,622                          | 2,256,548,622      | -                                 | 12,289,885,494           | 18.4                                    |
| 2008  | 2,145,747,568                          | 2,145,747,568      | -                                 | 12,546,006,885           | 17.1                                    |
| 2007  | 2,235,767,340                          | 2,235,767,340      | -                                 | 12,347,230,140           | 18.1                                    |
| 2006  | 2,158,861,237                          | 2,158,861,237      | -                                 | 11,970,556,211           | 18.0                                    |
| 2005  | 2,072,733,788                          | 2,072,733,788      | -                                 | 11,633,271,015           | 17.8                                    |

\*The actuarially determined contribution to fund the cost of pensions includes member and employer contributions. The contributions reported in this schedule are consistent with the presentation of the employers' proportionate shares.

\*\*The Board of Trustees has approved all contribution rates as recommended by the actuary.

See Notes to Required Supplementary Information, beginning on page 82.

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

The Combined Plan defined benefit pension is funded only from the employer contributions, with the member contributions deposited to a defined contribution account. The tables below display the actuarially determined contributions for employers of the defined benefit pension plans based on the actuarially determined rate, and the amount of these contributions paid by the employers each year.

| Schedule of Employer Contributions* |                                      |                    |                                   | Traditional Pension Plan |   |
|-------------------------------------|--------------------------------------|--------------------|-----------------------------------|--------------------------|---|
| Year Ended December 31              | Actuarially Determined Contributions | Contributions Paid | Contribution Deficiency/ (Excess) | Covered Employee Payroll | Contributions as a % of Covered Payroll |
| 2014                                | \$1,476,074,083                      | \$1,476,074,083    | -                                 | \$12,139,692,990         | 12.2%                                   |
| 2013                                | 1,571,758,150                        | 1,571,758,150      | -                                 | 11,999,928,351           | 13.1                                    |
| 2012                                | 1,208,150,727                        | 1,208,150,727      | -                                 | 11,883,831,019           | 10.2                                    |
| 2011                                | 1,233,002,841                        | 1,233,002,841      | -                                 | 12,103,258,896           | 10.2                                    |
| 2010                                | 1,097,711,440                        | 1,097,711,440      | -                                 | 12,165,415,760           | 9.0                                     |
| 2009                                | 1,019,582,360                        | 1,019,582,360      | -                                 | 12,289,885,494           | 8.3                                     |
| 2008                                | 892,693,746                          | 892,693,746        | -                                 | 12,546,006,885           | 7.1                                     |
| 2007                                | 1,051,808,289                        | 1,051,808,289      | -                                 | 12,347,230,140           | 8.5                                     |
| 2006                                | 1,092,998,459                        | 1,092,998,459      | -                                 | 11,970,556,211           | 9.1                                     |
| 2005                                | 1,106,755,953                        | 1,106,755,953      | -                                 | 11,633,271,015           | 9.5                                     |

| Schedule of Employer Contributions* |                                      |                    |                                   | Combined Plan            |   |
|-------------------------------------|--------------------------------------|--------------------|-----------------------------------|--------------------------|---|
| Year Ended December 31              | Actuarially Determined Contributions | Contributions Paid | Contribution Deficiency/ (Excess) | Covered Employee Payroll | Contributions as a % of Covered Payroll |
| 2014                                | \$ 44,196,044                        | \$ 44,196,044      | -                                 | \$346,043,977            | 12.8%                                   |
| 2013                                | 45,427,520                           | 45,427,520         | -                                 | 331,233,703              | 13.7                                    |
| 2012                                | 23,998,486                           | 23,998,486         | -                                 | 309,636,198              | 7.8                                     |
| 2011                                | 23,280,520                           | 23,280,520         | -                                 | 296,205,802              | 7.9                                     |
| 2010                                | 26,432,761                           | 26,432,761         | -                                 | 284,366,384              | 9.3                                     |
| 2009                                | 23,397,299                           | 23,397,299         | -                                 | 258,452,005              | 9.1                                     |
| 2008                                | 20,352,999                           | 20,352,999         | -                                 | 255,055,641              | 8.0                                     |
| 2007                                | 19,241,579                           | 19,241,579         | -                                 | 236,141,304              | 8.1                                     |
| 2006                                | 17,689,420                           | 17,689,420         | -                                 | 204,623,711              | 8.6                                     |
| 2005                                | 15,632,184                           | 15,632,184         | -                                 | 173,540,939              | 9.0                                     |

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

See Notes to Required Supplementary Information, beginning on page 82.

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

OPERS manages its investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio.

| Schedule of Investment Returns |  | Defined Benefit Portfolio |
|--------------------------------|--|---------------------------|
| Year                           | Annual Money-Weighted Rate of Return<br>Net of Investment Expenses |                           |
| 2014                           | 6.9%   |                           |

### Post-employment Health Care Coverage

The Post-employment Health Care Plan is a cost-sharing, multiple-employer health care plan that provides health care coverage for eligible members in the Traditional Pension and Combined plans. The schedule below displays the funding status for the Post-employment Health Care Plan. The 115 Health Care Trust was established in 2014 and is designed to provide funding for new health care vehicles that are not allowed under the 401(h) funding structure of the Post-employment Health Care Plan. Employer contributions were allocated to the 115 Health Care Trust in September 2014. The 115 Health Care Trust currently has no enrolled retirees or health care related obligations, therefore a Schedule of Funding Progress was not included in this report.

| Schedule of Funding Progress (\$ in millions) |                                     |                  |   | Post-employment Health Care Plan |                       |                                      |
|---|-------------------------------------|------------------|---|----------------------------------|-----------------------|--------------------------------------|
| Valuation Year                                | Actuarial Accrued Liabilities (AAL) | Valuation Assets | Unfunded Actuarial Accrued Liabilities (UAAL) | Ratio of Assets of AAL           | Active Member Payroll | UAAL as a % of Active Member Payroll |
| 2013  | \$19,784                            | \$12,031         | \$7,753                                       | 60.8%                            | \$12,331              | 62.9%                                |
| 2012  | 19,182                              | 12,193           | 6,989   | 63.6                             | 12,194                | 57.3                                 |
| 2011  | 31,020                              | 12,115           | 18,905  | 39.1                             | 12,399                | 152.5                                |
| 2010**  | 30,531                              | 12,320           | 18,211  | 40.4                             | 12,449                | 146.3                                |
| 2010*   | 26,929                              | 11,267           | 15,662  | 41.8                             | 12,449                | 125.8                                |
| 2009  | 31,558                              | 10,936           | 20,622  | 34.7                             | 12,548                | 164.3                                |
| 2008  | 29,623                              | 10,748           | 18,875  | 36.3                             | 12,801                | 147.4                                |
| 2007  | 29,825                              | 12,801           | 17,024  | 42.9                             | 12,584                | 135.3                                |
| 2006  | 30,748                              | 12,025           | 18,723  | 39.1                             | 12,175                | 153.8                                |

\* Results from original valuation prior to re-statement after completion of experience study.

\*\* Revised actuarial assumptions based on the experience study.

See Notes to Required Supplementary Information, beginning on page 82.

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

The table below displays the annual required contributions based on the actuarially determined rate, and the percentage of these contributions billed (and paid) by the employers each year. Federal subsidies are comprised of direct subsidies for the Medicare Prescription Drug Plan and Medicare Part D reimbursements. Employer contributions and federal subsidies were allocated to the 115 Health Care Trust established in September 2014.

| Schedule of Contributions from Employers and Other Contributing Entities |                               |                             |                        |                 |                          | Health Care**       |
|--|-------------------------------|-----------------------------|------------------------|-----------------|--------------------------|---------------------|
| Year Ended December 31   | Annual Required Contributions | % Contributed by Employers* | Prescription Drug Plan | Medicare Part D | Total Medicare Subsidies | Total % Contributed |
| 2014   | \$684,421,764                 | 36.10%                      | \$176,225,797          | \$394,094       | \$176,619,891            | 61.91%              |
| 2013   | 1,555,931,467                 | 7.72                        | 105,719,623            | 246,139         | 105,965,762              | 14.53               |
| 2012   | 1,422,859,434                 | 34.72                       | 181,652,987            | 926,931         | 182,579,918              | 47.55               |
| 2011   | 1,831,329,260                 | 27.49                       | 81,802,880             | 788,419         | 82,591,299               | 32.00               |
| 2010   | 1,650,917,533                 | 38.08                       |                        | 72,100,529      | 72,100,529               | 42.45               |
| 2009   | 1,698,928,499                 | 43.61                       |                        | 69,132,772      | 69,132,772               | 47.67               |
| 2008   | 1,855,720,690                 | 48.04                       |                        | 63,310,194      | 63,310,194               | 51.46               |
| 2007   | 2,068,922,571                 | 33.64                       |                        | 59,075,120      | 59,075,120               | 36.49               |

\*The % Contributed by Employers displays the percentage of the annual required contribution that was billed to employers and paid each year.

\*\* This table includes contributions for both the Post-employment Health Care and the 115 Health Care Trusts.

See Notes to Required Supplementary Information, beginning on page 82.

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

## Defined Benefit Pension Plans

### Actuarial Assumptions and Methods Used in Determining Contribution Rates

Actuarially determined contributions are constrained by contribution limits established by statute. Contribution rates are calculated as of December 31, three years prior to the end of the fiscal year in which contributions are reported. The actuarial assumptions and methods used to determine contribution rates are described below based on the actuarial valuation study for the years ended December 31, 2014 and 2013.

- **Valuation Method**—Individual entry age actuarial cost method of valuation is used in determining benefit liabilities and normal cost. Differences between assumed and actual experience (the actuarial gains and losses) become part of the total pension liability.
- **Asset Valuation Method**—For actuarial purposes, assets are valued utilizing a method which recognizes assumed investment returns fully each year. Differences between actual and assumed investment returns are phased in over a closed four-year period. This funding value is not permitted to deviate from market value by a corridor of plus or minus 12.00%.
- **Amortization Method**—Level percent of payroll, closed amortization period.
- **Investment Return**—An investment rate of return of 8.00% compounded annually was assumed for all members, retirees, and beneficiaries.
- **Wage Inflation**—The active member payroll was assumed to increase 3.75% annually, which is the portion of the individual pay increase assumption attributable to inflation and overall productivity.
- **Salary Scale**—Wage inflation plus additional projected salary increases ranging from 0.50% to 6.30% per year depending on age, attributable to seniority and merit.

### Changes in Benefit Terms

Senate Bill 343 became effective on January 7, 2013, amending the benefit terms for active and inactive members not retired as of that date. The Bill includes a transition period and recognizes the impact of a change in benefit terms on members who are close to retirement. Below is a summary of the most significant benefit changes impacting members not subject to transition rules. A complete description of all plan changes and transition provisions can be found in the Plan Statement beginning on page 215.

- **Age and Service Retirement Eligibility**—The minimum age and number of years of service required to receive an unreduced benefit were each increased by two years for members in the State and Local divisions. The number of years of service required for Public Safety and Law Enforcement members did not change, however the minimum retirement age was increased by two years.
- **Final Average Salary**—The final average salary, representing an average of the member's highest salary years, was changed from an average of three years to an average of five years.
- **Benefit Formula**—The previous benefit formula for State and Local members applied a factor of 2.20% to the first 30 years of service, with a step up to 2.50% for years in excess of 30. The new formula applies the 2.20% factor to the first 35 years of service, with the step up effective for years in excess of 35.
- **Age and Service Reduction Factors**—The benefit of a member electing early retirement was previously reduced by factors set in statute. The new reduction factors represent actuarially determined rates for each year the member retires before attaining full retirement.

- **Cost of Living Adjustment (COLA)**—The COLA for new retirees was changed from a simple 3.00% applied to the benefit value at date of retirement, to a rate based on the change in the Consumer Price Index, not to exceed 3.00%.

## Post-employment Health Care Coverage

### Description of Schedule of Funding Progress

OPERS-provided health care coverage is neither a guaranteed nor statutorily required benefit. OPERS primary funding responsibility is to pensions. The health care plan is funded from a portion of the employer contribution as approved by the Board each year, after consideration of the funding needs of the defined benefit pension plans.

Each time a health care plan enhancement is made that applies to service already rendered, an unfunded actuarial accrued liability is created. These additional liabilities are financed systematically over a period of future years. In addition, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to the unfunded actuarial accrued liability.

In an inflationary economy, the value of the dollar is decreasing. This environment typically results in employee pay increasing in dollar amount, with a corresponding increase in the employer contributions to valuation assets. During recessionary periods, employee pay may decrease or remain constant, resulting in a potential reduction in the corresponding employer contributions to health care while the employee's eligibility for health care continues to grow. Unfunded actuarial accrued liability divided by active employee payroll provides an index that adjusts for the effects of inflation or recession. The smaller the ratio of unfunded actuarial accrued liabilities to active member payroll, the more secure retiree health care coverage is considered to be. Observation of this relative index over a period of years will give an indication of whether the health care plan is becoming financially stronger or weaker.

### Actuarial Assumptions and Methods

The actuarial assumptions and methods described below are based on the actuarial valuation study for the years ended December 31, 2013 and 2012.

- **Funding Method**—An individual entry-age normal actuarial-cost method of valuation is used in determining liabilities and normal cost. Differences between assumed and actual experience (the actuarial gains and losses) become part of unfunded actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized over a period of time to produce payments that are a level percent of payroll contributions based on an open amortization period.
- **Asset Valuation Method**—For actuarial purposes, assets are valued utilizing a method which recognizes assumed investment returns fully each year. Differences between actual and assumed investment returns are phased in over a closed four-year period. This funding value is not permitted to deviate from market value by a corridor of plus or minus 12.00%.
- **Significant Actuarial Assumptions**—Assumptions employed by the actuary for funding purposes as of December 31, 2013, the date of the latest actuarial study, and for 2012 include:
  - **Investment Return**—An investment return rate of 5.00% compounded annually.
  - **Salary Scale**—The active member payroll was assumed to increase 3.75% annually for 2013 and 2012, which is the portion of the individual pay increase assumption attributable to inflation and overall productivity. Also assumed were additional projected salary increases ranging from 0.50% to 6.30% per year depending on age, attributable to seniority and merit for 2013 and 2012.


- **Benefit Payment**—For the 2013 valuation, health care expenses are assumed to increase initially at 8.00% before leveling off to 3.75% in 2024. For the 2012 valuation, health care expenses are assumed to increase initially at 8.00% before leveling off at 3.75% in 2023.


➤ **Multiple Decrement Tables**

- **Mortality**—The rates used for retiree allowances were the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used.

The rates used for disability allowances were the RP-2000 mortality table with no projection. For males, 120% of the disabled female mortality rates are used, set forward two years. For females, 100% of the disabled female mortality rates are used.



|  <b>Administrative Expenses</b> (for the years ended December 31, 2014 and 2013) |                     |                     |
|---|---------------------|---------------------|
|   | 2014                | 2013                |
| <b>Personnel Expenses</b>   |                     |                     |
| Wages and Salaries  | \$44,647,273        | \$42,104,768        |
| Retirement Contributions—OPERS  | 5,928,416           | 5,574,353           |
| Retirement Contributions—Medicare   | 614,953             | 582,205             |
| Employee Insurance  | 7,320,251           | 5,996,212           |
| Other Personnel Expense   | 355,754             | 327,785             |
| <b>Purchased Services and Supplies</b>  |                     |                     |
| Professional expenses   |                     |                     |
| Audit Services  | 349,018             | 512,885             |
| Actuarial Services  | 739,313             | 767,963             |
| Consulting Services   | 630,958             | 674,200             |
| Investment and Financial Services   | 12,731,695          | 11,939,267          |
| Legal and Investigation Services  | 2,659,937           | 2,742,258           |
| Medical Examinations  | 1,726,886           | 1,446,387           |
| Retirement Study Council  | 263,587             | 304,296             |
| Custodial and Banking Fees  | 5,889,150           | 3,405,343           |
| Information Technology  | 7,847,532           | 9,903,269           |
| Communications  | 2,645,208           | 2,362,070           |
| Office Supplies, Equipment and Other Miscellaneous  | 760,585             | 877,659             |
| Education—Member and Staff  | 1,199,964           | 1,135,165           |
| Facility Expenses   | 4,345,737           | 4,480,461           |
| <b>Subtotal Operating Expenses</b>  | <b>100,656,217</b>  | <b>95,136,546</b>   |
| <b>Depreciation Expense</b>   |                     |                     |
| Building  | 2,331,637           | 2,332,282           |
| Furniture and Equipment   | 7,802,922           | 5,574,410           |
| <b>Subtotal Depreciation</b>  | <b>10,134,559</b>   | <b>7,906,692</b>    |
| <b>Total Administrative Expenses</b>  | <b>110,790,776</b>  | <b>103,043,238</b>  |
| Investment Expenses   | (36,676,285)        | (34,424,147)        |
| <b>Net Administrative Expenses</b>  | <b>\$74,114,491</b> | <b>\$68,619,091</b> |

|  <b>Schedule of Investment Expenses*</b> (for the years ended December 31, 2014 and 2013) |                     |                     |
|--|---------------------|---------------------|
|  | 2014                | 2013                |
| Investment Staff Expense   | \$14,474,476        | \$14,434,047        |
| Investment Services  | 18,153,137          | 16,891,477          |
| Investment Legal Services  | 1,562,509           | 1,535,459           |
| Allocation of Administrative Expenses (See Note 2b to Financial Statements)  | 2,486,163           | 1,563,164           |
| <b>Total Investment Expenses</b>   | <b>\$36,676,285</b> | <b>\$34,424,147</b> |

\* Excludes fees and commissions, please see Schedules of Brokerage Commissions Paid beginning on page 100.

This page intentionally left blank



## Thriving in all environments

The amount of growth a tree attains each year is determined, in part, by conditions such as temperature, water availability and environmental risk. When conditions are right, the tree thrives mightily. When conditions are adverse, it uses available resources to sustain past growth. In all environments, trees must avoid extreme risk.

Similarly, OPERS strategically invests to maximize positive results in a strong growth environment, sustain previously attained growth through poor environments and limit extreme risk in the investment marketplace. Although risk is inherent in any investment portfolio, by diligent adherence to asset allocation and ongoing funding policies, OPERS is able to minimize the risk found in any marketplace. In this way, OPERS is able to flourish when possible, thrive when needed, and survive if necessary—we adapt to our environment to ensure our ongoing strength.

*Note: This section is unaudited.*



Dear Members and Beneficiaries:

It is a pleasure to share the accomplishments and actions of the Investment Division. In addition, information on our strategic approach and long-term perspective are provided to assist in better understanding the portfolio actions in 2014.

The year 2014 was a good one for OPERS despite not meeting the 8.0% assumed rate of return. However, even though we worked in a mixed-investment market throughout the year, we were able to outperform our benchmarks. Studies show that a given decade will have three good years, three average years, three negative years and one that can fall anywhere. With this knowledge, as investment professionals, we anticipate positive and negative markets, work to maximize the growth potential in the six good and average years, minimize the negative consequences of the poor years, and identify opportunities in all years. That's exactly what we did in 2014—produce solid returns, while anticipating the future.

### **Investment highlights for 2014**

The total assets held by OPERS reached an all-time high in 2014. This all-time high was made possible because:

- Investment performance in 2014 was more than 1% greater than investment benchmarks, resulting in excess returns of \$500 million above the annual plan.
- Active risk (where investment managers deviate from specific allocations to maximize an identified opportunity) was well-rewarded in most asset classes last year.
- Specified asset allocation rebalancing goals were achieved, as provided by our strategic action plan. Because rebalancing can be expensive and must be accomplished in a steady, strategic manner to avoid undesirable negative performance impacts, this rebalancing has been accomplished over a seven-year period.
- Investment returns, after fees, were 7.0% for the Defined Benefit portfolio and 5.3% for the Health Care portfolio. Although both exceeded benchmarks, both fell short of the target rate of return for the portfolios of 8.0% and 6.5%, respectively.
- Defined contribution assets in the Member-Directed and Combined portfolios exceeded \$1 billion for the first time since the plans were implemented in 2003.

### **Anticipated future growth—strategic planning**

To provide a market perspective, please note the achievements cited here are especially significant because, in 2014, approximately 80% of all asset managers did not achieve their benchmarks. OPERS was able to beat its benchmarks because staff was able to opportunistically deploy more meaningful amounts of capital into asset classes such as private equity real estate projects and private equity (including venture capital) than in prior years. In addition, the 2014 gains were also widespread across nearly all asset classes. Good manager selection for externally managed funds and solid outperformance by internally managed fixed income and equities all made important contributions.

### Controlled growth—strategic planning

As called for by the strategic plan, OPERS spent seven years transforming the Defined Benefit and Health Care portfolios. Particularly in Defined Benefit, allocation to U.S. equities was systematically reduced and reallocated into a much more diversified mix of assets including international stocks and bonds, private equity partnerships and co-investments, private real estate, hedge funds and multi-asset managers. Diversification away from U.S. stocks in the Health Care portfolios was achieved by investing additional amounts in international stocks and bonds, hedge funds, and multi-asset managers.

OPERS is one of the largest U.S. pension plans. Our size works for us as we are able to capitalize on the rewards available from investing in alternative asset classes, while negotiating favorable terms for fees and other provisions. The nearly \$20 billion in assets invested in alternative asset classes during this transformation will provide OPERS with extra returns from superior investments. As called for by the strategic plan, each of the Defined Benefit and Health Care portfolios invested 7% of assets with multi-asset managers. Multi-asset managers specialize in investing across various asset classes using a risk-parity (for 5% of the assets) or a Global Tactical Asset Allocation (for 2%) investment style.

### Adapting to the marketplace

The OPERS asset base is invested so that OPERS can deliver on its promise to pay benefits over time. Historically, investment returns have been necessary to secure benefits. In fact, investment returns provide almost two-thirds of the benefits provided. This is by design, and can only be realized because OPERS is a long-term institutional investor.

The importance of our adherence to asset allocation strategies, combined with our long-term time horizon cannot be overstated. Why? Because markets change and fortunes wane. The Dow Jones Industrial Average, a market index, compiles the stock prices of 30 companies. The index has existed for more than 100 years, yet the 30 companies within the Dow change regularly. Typically, the Dow holds the top companies in the U.S., yet commercial fortunes come and go. In fact, since 1976, 80% of the corporations found in the Dow index have changed. This is one example of how much investment change occurs during the career of an OPERS member. The investment staff continually monitors, conducts research, and makes decisions to ensure OPERS assets are positioned to take advantage of market changes.

### Intertwining diligence with expertise

Our policies, tradition, and culture demand a considered and careful investment approach. The OPERS Board is diligent in monitoring the investment strategies and results. The Board avails itself of internal and external investment experts to help advise, educate and review the investment activities and results.

OPERS investment staff, with Board approval, recommends and selects market indices to use as benchmarks. Each index provides standards against which the OPERS portfolios are compared and the efficacy of staff can be examined. OPERS portfolios are also measured against those of peer institutions. Every possible metric is used to measure risk and return to make sure OPERS is appropriately positioned. It is important to note that while such measures

cannot prevent losses or avoid adverse market movements, these actions help ensure our investment exposures are proportional to the risks assumed by our strategic planning.

The OPERS investment policies provide for both long-term strategic growth and shorter-term dynamic growth. To OPERS, this means that a commitment to an index (such as the Dow) is well within our strategic framework and traditionally provides for stable, incremental growth. However, in any given market, an investment in an individual company may provide significant investment opportunity, greater even than the index of which it is a component. With an expert investment staff to research and recommend opportunities and a diligent Board, which reviews and advises, OPERS has been able to add value in excess of benchmark returns by taking advantage of such opportunities throughout 2014. Simply put, in any environment, OPERS has the capacity and the expertise to provide for near-term adjustments to long-term plans.

Almost 80 years ago, the seed of OPERS was planted. Our assets have grown and our quest for superior investment performance remains strong, as it was in 2014. Although any single year is not necessarily breathtaking in and of itself, the overall fund growth, when viewed over time, contributes to the strength of the System. We are proud to be part of the full management process at OPERS, which is working hard every day to make benefits secure.

In appreciation,



Richard Shafer  
Interim Chief Investment Officer

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

The rates of return reported in the Investment Section are presented using a time-weighted rate of return methodology based upon market values, unless disclosed otherwise in the footnotes to the associated tables. All returns presented throughout the Investment Section are net of external manager fees, overdraft charges, debit interest, registration expenses, stamp duties and taxes spent on foreign securities. In addition, the securities lending money market returns are net of custodial fees, transfer agent expenses and professional fees.

#### Board Investment and Fiduciary Duties

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

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



This page intentionally left blank



255 State Street  
Boston, MA 02109  
617 374 1300 FAX 617 374 1313  
[csvendsen@nepc.com](mailto:csvendsen@nepc.com)  
[nepc.com](http://nepc.com)

April 24, 2015

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

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

#### **Investment Results**

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

#### **Investment Policies**

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

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

#### **Internal Compliance**

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

255 State Street | Boston, MA 02109 | TEL: 617.374.1300 | [www.nepc.com](http://www.nepc.com)  
BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO



Page 2

**Prudent Oversight**

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



Craig Svendsen, CFA  
Partner



## Introduction

The total OPERS investment portfolio, as reflected in the Combining Statements of Fiduciary Net Positions, pages 40-41, is comprised of Defined Benefit, Health Care, the 115 Health Care Trust, and Defined Contribution portfolio assets. The Defined Benefit portfolio assets originate from Traditional Pension Plan member and employer contributions, employer contributions to the Combined and VEBA plans, and funds transferred from defined contribution accounts for defined benefit annuities. The management of these assets is the responsibility of the Investment staff, adhering to the policies approved by the Board of Trustees.

In 2005, the Health Care portfolio assets were segregated from the pension portfolio and invested with a more conservative asset-allocation strategy. The Health Care portfolio is comprised of assets set aside to provide post-employment health care for the retirees of the Traditional Pension Plan and Combined Plan. In 2014, the 115 Health Care Trust portfolio was created as another funding vehicle for post-employment health care for members in the Traditional Pension Plan and Combined Plan. OPERS will use both plans to fund health care expenses. Assets were segregated into the 115 Health Care Trust beginning in September 2014 with initial health care disbursements planned to commence with January 2016 premiums.

Defined Contribution portfolio assets originate from member contributions to the Combined Plan and both member and employer contributions to the Member-Directed Plan. The investment of Defined Contribution portfolio assets is self-directed by members of the Combined and Member-Directed plans, but is primarily limited to investment options approved by the Board.


## Investment summary

The Total Investment Summary (page 95) relates to the System-wide investments and includes the assets of all four portfolios. The balance of information in this Investment Section is organized as follows: Defined Benefit portfolio investments (pages 105-109) relating exclusively to the Defined Benefit assets; Health Care portfolio investments (pages 111-115) relating exclusively to the Health Care assets in the 401(h) plan; 115 Health Care Trust portfolio investments (pages 117-121) relating exclusively to the 115 Health Care Trust assets; and Defined Contribution portfolio investments (pages 123-125) relating exclusively to the Defined Contribution assets. The Investment Objectives and Policies and Asset Class Policies (pages 127-138) provide information on System-wide investment policies and performance objectives.

A complete listing of assets held at December 31, 2014, is available from OPERS upon request. All returns presented throughout the Investment Section are net of external manager fees, overdraft charges, debit interest, registration expenses, stamp duties and taxes spent on foreign securities. In addition, the securities lending money market returns are net of custodial fees, transfer agent expenses, and professional fees.

The following table reflects the total investment portfolio, which includes all four component portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio.


Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Performance results and market values for the real estate and private equity asset classes are typically reported on a quarter lag basis, adjusted for cash flow activity during the fourth quarter. If any significant market gains or losses occur in the fourth quarter, these asset classes are adjusted for financial reporting purposes to reflect the estimated market value at year end. The investment results reported for these asset classes in the Investment Section reflect this practice. The table below displays the comparative market values of investment assets consistent with the presentation in the financial statements on pages 40-41.

|  <b>Total Investment Summary</b> (as of December 31, 2014 and 2013) |                         |                       |                         |                       |
|--|-------------------------|-----------------------|-------------------------|-----------------------|
|  | 2014                    |                       | 2013                    |                       |
|  | Fair Value              | % of Total Fair Value | Fair Value              | % of Total Fair Value |
| <b>Cash and Short-Term Investments</b>   |                         |                       |                         |                       |
| Cash   | \$132,212,530           | 0.15%                 | \$422,096,377           | 0.48%                 |
| Short-Term Securities  |                         |                       |                         |                       |
| Commercial Paper   | 98,997,913              | 0.11                  | 411,701,600             | 0.47                  |
| U.S. Treasury Obligations  | 103,949,453             | 0.11                  | 111,974,939             | 0.13                  |
| Agency Discount Notes  | 50,796,611              | 0.06                  | 39,795,052              | 0.04                  |
| Repurchase Agreements  | 700,000,000             | 0.77                  | 640,000,000             | 0.72                  |
| Yankee Certificates of Deposit   | 101,198,500             | 0.11                  | 156,116,462             | 0.18                  |
| Short-Term Investment Funds (STIF)   | 1,695,703,346           | 1.87                  | 1,551,698,175           | 1.75                  |
| <b>Total Cash &amp; Short-Term Investments</b>   | <b>2,882,858,353</b>    | <b>3.18</b>           | <b>3,333,382,605</b>    | <b>3.77</b>           |
| <b>Investments</b>   |                         |                       |                         |                       |
| Fixed Income   |                         |                       |                         |                       |
| U.S. Corporate Bonds   | 6,599,800,119           | 7.27                  | 8,199,027,148           | 9.27                  |
| Non-U.S. Notes Bonds   | 6,772,178,246           | 7.46                  | 4,839,356,188           | 5.47                  |
| U.S. Government and Agencies   | 5,490,075,238           | 6.05                  | 5,133,062,161           | 5.80                  |
| U.S. Mortgage Backed   | 3,915,216,286           | 4.31                  | 3,613,331,238           | 4.08                  |
| Subtotal Fixed Income  | 22,777,269,889          | 25.09                 | 21,784,776,735          | 24.62                 |
| Domestic Equities  | 17,107,364,607          | 18.85                 | 18,634,923,820          | 21.06                 |
| Real Estate  | 7,709,921,136           | 8.49                  | 7,663,107,294           | 8.66                  |
| Private Equity   | 9,347,176,160           | 10.30                 | 8,268,182,153           | 9.35                  |
| International Equities   | 17,733,024,633          | 19.53                 | 20,639,364,965          | 23.33                 |
| Derivatives  | 10,236,348              | 0.01                  | 15,157,100              | 0.02                  |
| Hedge Funds  | 13,206,149,302          | 14.55                 | 8,132,098,714           | 9.19                  |
| <b>Total Long-Term Investments</b>   | <b>87,891,142,075</b>   | <b>96.82</b>          | <b>85,137,610,781</b>   | <b>96.23</b>          |
| <b>Total Cash and Investments</b>  | <b>\$90,774,000,428</b> | <b>100.00%</b>        | <b>\$88,470,993,386</b> | <b>100.00%</b>        |

## Total Investment Summary

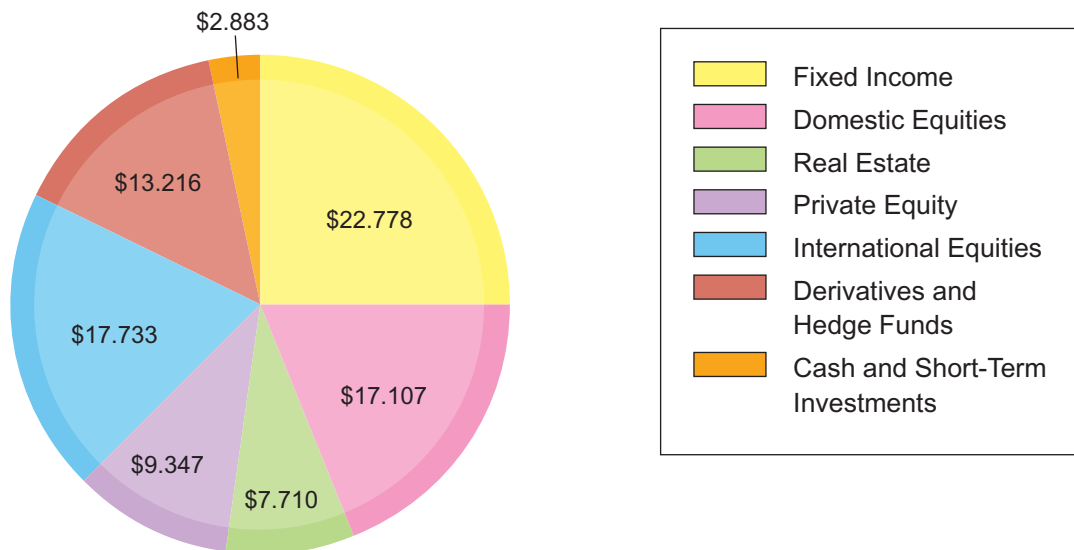
## Investment Section

The following table reflects the breakdown of the total investment portfolio into the four component portfolios—the Defined Benefit, Health Care, 115 Health Care Trust and the Defined Contribution portfolios.

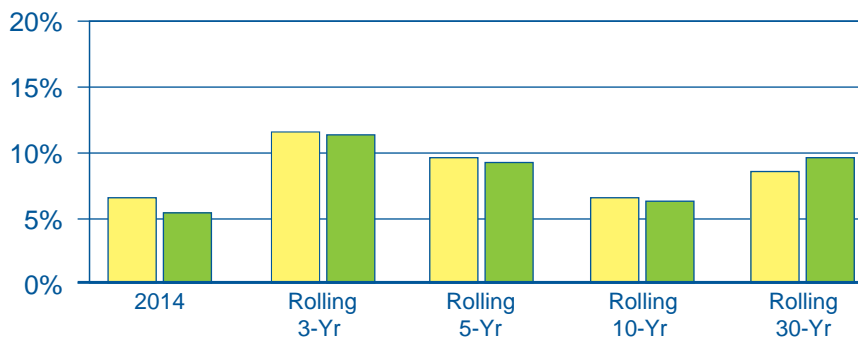
|  |                         |                         |                       |                      |                         |
|--|-------------------------|-------------------------|-----------------------|----------------------|-------------------------|
|  | Defined Benefit         | Health Care             | 115 Health Care Trust | Defined Contribution | Total                   |
| Fixed Income   | \$18,048,299,448        | \$4,434,483,598         | \$66,380,103          | \$228,106,740        | \$22,777,269,889        |
| Domestic Equities  | 13,263,069,274          | 3,296,381,497           | 50,172,724            | 497,741,112          | 17,107,364,607          |
| Real Estate  | 7,709,921,136           |                         |                       |                      | 7,709,921,136           |
| Private Equity   | 9,347,176,160           |                         |                       |                      | 9,347,176,160           |
| International Equities   | 14,774,406,583          | 2,661,469,316           | 41,687,272            | 255,461,462          | 17,733,024,633          |
| Derivatives  | 8,654,288               | 1,558,021               | 24,039                |                      | 10,236,348              |
| Hedge Funds  | 11,567,415,270          | 1,614,249,215           | 24,484,817            |                      | 13,206,149,302          |
| Cash and Short-Term Investments  | 2,371,167,692           | 503,893,407             | 7,797,254             |                      | 2,882,858,353           |
| <b>Total</b>   | <b>\$77,090,109,851</b> | <b>\$12,512,035,054</b> | <b>\$190,546,209</b>  | <b>\$981,309,314</b> | <b>\$90,774,000,428</b> |

\* Assets summarized on performance basis.

**Total Investment Summary** (as of December 31, 2014) (\$ in billions)




**Total Investment Returns—Annual Rates of Return\***



|  |       |        |       |       |         |
|--|-------|--------|-------|-------|---------|
| <span style="display:inline-block; width:15px; height:15px; background-color:yellow; border:1px solid black;"></span> Total Investment Returns     | 6.70% | 11.64% | 9.69% | 6.57% | 8.49%   |
| <span style="display:inline-block; width:15px; height:15px; background-color:lightgreen; border:1px solid black;"></span> Policy Benchmark Returns | 5.69% | 11.43% | 9.16% | 6.34% | 9.71%** |

\* Annual rates of return—The returns are the result of the returns generated by Defined Benefit, Health Care, 115 Health Care Trust and Defined Contribution portfolio investments, based on a combination of time-weighted calculations and market value-weighted calculations. The policy benchmark is derived by a market value-weighted calculation of the Defined Benefit, Health Care, 115 Health Care Trust, and Defined Contribution investment policy benchmarks while all other returns throughout the remainder of this section are derived from a time-weighted calculation. All returns presented throughout the Investment Section are net of external manager fees, overdraft charges, debit interest, registration expenses, stamp duties and taxes spent on foreign securities. In addition, the securities lending money market returns are net of custodial fees, transfer agent expenses and professional fees.


\*\* The benchmark returns for 1996 and prior years were estimated.


|  <b>Historical Investment Returns</b> |                        |                               |                           |                                      |                                      |
|--|------------------------|-------------------------------|---------------------------|--------------------------------------|--------------------------------------|
| Year   | Total Portfolio Return | Total Defined Benefit Return* | Total Health Care Return* | Total 115 Health Care Trust Return** | Total Defined Contribution Return*** |
| 2014   | 6.70%                  | 6.96%                         | 5.28%                     | (0.03)%                              | 4.83%                                |
| 2013   | 14.00                  | 14.38                         | 11.37                     |                                      | 20.45                                |
| 2012   | 14.40                  | 14.54                         | 13.72                     |                                      | 13.37                                |
| 2011   | 0.20                   | 0.36                          | (0.52)                    |                                      | (2.59)                               |
| 2010   | 13.90                  | 13.98                         | 13.53                     |                                      | 13.74                                |
| 2009   | 20.06                  | 19.09                         | 24.80                     |                                      | 26.44                                |
| 2008   | (26.92)                | (27.15)                       | (25.77)                   |                                      | (28.00)                              |
| 2007   | 8.53                   | 8.89                          | 6.87                      |                                      | 5.80                                 |
| 2006   | 14.66                  | 15.05                         | 12.78                     |                                      | 12.96                                |
| 2005   | 9.03                   | 9.25                          | 8.00                      |                                      | 6.88                                 |
| 2004   | 12.49                  | 12.50                         | N/A                       |                                      | 9.73                                 |
| 2003   | 25.39                  | 25.39                         | N/A                       |                                      |                                      |
| 2002   | (10.74)                | (10.74)                       | N/A                       |                                      |                                      |
| 2001   | (4.60)                 | (4.60)                        | N/A                       |                                      |                                      |
| 2000   | (0.74)                 | (0.74)                        | N/A                       |                                      |                                      |
| 1999   | 11.94                  | 11.94                         | N/A                       |                                      |                                      |
| 1998   | 14.35                  | 14.35                         | N/A                       |                                      |                                      |
| 1997   | 13.33                  | 13.33                         | N/A                       |                                      |                                      |
| 1996   | 7.88                   | 7.88                          | N/A                       |                                      |                                      |
| 1995   | 20.51                  | 20.51                         | N/A                       |                                      |                                      |

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


\*\* The 115 Health Care Trust was established in September 2014. Returns are cumulative since funding of the 115 Health Care Trust portfolio began in November 2014.

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


|  <b>Largest Equity Holdings (by fair value)*</b> (as of December 31, 2014) |                   |                        |
|---|-------------------|------------------------|
| Description   | Shares            | Fair Value             |
| Apple Incorporated  | 4,464,374         | \$492,777,602          |
| Exxon Mobil Corporation   | 3,171,703         | 293,223,942            |
| Microsoft Corporation   | 6,102,352         | 283,454,250            |
| Johnson & Johnson Company   | 2,084,201         | 217,944,899            |
| Berkshire Hathaway Inc.   | 1,355,949         | 203,595,742            |
| Wells Fargo & Company   | 3,573,906         | 195,921,527            |
| General Electric Company  | 7,517,952         | 189,978,647            |
| JPMorgan Chase & Co.  | 2,900,646         | 181,522,427            |
| Procter & Gamble Company  | 1,985,426         | 180,852,454            |
| Chevron Corporation   | 1,408,264         | 157,979,056            |
| <b>Total</b>  | <b>34,564,773</b> | <b>\$2,397,250,546</b> |

|  <b>Largest Bond Holdings (by fair value)*</b> (as of December 31, 2014) |        |            |        |                        |                        |
|---|--------|------------|--------|------------------------|------------------------|
| Description   | Coupon | Maturity   | Rating | Par Value              | Fair Value             |
| U.S. Treasury Note  | 0.375% | 10/31/2016 | AAA    | \$336,070,000          | \$334,598,000          |
| U.S. Treasury Note  | 0.625  | 12/31/2016 | AAA    | 274,480,000            | 274,191,788            |
| U.S. Treasury Note  | 1.000  | 12/15/2017 | AAA    | 253,056,000            | 252,473,964            |
| U.S. Treasury Note  | 1.625  | 12/31/2019 | AAA    | 247,488,000            | 247,121,710            |
| U.S. Treasury Note  | 1.500  | 11/30/2019 | AAA    | 248,659,000            | 247,047,682            |
| U.S. Treasury Note  | 0.750  | 12/31/2017 | AAA    | 239,753,000            | 237,149,285            |
| U.S. Treasury Note  | 2.250  | 11/15/2024 | AAA    | 171,669,000            | 172,822,611            |
| U.S. Treasury Note  | 0.875  | 11/15/2017 | AAA    | 170,905,000            | 170,029,965            |
| U.S. Treasury Note  | 1.750  | 9/30/2019  | AAA    | 164,523,000            | 165,409,781            |
| U.S. Treasury Note  | 1.500  | 10/31/2019 | AAA    | 165,944,000            | 164,868,678            |
| <b>Total</b>  |        |            |        | <b>\$2,272,547,000</b> | <b>\$2,265,713,464</b> |

\*A complete list of assets held at December 31, 2014 is available from OPERS upon request.

|  <b>U.S. Equity Commissions</b> (for the year ended December 31, 2014) |                              |                    |                              |
|---|------------------------------|--------------------|------------------------------|
| Brokerage Firm  | U.S. Equity Commissions Paid | Shares Traded      | Average Commission Per Share |
| Credit Suisse Securities (USA) LLC  | \$751,882                    | 42,532,718         | \$0.018                      |
| UBS Securities LLC  | 707,647                      | 60,442,394         | 0.012                        |
| Barclays Capital Inc.   | 293,351                      | 26,342,072         | 0.011                        |
| Citigroup Global Markets Inc.   | 284,382                      | 18,932,241         | 0.015                        |
| J.P. Morgan Securities LLC  | 283,418                      | 18,236,830         | 0.016                        |
| Weeden & Co.  | 221,015                      | 26,781,915         | 0.008                        |
| Investment Technology Group Inc.  | 219,019                      | 14,616,075         | 0.015                        |
| Liquidnet, Inc.   | 216,512                      | 10,841,907         | 0.020                        |
| JonesTrading Institutional Services, LLC  | 45,116                       | 3,007,693          | 0.015                        |
| Cantor Fitzgerald & Co., Inc  | 29,115                       | 1,750,097          | 0.017                        |
| Other Commissions less than \$20,000  | 160,882                      | 6,667,926          | 0.024                        |
| <b>Total U.S. Equity Commissions</b>  | <b>\$3,212,339</b>           | <b>230,151,868</b> | <b>\$0.014</b>               |




|  <b>Non-U.S. Equity Commissions</b> (for the year ended December 31, 2014) |                                  |               |                              |
|---|----------------------------------|---------------|------------------------------|
| Brokerage Firm  | Non-U.S. Equity Commissions Paid | Shares Traded | Average Commission Per Share |
| Merrill Lynch & Co., Inc.   | \$860,629                        | 437,057,201   | \$0.002                      |
| Deutsche Bank Securities Inc.   | 847,256                          | 858,956,096   | 0.001                        |
| J.P. Morgan Securities LLC  | 682,065                          | 139,365,021   | 0.005                        |
| Instinet  | 671,604                          | 160,772,812   | 0.004                        |
| UBS Securities LLC  | 574,669                          | 128,419,103   | 0.004                        |
| Morgan Stanley & Co. International Ltd.   | 493,669                          | 169,802,331   | 0.003                        |
| Citigroup Global Markets Inc.   | 493,380                          | 92,508,644    | 0.005                        |
| Goldman Sachs & Co.   | 480,722                          | 116,508,480   | 0.004                        |
| Credit Suisse Securities LLC  | 479,506                          | 324,497,245   | 0.001                        |
| HSBC Bank   | 390,285                          | 85,099,442    | 0.005                        |
| ITG, Inc.   | 362,435                          | 73,676,735    | 0.005                        |
| G-Trade Services Ltd.   | 306,059                          | 25,839,645    | 0.012                        |
| Barclays Capital Inc.   | 285,804                          | 31,339,026    | 0.009                        |
| Credit Lyonnais Bank  | 267,087                          | 61,426,673    | 0.004                        |
| Sanford C. Bernstein & Co., Inc   | 242,679                          | 43,252,470    | 0.006                        |
| S.G. Securities   | 260,494                          | 84,483,704    | 0.003                        |
| Macquarie Bank Limited  | 215,793                          | 90,390,661    | 0.002                        |
| Bank of New York Mellon   | 156,690                          | 9,115,107     | 0.017                        |
| Danske Bank Group   | 124,883                          | 443,538       | 0.282                        |
| Parel S.A.  | 90,418                           | 2,833,395     | 0.032                        |
| Daiwa Capital Markets Inc.  | 79,786                           | 42,054,072    | 0.002                        |
| Jefferies & Company, Inc.   | 77,631                           | 3,757,883     | 0.021                        |
| Pershing Securities Ltd.  | 65,721                           | 10,423,271    | 0.006                        |
| Royal Bank of Canada  | 58,052                           | 4,133,956     | 0.014                        |
| CLSA Global Markets Pte Ltd.  | 57,425                           | 7,479,821     | 0.008                        |
| Credit Agricole Bank  | 53,897                           | 7,089,741     | 0.008                        |
| Standard Chartered Bank Limited   | 48,882                           | 3,579,639     | 0.014                        |
| Pavilion Global Markets, Ltd (formerly Brockhouse & Cooper Inc.)  | 48,154                           | 6,063,771     | 0.008                        |
| Motilal Oswal   | 48,118                           | 7,229,664     | 0.007                        |
| Investec Securities   | 40,992                           | 4,569,316     | 0.009                        |
| Mizuho International plc  | 37,116                           | 1,851,994     | 0.020                        |
| Exane, Inc.   | 36,784                           | 1,297,062     | 0.028                        |
| ING Bank N.V.   | 35,851                           | 238,243       | 0.150                        |
| Banque BNP Paribas  | 31,638                           | 1,536,247     | 0.021                        |
| National Securities Corporation   | 31,619                           | 7,651,053     | 0.004                        |
| Banco BTG Pactual S.A.  | 31,227                           | 2,587,539     | 0.012                        |
| Good Morning Shinhan Securities Co. Ltd   | 29,637                           | 381,012       | 0.078                        |


continued on page 102

## Schedules of Brokerage Commissions Paid

## Investment Section


continued from page 101

|  <b>Non-U.S. Equity Commissions</b> (for the year ended December 31, 2014) |                                  |                      |                              |
|---|----------------------------------|----------------------|------------------------------|
| Brokerage Firm  | Non-U.S. Equity Commissions Paid | Shares Traded        | Average Commission Per Share |
| Knight Capital Group  | \$27,219                         | 4,862,136            | \$0.006                      |
| Cantor Fitzgerald & Co., Inc.   | 26,733                           | 2,738,519            | 0.010                        |
| CIMB-GK Securities Pte Ltd  | 26,569                           | 2,375,602            | 0.011                        |
| Samsung Securities  | 26,047                           | 114,822              | 0.227                        |
| Agora CTVM S.A.   | 25,487                           | 3,567,566            | 0.007                        |
| Banco Santander, SA   | 23,261                           | 1,480,689            | 0.016                        |
| Weeden & Co.  | 22,951                           | 2,924,320            | 0.008                        |
| ICICI Brokerage Services Limited  | 22,871                           | 5,679,980            | 0.004                        |
| Janney Montgomery Scott LLC   | 21,584                           | 232,964              | 0.093                        |
| Nomura Securities International, Inc.   | 20,823                           | 3,364,903            | 0.006                        |
| Other Commissions less than \$20,000  | 665,759                          | 97,092,068           | 0.007                        |
| <b>Total Non-U.S. Equity Commissions</b>  | <b>\$10,007,961</b>              | <b>3,172,145,182</b> | <b>\$0.003</b>               |

|  <b>Futures Commissions</b> (for the year ended December 31, 2014) |                          |                  |                                 |
|---|--------------------------|------------------|---------------------------------|
| Brokerage Firm  | Futures Commissions Paid | Contracts Traded | Average Commission Per Contract |
| Goldman, Sachs & Co.  | \$497,252                | 216,285          | \$2.30                          |
| Credit Suisse Securities LLC  | 190,247                  | 83,163           | 2.29                            |
| Barclays Bank PLC   | 3,474                    | 887              | 3.92                            |
| Bank of America Merrill Lynch   | 1,554                    | 878              | 1.77                            |
| <b>Total Futures Commissions</b>  | <b>\$692,527</b>         | <b>301,213</b>   | <b>\$2.30</b>                   |
| <b>Total U.S. Equity, Non-U.S. Equity and Futures Commissions</b>   | <b>\$13,912,825</b>      | <b>N/A</b>       | <b>N/A</b>                      |

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

The total commissions schedule includes \$1,211,976 in commissions paid that were part of a Commission Sharing Agreement (CSA). CSA funds are held by the participating brokers and may be used to purchase qualifying investment research services. During 2014, \$2,074,230 in investment research services were purchased using CSA funds.

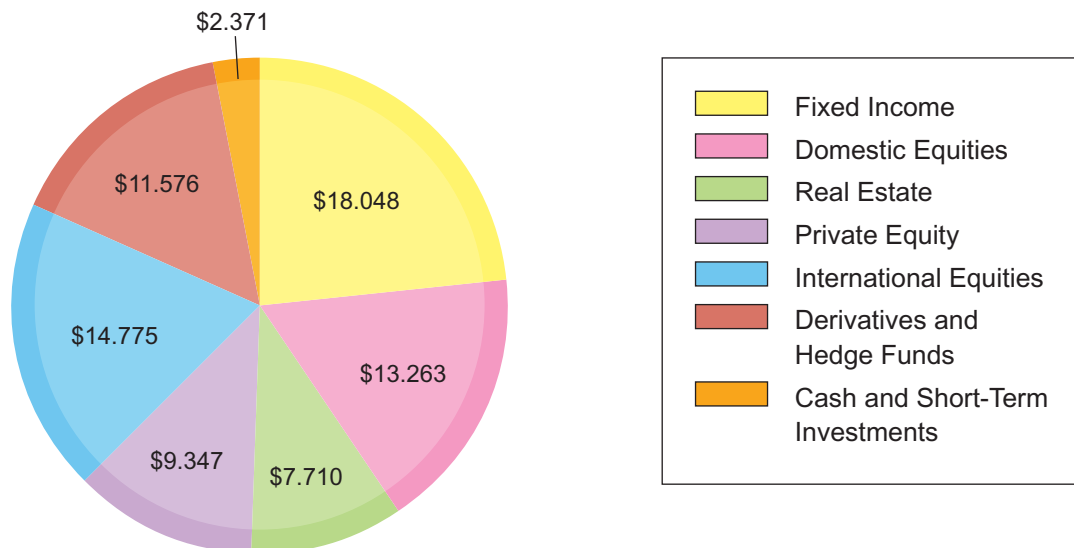
|  <b>Schedule of Fees to External Asset Managers</b> (for the year ended December 31, 2014) |                      |                     |                       |                      |                      |
|---|----------------------|---------------------|-----------------------|----------------------|----------------------|
|   | Defined Benefit      | Health Care         | 115 Health Care Trust | Defined Contribution | Total                |
| Fixed Income  | \$28,816,250         | \$7,168,035         | \$6,193               | \$153,583            | \$36,144,061         |
| Domestic Equities   | 15,051,141           | 2,897,646           | 2,353                 | 262,232              | 18,213,372           |
| International Equities  | 50,550,275           | 9,077,091           | 9,294                 | 259,488              | 59,896,148           |
| Private Equity  | 81,101,111           |                     |                       |                      | 81,101,111           |
| Hedge Funds   | 89,735,527           | 11,668,728          | 43,399                |                      | 101,447,654          |
| Real Estate   | 53,464,171           |                     |                       |                      | 53,464,171           |
| <b>Total Fees</b>   | <b>\$318,718,475</b> | <b>\$30,811,500</b> | <b>\$61,239</b>       | <b>\$675,303</b>     | <b>\$350,266,517</b> |

|  <b>Schedule of External Asset Managers</b> (for the year ended December 31, 2014) |                                  |                                 |
|---|----------------------------------|---------------------------------|
| <b>U.S. Equity Managers</b>   |                                  |                                 |
| Affinity Investment Advisors  | GW Capital                       | Penn Capital Management         |
| AQR Capital Management  | Hahn Capital Management          | Redwood                         |
| Atlanta Capital Management  | J.P. Morgan                      | Sasco Capital                   |
| Dean Investment Associates  | Los Angeles Capital              | Seizert Capital                 |
| Decatur Capital Management  | Mason Capital                    | Systematic Financial Management |
| Disciplined Growth Investors  | New South Capital Management     | The Boston Company              |
| Elessar Investment Management   | Nicholas Investment Partners     | Wasatch Advisors                |
| First Fiduciary Investment Counsel, Inc.  | Oberweis Asset Management        | Winslow Asset Management        |
| Geneva Capital Management   | Opus Capital Management          |                                 |
| <b>Non-U.S. Equity Managers</b>   |                                  |                                 |
| Acadian   | Dimensional                      | Oldfield                        |
| AQR Capital Management  | Fisher Investments               | Schroders                       |
| Arrowstreet   | Franklin                         | Strategic Global Advisors       |
| Ballie Gifford  | J.P. Morgan                      | Trilogy                         |
| Baring  | JO Hambro                        | T. Rowe Price                   |
| BlackRock   | Lazard                           | Vontobel                        |
| Brandes   | LSV                              | Walter Scott                    |
| Copper Rock   | Manning and Napier               | Wasatch                         |
| <b>Bond Managers</b>  |                                  |                                 |
| Aberdeen Asset Management   | Franklin Templeton               | Post Advisory Group             |
| AFL-CIO Housing Investment Trust  | J.P. Morgan                      | Shenkman Capital Management     |
| BlueBay Asset Management  | Lazard                           | Stone Harbor                    |
| Capital Guardian  | Logan Circle Partners, L.P.      | Wellington Management           |
| CIFC  | MacKay Shields                   |                                 |
| Fort Washington   | Neuberger Berman                 |                                 |
| <b>Hedge Fund Managers</b>  |                                  |                                 |
| AQR Capital Management  | Egerton Capital                  | Prisma Capital Partners         |
| Arrowgrass Partnership  | First Quadrant                   | Putnam Investments              |
| Ascend Partners   | GMO                              | Saba Capital Partners           |
| Beach Point Capital Management  | Gracie Capital                   | Schroders                       |
| BHR Capital   | Graham Capital                   | Scopia Capital                  |
| BlackRock   | Highline Capital Partners        | Taconic Investment Partners     |
| BlueCrest Capital   | Jana Partners                    | Third Point Partners            |
| Bridgewater Associates  | K2 Advisors                      | Tiger Consumer Partners         |
| Brigade Capital   | KLS Diversified Asset Management | Visium Asset Management         |
| Canyon Capital  | Kynikos Associates               | Wellington Management           |
| Chatham Asset Partners  | Lakewood Capital Partners        | Windhaven Investment Management |
| CQS Management  | Och Ziff Capital Management      | Winton Capital                  |
| Davidson Kemper   | Panagora Asset Management        | York Capital Management         |
| Discovery Capital Management  | Pimco                            |                                 |

This page intentionally left blank

As noted previously, the Investment Division manages the total investment portfolio by dividing it into four sub-portfolios. These portfolios are: the Defined Benefit portfolio, Health Care portfolio, 115 Health Care Trust portfolio, and the Defined Contribution portfolio. All information prior to this point has been reported on the OPERS total investment portfolio, however, all the following information will be presented on the specific portfolio level.

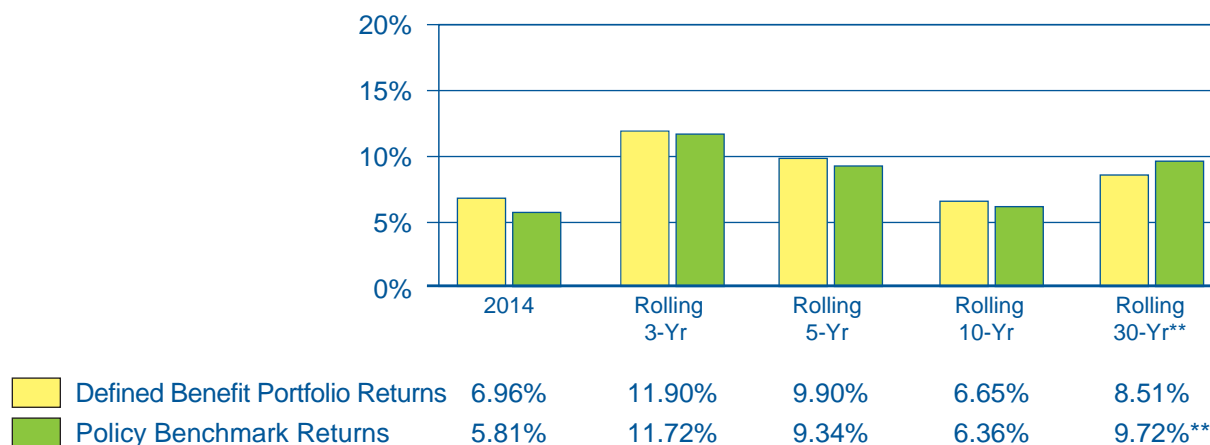
**Defined Benefit Portfolio Asset Allocation** (as of December 31, 2014) (\$ in billions)



**Investment Returns**

The OPERS Defined Benefit portfolio returned 6.96% in 2014. The overall portfolio return is compared to a composite benchmark return that could be achieved by a portfolio that is passively invested in the broad market, with percentage weights allocated to each asset class as specified in the OPERS *Statement of Investment Objectives and Policies*. The return of the policy benchmark for 2014 was 5.81%.

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




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

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

\*\*\* The benchmark returns for 1996 and prior years were estimated.


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

|  <b>Schedule of Investment Results</b> (for the year ended December 31, 2014) |              | <b>Defined Benefit Portfolio</b> |                |
|--|--------------|----------------------------------|----------------|
|  | 2014         | Rolling 3-Year                   | Rolling 5-Year |
| <b>Total Defined Benefit Portfolio</b>   | <b>6.96%</b> | <b>11.90%</b>                    | <b>9.90%</b>   |
| <b>Total Defined Benefit Portfolio Benchmark<sup>1</sup></b>   | <b>5.81</b>  | <b>11.72</b>                     | <b>9.34</b>    |
| U.S. Equity Composite  | 11.19        | 20.09                            | 15.36          |
| U.S. Equity Composite Benchmark  | 12.56        | 20.51                            | 15.63          |
| Non-U.S. Equity Composite  | (1.90)       | 10.03                            | 5.26           |
| Non-U.S. Equity Composite Benchmark  | (3.42)       | 8.52                             | 4.04           |
| Core Fixed Composite   | 6.48         | 3.43                             | 5.09           |
| Core Fixed Composite Benchmark   | 6.09         | 2.77                             | 4.51           |
| TIPS Composite   | 3.67         | N/A                              | N/A            |
| TIPS Composite Benchmark   | 3.64         | N/A                              | N/A            |
| High Yield Composite   | 2.25         | 8.34                             | 8.65           |
| High Yield Composite Benchmark   | 2.45         | 8.43                             | 9.03           |
| Emerging Markets Debt Composite  | (2.05)       | 2.72                             | N/A            |
| Emerging Markets Debt Composite Benchmark  | (0.20)       | 2.72                             | N/A            |
| Securitized Debt Composite   | 17.98        | 21.22                            | N/A            |
| Securitized Debt Composite Benchmark   | 5.76         | 6.48                             | N/A            |
| Floating Rate Debt Composite   | 4.26         | N/A                              | N/A            |
| Floating Rate Debt Composite Benchmark   | 2.06         | N/A                              | N/A            |
| Global High Yield Debt Composite   | (0.52)       | N/A                              | N/A            |
| Global High Yield Debt Composite Benchmark   | 0.01         | N/A                              | N/A            |
| Private Equity Composite   | 17.94        | 17.57                            | 17.72          |
| Private Equity Composite Benchmark   | 15.41        | 23.60                            | 17.43          |
| Real Estate Composite  | 18.64        | 15.42                            | 13.04          |
| Real Estate Composite Benchmark  | 12.21        | 12.01                            | 11.54          |
| Hedge Fund Composite   | 3.93         | 6.58                             | 4.51           |
| Hedge Fund Composite Benchmark   | 2.58         | 5.51                             | 5.56           |
| Opportunistic Composite*   | 2.30         | N/A                              | N/A            |
| Opportunistic Composite Benchmark*   | 2.44         | N/A                              | N/A            |
| Commodities Composite  | (32.12)      | N/A                              | N/A            |
| Commodities Composite Benchmark  | (33.06)      | N/A                              | N/A            |
| Cash Composite   | 0.30         | 0.37                             | 0.41           |
| Cash Composite Benchmark   | 0.03         | 0.07                             | 0.09           |
| Additional Annuity   | 1.37         | 1.56                             | 2.08           |
| Additional Annuity Composite Benchmark   | 0.03         | 0.07                             | 0.09           |
| Risk Parity Composite  | 9.73         | N/A                              | N/A            |
| Risk Parity Composite Benchmark  | 7.64         | N/A                              | N/A            |
| GTAA Composite   | 4.45         | N/A                              | N/A            |
| GTAA Composite Benchmark   | 3.61         | N/A                              | N/A            |

\* Returns are two month cumulative returns (August 2014—December 2014).

<sup>1</sup> **Defined Benefit Portfolio Benchmark**—The returns for this benchmark are derived from the asset class composite benchmark returns summarized in the table above, the historical asset class target allocations listed on the next page, and the asset class composite benchmark indices listed in the table on page 108.

Please find complete footnotes on page 109.

|  Historical Asset Class Target Allocations | Defined Benefit Portfolio |                |                |                |                |
|---|---------------------------|----------------|----------------|----------------|----------------|
| Asset Class   | 2014                      | 2013           | 2012           | 2011           | 2010           |
| U.S. Equity   | 21.40%                    | 22.00%         | 23.60%         | 29.10%         | 35.45%         |
| Opportunistic   | 0.10                      | 0.50           | 0.70           | 1.60           | 1.29           |
| Core Bonds (Universal Bonds pre-2010)   | 10.30                     | 10.00          | 13.30          | 17.90          | 12.40          |
| Corporate Credit  | 0.00                      | 0.00           | 0.50           | N/A            | N/A            |
| Floating Rate Debt  | 0.70                      | 1.00           | 0.70           | N/A            | N/A            |
| Global High Yield   | 1.00                      | 1.50           | 1.50           | N/A            | N/A            |
| Securitized Debt  | 1.00                      | 1.00           | 1.00           | N/A            | N/A            |
| Long Duration Bond  | 0.00                      | 0.00           | 0.00           | 0.00           | 5.60           |
| Non-U.S. Equity   | 19.50                     | 22.00          | 24.00          | 24.60          | 24.51          |
| Private Real Estate/REITs   | 10.00                     | 10.00          | 10.00          | 9.70           | 8.51           |
| Private Equity  | 10.00                     | 10.00          | 10.00          | 8.80           | 5.24           |
| Cash Equivalents  | 0.00                      | 2.00           | 2.00           | 2.00           | 2.00           |
| High Yield  | 3.00                      | 5.00           | 5.00           | 5.00           | 5.00           |
| Emerging Markets Debt   | 6.00                      | 3.00           | 3.00           | 0.10           | N/A            |
| Hedge Funds   | 8.00                      | 6.00           | 4.70           | 1.20           | N/A            |
| Commodities   | 1.00                      | 1.00           | N/A            | N/A            | N/A            |
| Risk Parity   | 5.00                      | 2.00           | N/A            | N/A            | N/A            |
| GTAA  | 2.00                      | 2.00           | N/A            | N/A            | N/A            |
| TIPS  | 1.00                      | 1.00           | N/A            | N/A            | N/A            |
| <b>Total</b>  | <b>100.00%</b>            | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> |

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

| Asset Class Composite Benchmarks | As of December 31   |  |  |  |   |
|----------------------------------|---|--|--|--|---|
|                                  | 2014  | 2013   | 2012   | 2011                                       | 2010  |
| U.S. Equity                      | Russell 3000 <sup>2</sup>   | Russell 3000   | Russell 3000   | Russell 3000                               | Russell 3000                                |
| Opportunistic                    | Custom Opportunistic Benchmark <sup>3</sup>                                   | Custom Opportunistic Benchmark                                   | Custom Opportunistic Benchmark                                   | Custom Opportunistic Benchmark             | LIBOR (2 month lag) + 4%                    |
| Core Bonds (formerly Universal)  | Custom Core Fixed <sup>4</sup>  | Custom Core Fixed  | Barclays U.S. Aggregate Bond Index                               | Barclays U.S. Aggregate Bond Index         | Barclays U.S. Aggregate Bond Index          |
| Corporate Credit                 | N/A   | N/A  | Barclays U.S. Corporate Investment Grade                         | N/A  | N/A   |
| Floating Rate Debt               | Credit Suisse Leveraged Loan Index <sup>5</sup>                               | Credit Suisse Leveraged Loan Index                               | Credit Suisse Leveraged Loan Index                               | N/A  | N/A   |
| Global High Yield                | Barclays Global High Yield <sup>6</sup>                                       | Barclays Global High Yield                                       | Barclays Global High Yield                                       | N/A  | N/A   |
| Securitized Debt                 | Barclays Commercial Mortgage Backed Securities (CMBS) Index + 2% <sup>7</sup> | Barclays Commercial Mortgage Backed Securities (CMBS) Index + 2% | Barclays Commercial Mortgage Backed Securities (CMBS) Index + 2% | N/A  | N/A   |
| Long Duration Bonds              | N/A   | N/A  | N/A  | N/A  | Barclays U.S. Long Government/Credit Bond   |
| Non-U.S. Equity                  | Custom Non-U.S. Equity Benchmark (net) <sup>8</sup>                           | Custom Non-U.S. Equity Benchmark (net)                           | Custom Non-U.S. Equity Benchmark (net)                           | Custom Non-U.S. Equity Benchmark (net)     | MSCI ACWI x U.S. (net)                      |
| Private Real Estate              | Custom Private Real Estate <sup>9</sup>                                       | Custom Private Real Estate                                       | NCREIF Property Index (quarter lag)                              | NCREIF Property Index (quarter lag)        | NCREIF Property Index (quarter lag)         |
| REITs                            | N/A   | N/A  | N/A  | N/A  | DJ U.S. Select RESI                         |
| Private Equity                   | Custom Private Equity <sup>10</sup>   | Custom Private Equity  | Russell 3000 (quarter lag) + 3%                                  | Russell 3000 (quarter lag) + 3%            | Russell 3000 (quarter lag) + 3%             |
| Cash Equivalents                 | 90-day U.S. Treasury Bill <sup>11</sup>                                       | 90-day U.S. Treasury Bill  | 90-day U.S. Treasury Bill  | 90-day U.S. Treasury Bill                  | 90-day U.S. Treasury Bill                   |
| High Yield                       | Barclays Capital U.S. Corporate High Yield <sup>12</sup>                      | Barclays Capital U.S. Corporate High Yield                       | Barclays Capital U.S. Corporate High Yield                       | Barclays Capital U.S. Corporate High Yield | Barclays Capital U.S. HY BA/B 3% Issuer Cap |
| Emerging Markets Debt            | Custom Emerging Markets Debt Benchmark <sup>13</sup>                          | Custom Emerging Markets Debt Benchmark                           | Custom Emerging Markets Debt Benchmark                           | Custom Emerging Markets Debt Benchmark     | N/A   |
| Hedge Funds                      | Custom Hedge Fund Benchmark <sup>14</sup>                                     | Custom Hedge Fund Benchmark                                      | Custom Hedge Fund Benchmark                                      | Custom Hedge Fund Benchmark                | N/A   |
| Commodities                      | S&P Goldman Sachs Commodity Index <sup>15</sup>                               | S&P Goldman Sachs Commodity Index                                | N/A  | N/A  | N/A   |
| Risk Parity                      | Custom Risk Parity Benchmark <sup>16</sup>                                    | Custom Risk Parity Benchmark                                     | N/A  | N/A  | N/A   |
| GTAA                             | Custom GTAA Benchmark <sup>17</sup>   | Custom GTAA Benchmark  | N/A  | N/A  | N/A   |
| TIPS                             | Barclays U.S. TIPS <sup>18</sup>  | Barclays U.S. TIPS   | N/A  | N/A  | N/A   |



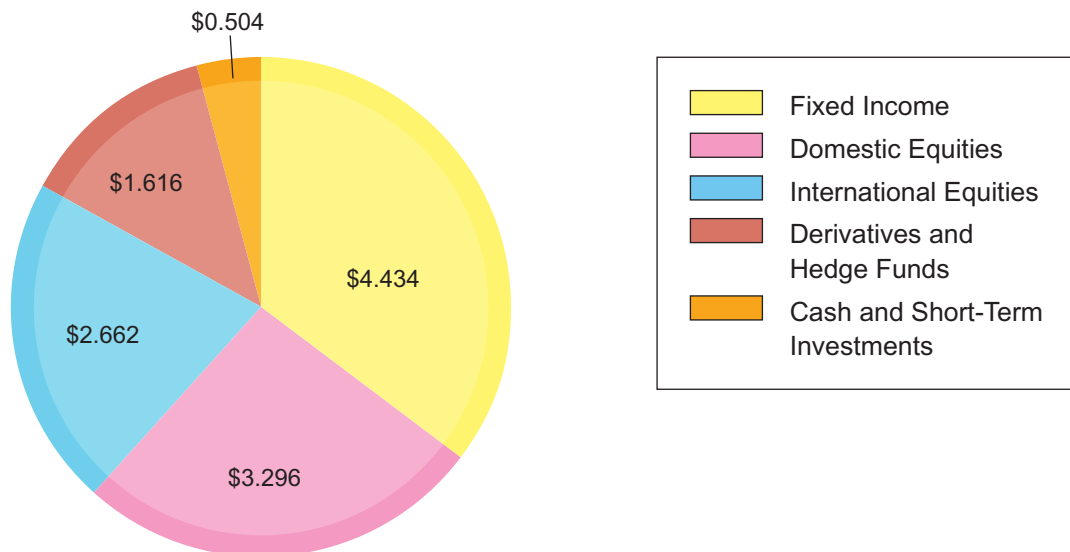
**Footnotes for Schedule of Investment Results—Defined Benefit Portfolio**

The footnotes below provide definitions for the asset class composite benchmark indices as of December 31, 2014:

- <sup>2</sup> **Russell 3000 Stock Index**—A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.
- <sup>3</sup> **Custom Opportunistic Benchmark**—As of December 31, 2014, blend was 100% Barclays Treasury Bond Currency (USD) index.
- <sup>4</sup> **Custom Core Fixed**—Market value weight of the underlying portfolio benchmarks.
- <sup>5</sup> **Credit Suisse Leveraged Loan Index**—Is designed to mirror the investible universe of the U.S.-denominated leveraged loan market.
- <sup>6</sup> **Barclays Global High Yield**—The Global High Yield Index represents the union of the U.S. High Yield, Pan-European High Yield, U.S. Emerging Markets High-Yield, and Pan-European Emerging Markets High Yield Indices.
- <sup>7</sup> **Barclays Commercial Mortgage Backed Securities (CMBS) Index +2%**—The Barclays CMBS ERISA-Eligible Index is the ERISA-Eligible component of the Barclays CMBS Index. This index, which includes investment grade securities that are ERISA-Eligible under the underwriter's exemption, is the only CMBS sector that is included in the U.S. Aggregate Index.
- <sup>8</sup> **Custom Non-U.S. Equity Benchmark (net)**—As of December 31, 2014, blend was 55% MSCI World x U.S. (net), 31% MSCI Emerging Markets (net), 10% MSCI World x U.S. Small Cap (net), and 4% MSCI Emerging Markets Small Cap (net).
- <sup>9</sup> **Custom Private Real Estate**—NCREIF Net NFI-ODCE + 85 bps—NFI-ODCE Index-Open End Diversified Core Equity is an index of investment returns reporting on both a historical and current basis the results of 30 open-end commingled funds pursuing a core investment strategy. The NFI-ODCE Index is capitalization-weighted.
- <sup>10</sup> **Custom Private Equity**—As of December 31 2014, blend was 60% Russell 3000 Index and 40% MSCI ACWI x U.S. IMI + 300 bps. Russell 3000 Index and MSCI ACWI x U.S. IM returns are one quarter lag.
- <sup>11</sup> **90-day U.S. Treasury Bill Index**—The 90-day Treasury Bill return as measured by Bank of America Merrill Lynch.
- <sup>12</sup> **Barclays Capital U.S. Corporate High Yield**—Covers the universe of fixed rate, non-investment grade debt.
- <sup>13</sup> **Custom Emerging Markets Debt Benchmark**—As of December 31 2014, blend was 50% JPMorgan EMBI Global Index, 50% JPMorgan GBI-Emerging Markets Global Diversified USD Index.
- <sup>14</sup> **Custom Hedge Fund Benchmark**—Blend was 25% HFRI Equity Hedge (Total) Index, 20% HFRI Macro (Total) Index, 5% HFRI Relative Value (Total) Index, 15% HFRI ED: Distressed/Restructuring Index, 15% HFRI Fund-Weighted Composite Index, 20% HFRI Event-Driven (Total) Index.
- <sup>15</sup> **S&P Goldman Sachs Commodity Index**—Tracks general price movements and inflation in the world economy. The index is calculated primarily on a world-production weighted basis and is comprised of the principal physical commodities that are the subject of active, liquid futures markets.
- <sup>16</sup> **Custom Risk Parity Benchmark**—Market value weight of the underlying portfolio benchmarks.
- <sup>17</sup> **Custom GTAA Benchmark**—Market value weight of the underlying portfolio benchmarks.
- <sup>18</sup> **Barclays U.S. TIPS Index**—This index consists of inflation-protected securities issued by the U.S. Treasury.

This page intentionally left blank

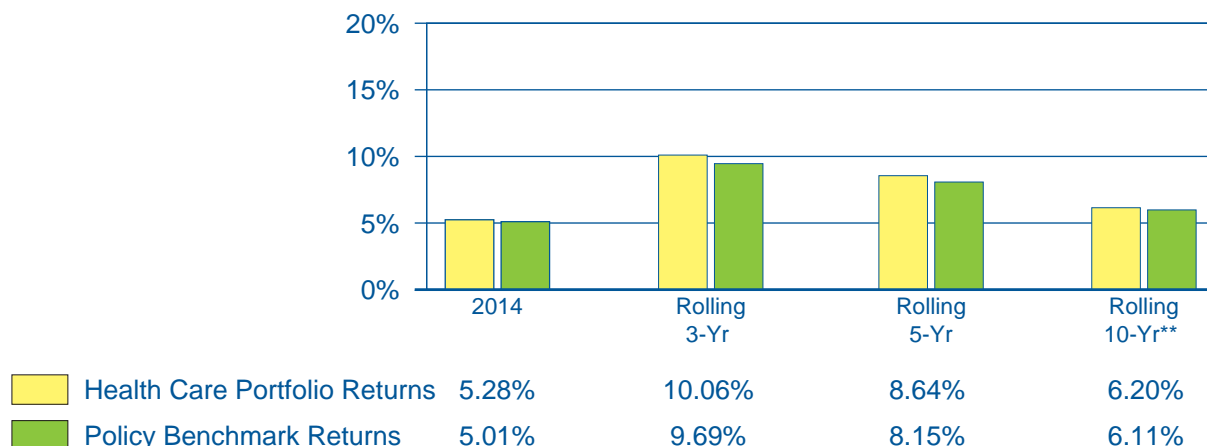
**Health Care Portfolio Asset Allocation** (as of December 31, 2014) (\$ in billions)



### Investment Returns

The Health Care portfolio returned 5.28% in 2014. The overall portfolio return is compared to a composite benchmark return that could be achieved by a portfolio that is passively invested in the broad market, with percentage weights allocated to each asset class as specified in the OPERS *Statement of Investment Objectives and Policies*. The return of the policy benchmark for 2014 was 5.01%.


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



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

\*\* The Health Care portfolio was segregated from the Defined Benefit portfolio in 2005; thus, the 30-year rolling return information is not available.


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

|  <b>Schedule of Investment Results</b> (for the year ended December 31, 2014) |              | <b>Health Care Portfolio</b> |                |
|--|--------------|------------------------------|----------------|
|  | 2014         | Rolling 3-Year               | Rolling 5-Year |
| <b>Total Health Care Portfolio</b>   | <b>5.28%</b> | <b>10.06%</b>                | <b>8.64%</b>   |
| <b>Total Health Care Portfolio Benchmark<sup>1</sup></b>   | <b>5.01</b>  | <b>9.69</b>                  | <b>8.15</b>    |
| U.S. Equity Composite  | 11.19        | 20.09                        | 15.36          |
| U.S. Equity Composite Benchmark  | 12.56        | 20.51                        | 15.63          |
| Non-U.S. Equity Composite  | (1.90)       | 10.03                        | 5.26           |
| Non-U.S. Equity Composite Benchmark  | (3.42)       | 8.52                         | 4.04           |
| Core Fixed Composite   | 6.48         | 3.43                         | 5.09           |
| Core Fixed Composite Benchmark   | 6.09         | 2.77                         | 4.51           |
| TIPS Composite   | 3.67         | 0.46                         | 4.19           |
| TIPS Composite Benchmark   | 3.64         | 0.44                         | 4.11           |
| High Yield Composite   | 2.25         | 8.34                         | 8.65           |
| High Yield Composite Benchmark   | 2.45         | 8.43                         | 9.03           |
| Emerging Markets Debt Composite  | (2.05)       | 2.72                         | 4.77           |
| Emerging Markets Debt Composite Benchmark  | (0.20)       | 2.72                         | 4.99           |
| Securitized Debt Composite   | 17.98        | 21.22                        | N/A            |
| Securitized Debt Composite Benchmark   | 5.76         | 6.48                         | N/A            |
| Floating Rate Debt Composite   | 4.26         | N/A                          | N/A            |
| Floating Rate Debt Composite Benchmark   | 2.06         | N/A                          | N/A            |
| Global High Yield Debt Composite   | (0.52)       | N/A                          | N/A            |
| Global High Yield Debt Composite Benchmark   | 0.01         | N/A                          | N/A            |
| REIT Composite   | 31.79        | 16.12                        | 17.32          |
| REIT Composite Benchmark   | 31.85        | 16.08                        | 16.95          |
| Hedge Fund Composite   | 3.93         | 6.58                         | N/A            |
| Hedge Fund Composite Benchmark   | 2.58         | 5.51                         | N/A            |
| Opportunistic Composite*   | 2.30         | N/A                          | N/A            |
| Opportunistic Composite Benchmark*   | 2.45         | N/A                          | N/A            |
| Commodities Composite  | (32.12)      | (12.23)                      | (6.08)         |
| Commodities Composite Benchmark  | (33.06)      | (12.86)                      | (6.54)         |
| Cash Composite   | 0.30         | 0.37                         | 0.41           |
| Cash Composite Benchmark   | 0.03         | 0.07                         | 0.09           |
| Risk Parity Composite  | 9.73         | N/A                          | N/A            |
| Risk Parity Composite Benchmark  | 7.64         | N/A                          | N/A            |
| GTAA Composite   | 4.45         | N/A                          | N/A            |
| GTAA Composite Benchmark   | 3.61         | N/A                          | N/A            |



\* Returns are two month cumulative returns (August 2014—December 2014).

<sup>1</sup> **Health Care Portfolio Benchmark**—The returns for this benchmark are derived from the asset class composite benchmark returns summarized in the table above, the historical asset class target allocations listed in the table on the next page and the asset class composite benchmark indices listed in the table on page 114.

Please find complete footnotes on page 115.

|  Historical Asset Class Target Allocations | Health Care Portfolio |               |               |               |               |
|---|-----------------------|---------------|---------------|---------------|---------------|
| Asset Class   | 2014                  | 2013          | 2012          | 2011          | 2010          |
| U.S. Equity   | 23.4%                 | 23.5%         | 24.6%         | 28.7%         | 30.2%         |
| Commodities   | 2.0                   | 2.0           | 1.0           | 1.0           | 1.0           |
| Opportunistic   | 0.1                   | 0.5           | 0.7           | 1.7           | 1.3           |
| Core Bonds  | 17.3                  | 17.0          | 18.8          | 21.5          | 21.5          |
| Corporate Credit  | 0.0                   | 0.0           | 1.0           | N/A           | N/A           |
| Floating Rate Debt  | 0.7                   | 1.0           | 0.7           | N/A           | N/A           |
| Global High Yield   | 1.5                   | 2.0           | 2.0           | N/A           | N/A           |
| Securitized Debt  | 1.0                   | 1.0           | 1.0           | N/A           | N/A           |
| TIPS  | 5.0                   | 3.5           | 3.5           | 3.5           | 3.5           |
| High Yield  | 2.5                   | 2.0           | 2.0           | 2.0           | 2.0           |
| Non-U.S. Equity   | 21.5                  | 24.6          | 27.0          | 27.3          | 27.3          |
| Emerging Markets Debt   | 6.0                   | 5.0           | 5.0           | 5.0           | 5.0           |
| REITs   | 6.0                   | 6.0           | 6.0           | 6.0           | 6.0           |
| Cash Equivalents  | 0.0                   | 2.0           | 2.0           | 2.0           | 2.0           |
| Private Equity  | 0.0                   | 0.5           | 0.5           | 0.4           | 0.2           |
| Hedge Funds   | 6.0                   | 5.4           | 4.2           | 0.9           | N/A           |
| Risk Parity   | 5.0                   | 2.0           | N/A           | N/A           | N/A           |
| GTAA  | 2.0                   | 2.0           | N/A           | N/A           | N/A           |
| <b>Total</b>  | <b>100.0%</b>         | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

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

|  |   |  |  |  |  |
|---|---|---|--|--|--|
| Asset Class Composite Benchmarks  | As of December 31   |   |  |  |  |
|   | 2014  | 2013  | 2012   | 2011                                       | 2010                                       |
| U.S. Equity   | Russell 3000 <sup>2</sup>   | Russell 3000  | Russell 3000   | Russell 3000                               | Russell 3000                               |
| Commodities   | S&P Goldman Sachs Commodity Index <sup>3</sup>                                | S&P Goldman Sachs Commodity Index   | S&P Goldman Sachs Commodity Index                                | S&P Goldman Sachs Commodity Index          | S&P Goldman Sachs Commodity Index          |
| Opportunistic   | Custom Opportunistic Benchmark <sup>4</sup>                                   | Custom Opportunistic Benchmark  | Custom Opportunistic Benchmark                                   | Custom Opportunistic Benchmark             | LIBOR (2 month lag) + 4%                   |
| Core Bonds  | Custom Core Fixed <sup>5</sup>  | Custom Core Fixed   | Barclays U.S. Aggregate Bond Index                               | Barclays U.S. Aggregate Bond Index         | Barclays U.S. Aggregate Bond Index         |
| Corporate Credit  | N/A   | N/A   | Barclays U.S. Corporate Investment Grade                         | N/A  | N/A  |
| Floating Rate Debt  | Credit Suisse Leveraged Loan Index <sup>6</sup>                               | Credit Suisse Leveraged Loan Index  | Credit Suisse Leveraged Loan Index                               | N/A  | N/A  |
| Global High Yield   | Barclays Global High Yield <sup>7</sup>                                       | Barclays Global High Yield  | Barclays Global High Yield                                       | N/A  | N/A  |
| Securitized Debt  | Barclays Commercial Mortgage Backed Securities (CMBS) Index + 2% <sup>8</sup> | Barclays Commercial Mortgage Backed Securities (CMBS) Index + 2%                    | Barclays Commercial Mortgage Backed Securities (CMBS) Index + 2% | N/A  | N/A  |
| TIPS  | Barclays U.S. TIPS <sup>9</sup>   | Barclays U.S. TIPS  | Barclays U.S. TIPS   | Barclays U.S. TIPS                         | Barclays U.S. TIPS                         |
| High Yield  | Barclays Capital U.S. Corporate High Yield <sup>10</sup>                      | Barclays Capital U.S. Corporate High Yield  | Barclays Capital U.S. Corporate High Yield                       | Barclays Capital U.S. Corporate High Yield | Barclays Capital U.S. Corporate High Yield |
| Non-U.S. Equity   | Custom Non-U.S. Equity Benchmark (net) <sup>11</sup>                          | Custom Non-U.S. Equity Benchmark (net)  | Custom Non-U.S. Equity Benchmark (net)                           | Custom Non-U.S. Equity Benchmark (net)     | MSCI ACWI x U.S.                           |
| Emerging Markets Debt   | Custom Emerging Markets Debt Benchmark <sup>12</sup>                          | Custom Emerging Markets Debt Benchmark  | Custom Emerging Markets Debt Benchmark                           | Custom Emerging Markets Debt Benchmark     | Custom Emerging Markets Debt Benchmark     |
| REITs   | DJ U.S. Select RESI <sup>13</sup>   | DJ U.S. Select RESI   | DJ U.S. Select RESI  | DJ U.S. Select RESI                        | DJ U.S. Select RESI                        |
| Cash Equivalents  | 90-day U.S. Treasury Bill Index <sup>14</sup>                                 | 90-day U.S. Treasury Bill Index   | 90-day U.S. Treasury Bill Index                                  | 90-day U.S. Treasury Bill Index            | 90-day U.S. Treasury Bill Index            |
| Private Equity  | Custom Private Equity <sup>15</sup>   | Custom Private Equity   | Russell 3000 (quarter lag) + 3%                                  | Russell 3000 (quarter lag) + 3%            | Russell 3000 (quarter lag) + 3%            |
| Hedge Funds   | Custom Hedge Fund Benchmark <sup>16</sup>                                     | Custom Hedge Fund Benchmark   | Custom Hedge Fund Benchmark                                      | Custom Hedge Fund Benchmark                | N/A  |
| Risk Parity   | Custom Risk Parity Benchmark <sup>17</sup>                                    | Custom Risk Parity Benchmark  | N/A  | N/A  | N/A  |
| GTAA  | Custom GTAA Benchmark <sup>18</sup>   | Custom GTAA Benchmark   | N/A  | N/A  | N/A  |

**Footnotes for Schedule of Investment Results—Health Care Portfolio**

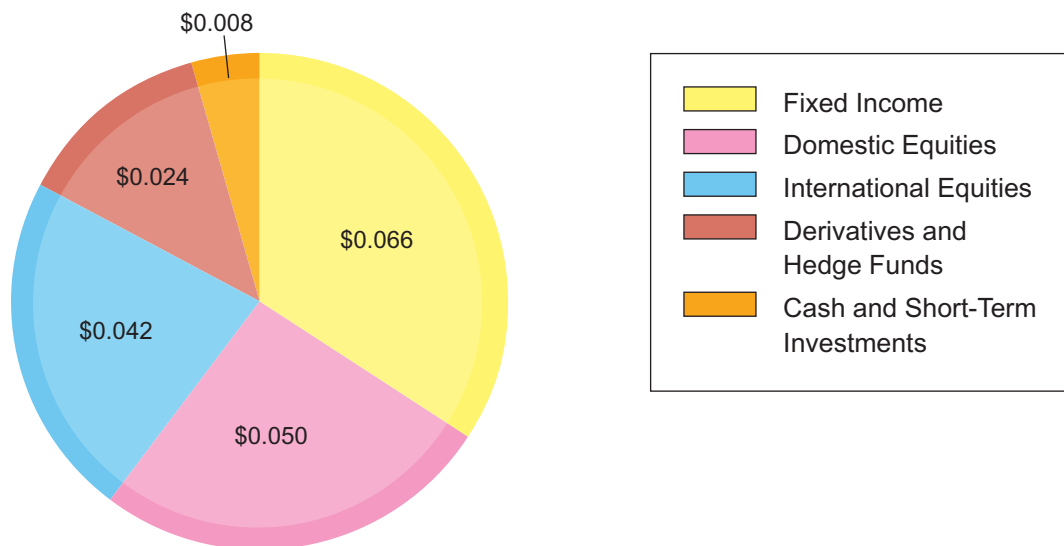
The footnotes below provide definitions for the asset class composite benchmark indices as of December 31, 2014:

- <sup>2</sup> **Russell 3000 Stock Index**—A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.
- <sup>3</sup> **S&P Goldman Sachs Commodity Index**—Tracks general price movements and inflation in the world economy. The index is calculated primarily on a world-production weighted basis and is comprised of the principal physical commodities that are the subject of active, liquid futures markets.
- <sup>4</sup> **Custom Opportunistic Benchmark**—As of December 31, 2014, blend was 100% Barclays Treasury Bond Currency (USD) index.
- <sup>5</sup> **Custom Core Fixed**—Market value weight of the underlying portfolio benchmarks.
- <sup>6</sup> **Credit Suisse Leveraged Loan Index**—This Index is designed to mirror the investible universe of the U.S.-denominated leveraged loan market.
- <sup>7</sup> **Barclays Global High Yield**—The Global High Yield Index represents the union of the U.S. High Yield, Pan-European High Yield, U.S. Emerging Markets High-Yield, and Pan-European Emerging Markets High Yield Indices.
- <sup>8</sup> **Barclays Commercial Mortgage Backed Securities (CMBS) Index +2%**—The Barclays CMBS ERISA-Eligible Index is the ERISA-Eligible component of the Barclays CMBS Index. This index, which includes investment grade securities that are ERISA-Eligible under the underwriter's exemption, is the only CMBS sector included in the U.S. Aggregate Index.
- <sup>9</sup> **Barclays U.S. TIPS Index**—This index consists of Inflation-Protected securities issued by the U.S. Treasury.
- <sup>10</sup> **Barclays Capital U.S. Corporate High Yield**—Covers the universe of fixed rate, non-investment grade debt.
- <sup>11</sup> **Custom Non-U.S. Equity Benchmark (net)**—As of December 31, 2014, blend was 55% MSCI World x U.S. (net), 31% MSCI Emerging Markets (net), 10% MSCI World x U.S. Small Cap (net), and 4% MSCI Emerging Markets Small Cap (net).
- <sup>12</sup> **Custom Emerging Markets Debt Benchmark**—As of December 31, 2014, blend was 50% JPMorgan EMBI Global Index, 50% JPMorgan GBI-Emerging Markets Global Diversified USD Index.
- <sup>13</sup> **DJ U.S. Select RESI**—The Dow Jones U.S. Select RESI represents equity REITs and REOCs traded in the U.S.
- <sup>14</sup> **90-day U.S. Treasury Bill Index**—The 90-day Treasury Bill return as measured by Bank of America Merrill Lynch.
- <sup>15</sup> **Custom Private Equity**—As of December 31, 2014, blend was 60% Russell 3000 Index and 40% MSCI ACWI x U.S. IMI + 300 bps. Russell 3000 Index and MSCI ACWI x U.S. IM returns are one quarter lag.
- <sup>16</sup> **Custom Hedge Fund Benchmark**—Blend was 25% HFRI Equity Hedge (Total) Index, 20% HFRI Macro (Total) Index, 5% HFRI Relative Value (Total) Index, 15% HFRI ED: Distressed/Restructuring Index, 15% HFRI Fund-Weighted Composite Index, 20% HFRI ED (Total) Index.
- <sup>17</sup> **Custom Risk Parity Benchmark**—Market value weight of the underlying portfolio benchmarks.
- <sup>18</sup> **Custom GTAA Benchmark**—Market value weight of the underlying portfolio benchmarks.

This page intentionally left blank



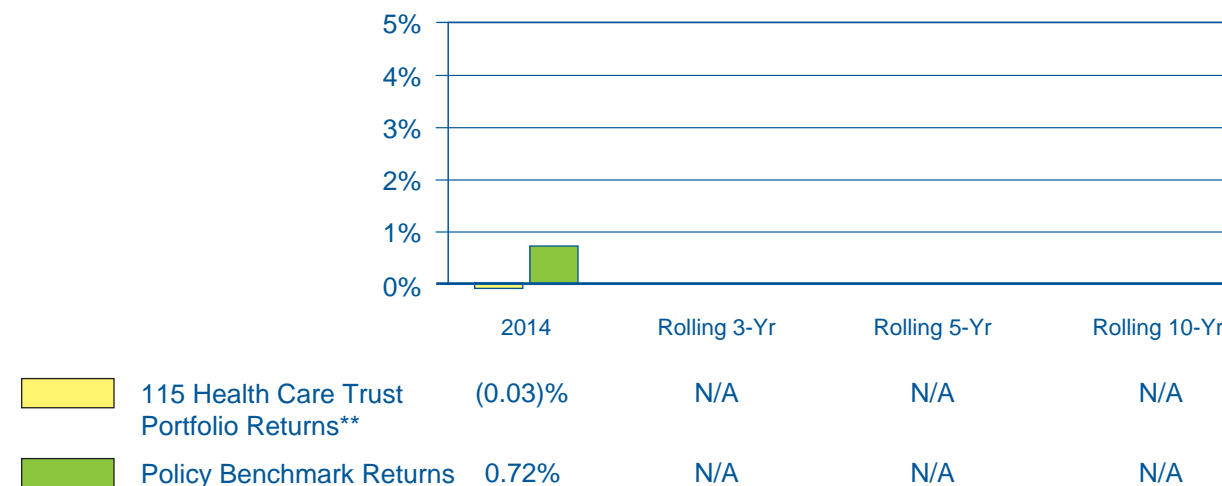
**115 Health Care Trust Portfolio Asset Allocation** (as of December 31, 2014) (\$ in billions)



**Investment Returns**

The 115 Health Care Trust portfolio returned a loss of (0.03)% in 2014. The overall portfolio return is compared to a composite benchmark return that could be achieved by a portfolio that is passively invested in the broad market, with percentage weights allocated to each asset class as specified in the OPERS *Statement of Investment Objectives and Policies*. The return of the policy benchmark for 2014 was 0.72%.


**Investment Returns—Annual Rates of Return** 115 Health Care Trust Portfolio\*



\* Annual rates of return—The 115 Health Care Trust portfolio return is based on a time-weighted calculation and market value-weighted calculation. The policy benchmark is derived by a market value-weighted calculation of the 115 Health Care Trust investment policy benchmarks. All returns are net of external manager fees, overdraft charges, debit interest, registration expenses, stamp duties and taxes spent on foreign securities.

\*\* The 115 Health Care Trust portfolio was established in September 2014 and returns are cumulative since funding of the portfolio began in November 2014; thus, the 3-year, 5-year, 10-year, and 30-year rolling returns information is not available.


Investment returns for the 115 Health Care Trust portfolio underlying asset class composites and their respective benchmarks are shown below:

|  <b>Schedule of Investment Results</b> (for the year ended December 31, 2014) |                | <b>115 Health Care Trust Portfolio*</b> |                |
|--|----------------|---|----------------|
|  | 2014           | Rolling 3-Year                          | Rolling 5-Year |
| <b>Total 115 Health Care Trust Portfolio</b>   | <b>(0.03)%</b> | <b>N/A</b>                              | <b>N/A</b>     |
| <b>Total 115 Health Care Trust Portfolio Benchmark<sup>1</sup></b>   | <b>0.72</b>    | <b>N/A</b>                              | <b>N/A</b>     |
| U.S. Equity Composite  | 2.19           | N/A                                     | N/A            |
| U.S. Equity Composite Benchmark  | 2.42           | N/A                                     | N/A            |
| Non-U.S. Equity Composite  | (2.43)         | N/A                                     | N/A            |
| Non-U.S. Equity Composite Benchmark  | (3.18)         | N/A                                     | N/A            |
| Core Fixed Composite   | 0.84           | N/A                                     | N/A            |
| Core Fixed Composite Benchmark   | 0.79           | N/A                                     | N/A            |
| TIPS Composite   | (0.87)         | N/A                                     | N/A            |
| TIPS Composite Benchmark   | (0.87)         | N/A                                     | N/A            |
| High Yield Composite   | (2.27)         | N/A                                     | N/A            |
| High Yield Composite Benchmark   | (2.17)         | N/A                                     | N/A            |
| Emerging Markets Debt Composite  | (5.76)         | N/A                                     | N/A            |
| Emerging Markets Debt Composite Benchmark  | (5.21)         | N/A                                     | N/A            |
| Securitized Debt Composite   | 2.75           | N/A                                     | N/A            |
| Securitized Debt Composite Benchmark   | 0.44           | N/A                                     | N/A            |
| Floating Rate Debt Composite   | (0.53)         | N/A                                     | N/A            |
| Floating Rate Debt Composite Benchmark   | (0.65)         | N/A                                     | N/A            |
| Global High Yield Debt Composite   | (3.40)         | N/A                                     | N/A            |
| Global High Yield Debt Composite Benchmark   | (3.10)         | N/A                                     | N/A            |
| REIT Composite   | 3.92           | N/A                                     | N/A            |
| REIT Composite Benchmark   | 3.93           | N/A                                     | N/A            |
| Hedge Fund Composite   | 1.83           | N/A                                     | N/A            |
| Hedge Fund Composite Benchmark   | 0.36           | N/A                                     | N/A            |
| Opportunistic Composite  | 0.90           | N/A                                     | N/A            |
| Opportunistic Composite Benchmark  | 0.95           | N/A                                     | N/A            |
| Commodities Composite  | (22.56)        | N/A                                     | N/A            |
| Commodities Composite Benchmark  | (23.06)        | N/A                                     | N/A            |
| Cash Composite   | 0.59           | N/A                                     | N/A            |
| Cash Composite Benchmark   | 0.00           | N/A                                     | N/A            |
| Risk Parity Composite  | (2.73)         | N/A                                     | N/A            |
| Risk Parity Composite Benchmark  | 1.08           | N/A                                     | N/A            |
| GTAA Composite   | 1.43           | N/A                                     | N/A            |
| GTAA Composite Benchmark   | (0.08)         | N/A                                     | N/A            |

\* The 115 Health Care Trust portfolio was established in September 2014 and returns are cumulative since funding of the portfolio began in November 2014.


<sup>1</sup> **115 Health Care Trust Portfolio Benchmark**—The returns for this benchmark are derived from the asset class composite benchmark returns summarized in the table above, the historical asset class target allocations listed in the table on the next page and the asset class composite benchmark indices listed in the table on page 120.

Please find complete footnotes on page 121.

|  Historical Asset Class Target Allocations | 115 Health Care Trust Portfolio |
|---|---------------------------------|
| Asset Class   | 2014*                           |
| U.S. Equity   | 23.4%                           |
| Commodities   | 2.0                             |
| Opportunistic   | 0.1                             |
| Core Bonds  | 17.3                            |
| Floating Rate Debt  | 0.7                             |
| Global High Yield   | 1.5                             |
| Securitized Debt  | 1.0                             |
| TIPS  | 5.0                             |
| High Yield  | 2.5                             |
| Non-U.S. Equity   | 21.5                            |
| Emerging Markets Debt   | 6.0                             |
| REITs   | 6.0                             |
| Hedge Funds   | 6.0                             |
| Risk Parity   | 5.0                             |
| GTAA  | 2.0                             |
| <b>Total</b>  | <b>100.0%</b>                   |

\* Since the 115 Health Care Trust portfolio was established in 2014, this table represents average target allocations that reflect adjustments during the implementation of the 115 Health Care Trust portfolio.

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

|  <b>Historical Asset Class Composite Benchmark Indices</b> <b>115 Health Care Trust Portfolio*</b> |   |
|---|---|
| Asset Class Composite Benchmarks  | As of December 31, 2014   |
| U.S. Equity   | Russell 3000 <sup>2</sup>   |
| Commodities   | S&P Goldman Sachs Commodity Index <sup>3</sup>                                |
| Opportunistic   | Custom Opportunistic Benchmark <sup>4</sup>                                   |
| Core Bonds  | Custom Core Fixed <sup>5</sup>  |
| Floating Rate Debt  | Credit Suisse Leveraged Loan Index <sup>6</sup>                               |
| Global High Yield   | Barclays Global High Yield <sup>7</sup>                                       |
| Securitized Debt  | Barclays Commercial Mortgage Backed Securities (CMBS) Index + 2% <sup>8</sup> |
| TIPS  | Barclays U.S. TIPS <sup>9</sup>   |
| High Yield  | Barclays Capital U.S. Corporate High Yield <sup>10</sup>                      |
| Non-U.S. Equity   | Custom Non-U.S. Equity Benchmark (net) <sup>11</sup>                          |
| Emerging Markets Debt   | Custom Emerging Market Debt Benchmark <sup>12</sup>                           |
| REITs   | DJ U.S. Select RESI <sup>13</sup>   |
| Hedge Funds   | Custom Hedge Fund Benchmark <sup>14</sup>                                     |
| Risk Parity   | Custom Risk Parity Benchmark <sup>15</sup>                                    |
| GTAA  | Custom GTAA Benchmark <sup>16</sup>   |

\* Since the 115 Health Care Trust portfolio was established in 2014, this table has 2014 information only.

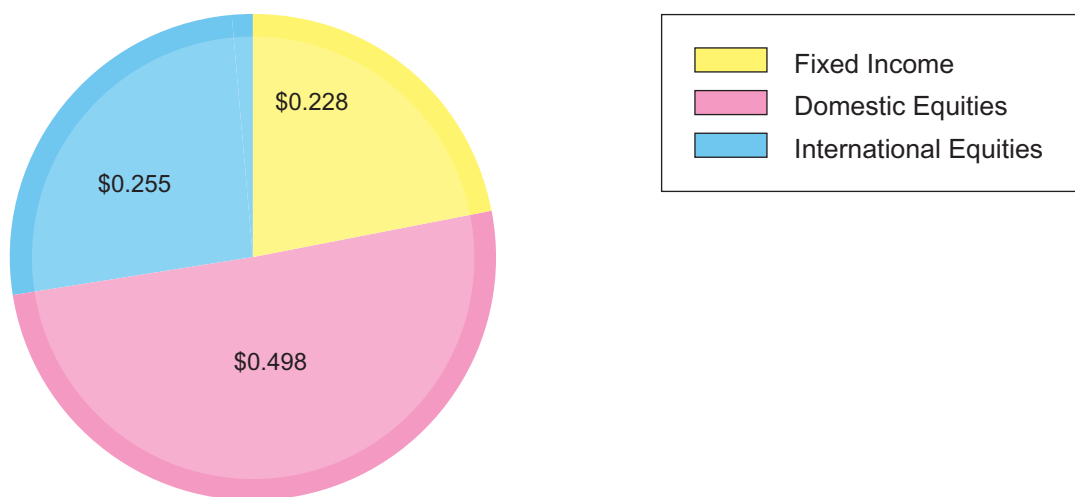
**Footnotes for Schedule of Investment Results—115 Health Care Trust Portfolio**

The footnotes below provide definitions for the asset class composite benchmark indices as of December 31, 2014:

- <sup>2</sup> **Russell 3000 Stock Index**—A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.
- <sup>3</sup> **S&P Goldman Sachs Commodity Index**—Tracks general price movements and inflation in the world economy. The index is calculated primarily on a world-production weighted basis and is comprised of the principal physical commodities that are the subject of active, liquid futures markets.
- <sup>4</sup> **Custom Opportunistic Benchmark**—As of December 31, 2014, blend was 100% Barclays Treasury Bond Currency (USD) index.
- <sup>5</sup> **Custom Core Fixed**—Market value weight of the underlying portfolio benchmarks.
- <sup>6</sup> **Credit Suisse Leveraged Loan Index**—This index is designed to mirror the investible universe of the U.S.-denominated leveraged loan market.
- <sup>7</sup> **Barclays Global High Yield**—The Global High Yield Index represents the union of the U.S. High Yield, Pan-European High Yield, U.S. Emerging Markets High-Yield, and Pan-European Emerging Markets High Yield Indices.
- <sup>8</sup> **Barclays Commercial Mortgage Backed Securities (CMBS) Index +2%**—The Barclays CMBS ERISA-Eligible Index is the ERISA-Eligible component of the Barclays CMBS Index. This index, which includes investment grade securities that are ERISA-Eligible under the underwriter's exemption, is the only CMBS sector that is included in the U.S. Aggregate Index.
- <sup>9</sup> **Barclays U.S. TIPS Index**—This index consists of Inflation-Protected securities issued by the U.S. Treasury.
- <sup>10</sup> **Barclays Capital U.S. Corporate High Yield**—Covers the universe of fixed rate, non-investment grade debt.
- <sup>11</sup> **Custom Non-U.S. Equity Benchmark (net)**—As of December 31, 2014, blend was 55% MSCI World x U.S. (net), 31% MSCI Emerging Markets (net), 10% MSCI World x U.S. Small Cap (net), and 4% MSCI Emerging Markets Small Cap (net).
- <sup>12</sup> **Custom Emerging Markets Debt Benchmark**—As of December 31, 2014, blend was 50% JPMorgan EMBI Global Index, 50% JPMorgan GBI-Emerging Markets Global Diversified USD Index.
- <sup>13</sup> **DJ U.S. Select RESI**—The Dow Jones U.S. Select RESI represents equity REITs and REOCs traded in the U.S.
- <sup>14</sup> **Custom Hedge Fund Benchmark**—Blend was 25% HFRI Equity Hedge (Total) Index, 20% HFRI Macro (Total) Index, 5% HFRI Relative Value (Total) Index, 15% HFRI ED: Distressed/Restructuring Index, 15% HFRI Fund-Weighted Composite Index, 20% HFRI ED (Total) Index.
- <sup>15</sup> **Custom Risk Parity Benchmark**—Market value weight of the underlying portfolio benchmarks.
- <sup>16</sup> **Custom GTAA Benchmark**—Market value weight of the underlying portfolio benchmarks.

This page intentionally left blank

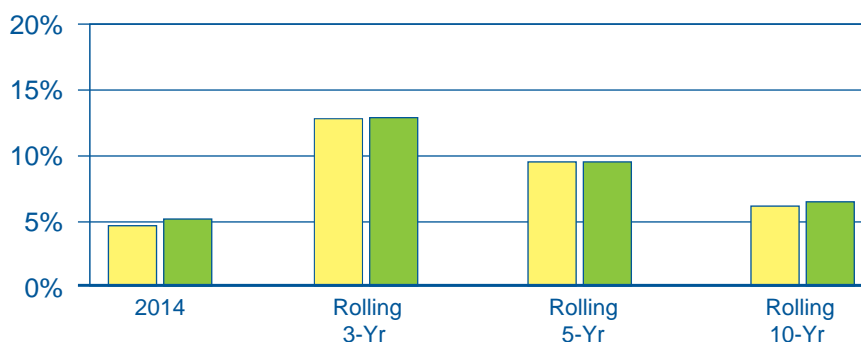
**Defined Contribution Portfolio Asset Allocation** (as of December 31, 2014) (\$ in billions)



**Investment Returns**

The Defined Contribution portfolio returned 4.83% in 2014. The portfolio composite is derived from the individual investment option returns and their actual year-end market values. Members may not invest in this portfolio composite but may invest in the individual investment options as they choose. The returns for the investment options and their respective indices are shown on the following page.


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



|  |       |        |       |       |
|--|-------|--------|-------|-------|
| Defined Contribution Portfolio Returns | 4.83% | 12.70% | 9.66% | 6.31% |
| Policy Benchmark Returns               | 5.03% | 12.79% | 9.66% | 6.67% |

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

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

|  <b>Schedule of Investment Results</b> (for the year ended December 31, 2014) |        | <b>Defined Contribution Portfolio</b> |                |
|--|--------|---------------------------------------|----------------|
|  | 2014   | Rolling 3-Year                        | Rolling 5-Year |
| Target Payout Fund   | 3.42%  | 5.51%                                 | 5.47%          |
| Target Payout Fund Index <sup>1</sup>  | 3.56   | 5.71                                  | 5.29           |
| Target 2015 Fund   | 3.66   | 7.15                                  | 6.57           |
| Target 2015 Fund Index <sup>2</sup>  | 3.77   | 7.02                                  | 6.31           |
| Target 2020 Fund   | 3.86   | 9.37                                  | 7.66           |
| Target 2020 Fund Index <sup>3</sup>  | 4.02   | 9.20                                  | 7.46           |
| Target 2025 Fund   | 3.50   | 11.36                                 | 8.56           |
| Target 2025 Fund Index <sup>4</sup>  | 3.70   | 11.23                                 | 8.55           |
| Target 2030 Fund   | 3.18   | 12.30                                 | 9.02           |
| Target 2030 Fund Index <sup>5</sup>  | 3.37   | 12.22                                 | 9.04           |
| Target 2035 Fund   | 3.02   | 12.63                                 | 9.19           |
| Target 2035 Fund Index <sup>6</sup>  | 3.26   | 12.51                                 | 9.19           |
| Target 2040 Fund   | 2.91   | 12.87                                 | 9.26           |
| Target 2040 Fund Index <sup>7</sup>  | 3.19   | 12.90                                 | 9.33           |
| Target 2045 Fund   | 2.98   | 13.42                                 | 9.50           |
| Target 2045 Fund Index <sup>8</sup>  | 3.25   | 13.32                                 | 9.49           |
| Target 2050 Fund   | 2.93   | 13.47                                 | 9.52           |
| Target 2050 Fund Index <sup>9</sup>  | 3.11   | 13.34                                 | 9.50           |
| Target 2055 Fund   | 2.87   | 13.38                                 | 9.49           |
| Target 2055 Fund Index <sup>10</sup>   | 3.11   | 13.34                                 | 9.50           |
| Stable Value Index Portfolio   | 1.37   | 1.56                                  | 2.10           |
| Stable Value Index Benchmark <sup>11</sup>   | 2.12   | 3.17                                  | 1.93           |
| Bond Index Portfolio   | 6.08   | 2.69                                  | 4.80           |
| Barclays U.S. Aggregate Index Benchmark <sup>12</sup>  | 5.95   | 2.66                                  | 4.45           |
| Stock Index Portfolio  | 12.52  | 20.44                                 | 15.61          |
| Russell 3000 Stock Index Benchmark <sup>13</sup>   | 12.56  | 20.51                                 | 15.63          |
| Large Cap Index Portfolio  | 13.17  | 20.54                                 | 15.68          |
| Russell 1000 Stock Index Benchmark <sup>14</sup>   | 13.24  | 20.62                                 | 15.64          |
| Small Cap Index Portfolio  | 4.86   | 19.17                                 | 15.51          |
| Russell 2000 Stock Index Benchmark <sup>15</sup>   | 4.89   | 19.21                                 | 15.55          |
| Non-U.S. Stock Index Portfolio   | (4.35) | 8.91                                  | 4.36           |
| MSCI ACWI x U.S. Index Benchmark <sup>16</sup>   | (3.87) | 8.99                                  | 4.43           |

Please find complete footnotes on page 125.




**Footnotes for Schedule of Investment Results—Defined Contribution Portfolio**

The footnotes below provide definitions for the asset class composite benchmark indices as of December 31, 2014:

- <sup>1</sup> **Target Payout Fund Index**—Blend was 25% Barclays Government 1-3 Year Index, 32% Barclays U.S. Aggregate, 10% Russell 1000, 5% Russell 2000, 15% MSCI ACWI x U.S., 13% Barclays U.S. TIPS.
- <sup>2</sup> **Target 2015 Fund Index**— Blend was 17% Barclays Government 1-3 Year Index, 35% Barclays U.S. Aggregate, 11% Russell 1000, 7% Russell 2000, 18% MSCI ACWI x U.S., 12% Barclays U.S. TIPS.
- <sup>3</sup> **Target 2020 Fund Index**— Blend was 3% Barclays Government 1-3 Year Index, 38% Barclays U.S. Aggregate, 14% Russell 1000, 12% Russell 2000, 26% MSCI ACWI x U.S., 7% Barclays U.S. TIPS.
- <sup>4</sup> **Target 2025 Fund Index**— Blend was 28% Barclays U.S. Aggregate, 18% Russell 1000, 16% Russell 2000, 35% MSCI ACWI x U.S., 2% Barclays U.S. Government/Credit, 1% Barclays U.S. TIPS.
- <sup>5</sup> **Target 2030 Fund Index**— Blend was 14% Barclays U.S. Aggregate, 21% Russell 1000, 19% Russell 2000, 40% MSCI ACWI x U.S., 6% Barclays U.S. Government/Credit.
- <sup>6</sup> **Target 2035 Fund Index**— Blend was 9% Barclays U.S. Aggregate, 22% Russell 1000, 19% Russell 2000, 42% MSCI ACWI x U.S., 8% Barclays U.S. Government/Credit.
- <sup>7</sup> **Target 2040 Fund Index**— Blend was 7% Barclays U.S. Aggregate, 23% Russell 1000, 20% Russell 2000, 43% MSCI ACWI x U.S., 7% Barclays U.S. Government/Credit.
- <sup>8</sup> **Target 2045 Fund Index**— Blend was 6% Barclays U.S. Aggregate, 25% Russell 1000, 20% Russell 2000, 44% MSCI ACWI x U.S., 5% Barclays U.S. Government/Credit.
- <sup>9</sup> **Target 2050 Fund Index**— Blend was 5% Barclays U.S. Aggregate, 25% Russell 1000, 20% Russell 2000, 45% MSCI ACWI x U.S., 5% Barclays U.S. Government/Credit.
- <sup>10</sup> **Target 2055 Fund Index**— Blend was 5% Barclays U.S. Aggregate, 25% Russell 1000, 20% Russell 2000, 45% MSCI ACWI x U.S., 5% Barclays U.S. Government/Credit.
- <sup>11</sup> **Stable Value Index Benchmark**— Blend was 45% Barclays 1-5 Year Government/Credit Bond, 35% Barclays Intermediate Government/Credit, 15% Barclays Aggregate Index, 5% Bank of America Merrill Lynch 3-Month U.S. Treasury Bill.
- <sup>12</sup> **Barclays U.S. Aggregate Index Benchmark**—A market value weighted index consisting of Barclays Corporate, Government and Mortgage-Backed Indices. This index is the broadest available measure of the aggregate U.S. fixed income market.
- <sup>13</sup> **Russell 3000 Stock Index Benchmark**—A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.
- <sup>14</sup> **Russell 1000 Stock Index Benchmark**—A capitalization-weighted stock index consisting of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.
- <sup>15</sup> **Russell 2000 Stock Index Benchmark**—A capitalization-weighted stock index consisting of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.
- <sup>16</sup> **MSCI All Country World x U.S. Index (MSCI ACWI x U.S. Benchmark)**—A capitalization-weighted index of stocks representing 45 developed and emerging country markets, excluding the U.S. market.

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

The 10 largest indirect investments, measured as the market value of our investment in the securities of 10 companies with the largest employment presence in the state, totaled approximately \$0.8 billion. Employment presence is measured by the number of persons employed at a business located in Ohio, as defined by the Office of Strategic Research, Ohio Department of Development. Firms with the largest employment presence in Ohio employed approximately 200,000 people in Ohio.

|  <b>Top Ohio Holdings</b> (for the year ended December 31, 2014) |                      |  |                                     |                      |
|---|----------------------|--|-------------------------------------|----------------------|
| Direct  |                      | Indirect                               |                                     |                      |
| Largest Firms Headquartered In Ohio   | Fair Value           | Firms with Largest Employment Presence | Ohio Employment Estimated Headcount | Fair Value           |
| Procter & Gamble Co.  | \$180,852,454        | Wal-Mart Stores, Inc.                  | 49,700                              | \$103,085,800        |
| Kroger Co.  | 24,591,338           | Kroger Co.                             | 39,000                              | 24,591,338           |
| Keycorp   | 23,359,617           | JPMorgan Chase & Co.                   | 23,200                              | 181,522,427          |
| Sherwin-Williams Company  | 12,019,613           | General Electric Co.                   | 15,000                              | 189,978,647          |
| Cardinal Health Inc.  | 12,004,470           | Honda Motor Co., Ltd.                  | 13,700                              | 38,110,206           |
| DDR Corp.   | 9,298,404            | Procter & Gamble Co.                   | 13,300                              | 180,852,454          |
| Forest City Enterprises, Inc.   | 9,031,136            | United Parcel Service, Inc.            | 13,050                              | 56,972,068           |
| JM Smucker Co.  | 8,990,754            | Bob Evans Farms, Inc.                  | 12,300                              | 255,388              |
| DSW Inc.  | 7,717,743            | Sears Holdings Corp.                   | 10,500                              | 224,792              |
| Parker Hannifin Corp.   | 7,610,887            | L Brands Inc.                          | 10,200                              | 30,702,228           |
| <b>Total</b>  | <b>\$295,476,416</b> | <b>Total</b>                           | <b>199,950</b>                      | <b>\$806,295,348</b> |

The investment and fiduciary responsibilities of the Board are governed by ORC 145.11 and the requirements of the *OPERS Code of Ethics and Personal Trading Policy*, and applicable state statutes. The Board discharges its duties solely in the interest of participants and beneficiaries, for the exclusive purpose of providing benefits and defraying reasonable expenses of administering OPERS, with the care, skill and diligence of a prudent person, by diversifying the investments.

The Board reviews all policies and approves changes or additions as appropriate. The Investment staff fulfills the mandates and obligations described in the policies and recommends changes to the Board, as appropriate. The following policies reflect those in place for the 2014 fiscal year.

The Board manages the assets in a fashion that reflects the OPERS unique liabilities, funding resources, and portfolio size, by incorporating accepted investment theory and reliable, empirical evidence. The Board ensures adequate risk control of the Defined Benefit, Health Care, 115 Health Care Trust and Defined Contribution portfolios through diversification, portfolio guidelines, risk budgeting, compliance and monitoring. The purpose of the OPERS policies is to provide a broad strategic framework for managing portfolios. Approved Board asset class policies are summarized beginning on page 134 and are posted on the OPERS website, [www.OPERS.org](http://www.OPERS.org), where they can be viewed in their entirety.

## Rebalancing

No market is static and portfolios must be reviewed regularly to ensure holdings will continue to perform as expected. To ensure conformance with the asset allocation policies, the Defined Benefit, Defined Contribution, Health Care and 115 Health Care Trust portfolios are reviewed at least monthly for compliance with the target asset allocation percentages, specified by portfolio, reasonable costs and best interest of OPERS.

The Board establishes and reviews asset allocation targets and ranges and investment policies against the annual actuarial assessment of each portfolio. A comprehensive strategic asset allocation review is completed approximately every five years. The review helps to assess the continuing appropriateness of the asset allocation policy and could include an asset/liability study, required funding, actuarial interest rate assumption and funded status of liabilities. Additionally, the review may also include a study of portfolio design and comparisons with peers.

## Defined Benefit Investment Policies


### Investment Objective

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

### Asset Allocation and Performance Objectives

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

The Board sets target allocations (targets) to various asset classes that are designed to meet the OPERS long-term investment objectives. Targets for the Public Equity and Fixed Income asset classes are 39% and 23%, respectively, with the remaining 31%, 5% and 2% allocated to Alternatives, Risk Parity and Global Tactical Asset Allocation (GTAA), respectively. The Board also establishes a band of minimum and maximum allowable allocations, or ranges, surrounding each asset class target. The purpose of ranges is to appropriately and cost-effectively balance the Board's investment policy with the investment strategies pursued over shorter time periods. The table on the next page lists the Defined Benefit portfolio target allocations, ranges and performance benchmarks for each asset class.

|  <b>Defined Benefit Asset Allocation</b> |                    |                  |  |
|---|--------------------|------------------|--|
| Asset Class   | Target Allocation  | Range            | Benchmark Index  |
| <b>Public Equity</b>  | <b>39%</b>         | <b>31 to 47%</b> |  |
| U.S. Equity   | Custom Allocation* | +/- 5%           | Russell 3000 Stock Index   |
| Non-U.S. Equity   | Custom Allocation* | +/- 5            | Custom benchmark of the following indices:<br>55% MSCI World Index x U.S. Standard<br>10% MSCI World Index x U.S. Small Cap<br>31% MSCI Emerging Markets Standard<br>4% MSCI Emerging Markets Small Cap  |
| <b>Fixed Income</b>   | <b>23%</b>         | <b>16 to 30%</b> |  |
| Core Fixed  | 10                 | 7 to 13          | Custom benchmark using the market value-weight of the following indices:<br>Barclays Capital Aggregate Index<br>Barclays Capital Aggregate Index weightings with a maximum allocation to treasuries and government-related issues of 25% with corresponding pro-rata increases to the credit and securitized sectors |
| High Yield  | 3                  | 0 to 5           | Barclays Capital U.S. Corporate High Yield Index   |
| Emerging Markets Debt   | 6                  | 2 to 8           | Custom benchmark of the following indices:<br>50% JP Morgan Emerging Markets Bond Index Global<br>50% JP Morgan Government Bond Index-Emerging Markets Global Diversified  |
| Global High Yield   | 1                  | 0 to 2           | Barclays Global High Yield Index   |
| Securitized Debt  | 1                  | 0 to 2           | CMBS component of Barclays U.S. Aggregate Index plus 200 bps   |
| Floating Rate Debt  | 1                  | 0 to 2           | Credit Suisse Leveraged Loan Index   |
| Internal Credit   | 1                  | 0 to 2           | Barclays U.S. TIPS Index   |
| <b>Alternatives</b>   | <b>31%</b>         | <b>22 to 40%</b> |  |
| Private Equity  | 10                 | 0 to 14          | Custom benchmark of the following indices:<br>60% Russell 3000 Index<br>40% MSCI ACWI x U.S. IMI<br>plus 300 basis points  |
| Real Estate   | 10                 | 0 to 14          | Net NFI-ODCE plus 85 basis points  |
| Hedge Funds   | 8                  | 0 to 12          | Custom benchmark using the HFRI Single Strategy Indices weighted by the target allocations listed in the Hedge Funds Policy  |
| Opportunistic   | 2                  | 0 to 4           | Market weight of underlying portfolio benchmarks   |
| Commodities   | 1                  | 0 to 2           | S&P Goldman Sachs Commodity Return Index   |
| <b>Risk Parity</b>  | <b>5%</b>          | <b>0 to 8%</b>   | Market value weight of underlying portfolio benchmarks   |
| <b>GTAA</b>   | <b>2%</b>          | <b>0 to 4%</b>   | Market value weight of underlying portfolio benchmarks   |
| <b>Operating Cash</b>   | <b>0%</b>          | <b>0 to 3%</b>   | N/A  |
| <b>Total</b>  | <b>100%</b>        |                  |  |

\* U.S. to Non-U.S. equity ratio is reset quarterly based on the MSCI ACWI—Investable Market Index U.S. to Non-U.S. ratio.


## Health Care Investment Policies

### Investment Objective

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

### Asset Allocation and Performance Objectives

The approved asset allocation policy establishes a framework that has a high likelihood of realizing the long-term investment objective. The Health Care portfolio performance objective is to exceed the established performance benchmark, net of investment expenses. The table below sets forth targets, ranges and performance benchmarks for each asset class:

|  <b>Health Care Asset Allocation</b> |                    |                  |  |
|---|--------------------|------------------|--|
| Asset Class   | Target Allocation  | Range            | Benchmark Index  |
| <b>Public Equity</b>  | <b>43.0%</b>       | <b>34 to 52%</b> |  |
| U.S. Equity   | Custom Allocation* | +/- 5%           | Russell 3000 Stock Index   |
| Non-U.S. Equity   | Custom Allocation* | +/- 5            | Custom benchmark of the following indices:<br>55% MSCI World Index x U.S. Standard<br>10% MSCI World Index x U.S. Small Cap<br>31% MSCI Emerging Markets Standard<br>4% MSCI Emerging Markets Small Cap  |
| <b>Fixed Income</b>   | <b>34.0%</b>       | <b>24 to 44%</b> |  |
| Core Fixed  | 17.0               | 12 to 22         | Custom benchmark using the market value-weight of the following indices:<br>Barclays Capital Aggregate Index<br>Barclays Capital Aggregate Index weightings with a maximum allocation to treasuries and government-related issues of 25% with corresponding pro-rata increases to the credit and securitized sectors |
| Emerging Markets Debt   | 6.0                | 2 to 8           | Custom benchmark of the following indices:<br>50% JP Morgan Emerging Markets Bond Index Global<br>50% JP Morgan Government Bond Index-Emerging Markets Global Diversified  |
| TIPS  | 5.0                | 2 to 8           | Barclays U.S. TIPS Index   |
| High Yield  | 2.5                | 0 to 5           | Barclays U.S. High Yield Index   |
| Global High Yield   | 1.5                | 0 to 4           | Barclays Global High Yield Index   |
| Securitized Debt  | 1.0                | 0 to 2           | CMBS component of Barclays U.S. Aggregate Index plus 200 bps   |
| Floating Rate Debt  | 1.0                | 0 to 2           | Credit Suisse Leveraged Loan Index   |
| <b>Alternatives</b>   | <b>16.0%</b>       | <b>11 to 21%</b> |  |
| REITs   | 6.0                | 2 to 10          | Dow Jones U.S. Select RESI   |
| Hedge Funds   | 6.0                | 2 to 10          | Custom benchmark using the HFRI single strategy indices weighted by the target allocations listed in the Hedge Funds Policy  |
| Opportunistic   | 2.0                | 0 to 4           | Market weight of underlying portfolio benchmarks   |
| Commodities   | 2.0                | 0 to 4           | S&P Goldman Sachs Commodity Index Total Return Index   |
| <b>Risk Parity</b>  | <b>5.0%</b>        | <b>2 to 8%</b>   | Market weight of underlying portfolio benchmarks   |
| <b>GTAA</b>   | <b>2.0%</b>        | <b>0 to 4%</b>   | Market weight of underlying portfolio benchmarks   |
| <b>Operating Cash</b>   | <b>N/A</b>         | <b>0 to 3%</b>   | N/A  |
| <b>Total</b>  | <b>100.0%</b>      |                  |  |

\* U.S. to Non-U.S. equity ratio is reset quarterly based on the MSCI ACWI—Investable Market Index U.S. to Non-U.S. ratio.


## 115 Health Care Trust Investment Policies

### Investment Objective

The primary objective of the 115 Health Care Trust portfolio is to provide discretionary health care coverage for eligible members over a solvency period as defined by the Board from time to time. The assets of the 115 Health Care Trust portfolio are invested with the objectives of: a) preservation of capital, and b) earning a reasonable return.

### Asset Allocation and Performance Objectives

The approved asset allocation policy establishes a framework that has a high likelihood of realizing the long-term investment objective. The 115 Health Care Trust portfolio performance objective is to exceed the performance benchmark net of investment expenses. The table below sets forth targets, ranges and performance benchmarks for each asset class.

|  <b>115 Health Care Trust Asset Allocation</b> |                    |                  |  |
|---|--------------------|------------------|--|
| Asset Class   | Target Allocation  | Range            | Benchmark Index  |
| <b>Public Equity</b>  | <b>43.0%</b>       | <b>34 to 52%</b> |  |
| U.S. Equity   | Custom Allocation* | +/- 5%           | Russell 3000 Stock Index   |
| Non-U.S. Equity   | Custom Allocation* | +/- 5            | Custom benchmark of the following indices:<br>55% MSCI World Index x U.S. Standard<br>10% MSCI World Index x U.S. Small Cap<br>31% MSCI Emerging Markets Standard<br>4% MSCI Emerging Markets Small Cap  |
| <b>Fixed Income</b>   | <b>34.0%</b>       | <b>24 to 44%</b> |  |
| Core Fixed  | 17.0               | 12 to 22         | Custom benchmark using the market value-weight of the following indices:<br>Barclays Capital Aggregate Index<br>Barclays Capital Aggregate Index weightings with a maximum allocation to treasuries and government-related issues of 25% with corresponding pro-rata increases to the credit and securitized sectors |
| Emerging Markets Debt   | 6.0                | 2 to 8           | Custom benchmark of the following indices:<br>50% JP Morgan Emerging Markets Bond Index Global<br>50% JP Morgan Government Bond Index-Emerging Markets Global Diversified  |
| TIPS  | 5.0                | 2 to 8           | Barclays U.S TIPS Index  |
| High Yield  | 2.5                | 0 to 5           | Barclays U.S. High Yield Index   |
| Global High Yield   | 1.5                | 0 to 4           | Barclays Global High Yield Index   |
| Securitized Debt  | 1.0                | 0 to 2           | CMBS component of Barclays U.S. Aggregate Index plus 200 bps   |
| Floating Rate Debt  | 1.0                | 0 to 2           | Credit Suisse Leveraged Loan Index   |
| <b>Alternatives</b>   | <b>16.0%</b>       | <b>11 to 21%</b> |  |
| REITs   | 6.0                | 2 to 10          | Dow Jones U.S. Select RESI   |
| Hedge Funds   | 6.0                | 2 to 10          | Custom benchmark using the HFRI single strategy indices weighted by the target allocations listed in the Hedge Funds Policy  |
| Opportunistic   | 2.0                | 0 to 4           | Market weight of underlying portfolio benchmarks   |
| Commodities   | 2.0                | 0 to 4           | S&P Goldman Sachs Commodity Index Total Return Index   |
| <b>Risk Parity</b>  | <b>5.0%</b>        | <b>2 to 8%</b>   | Market weight of underlying portfolio benchmarks   |
| <b>GTAA</b>   | <b>2.0%</b>        | <b>0 to 4%</b>   | Market weight of underlying portfolio benchmarks   |
| <b>Operating Cash</b>   | <b>N/A</b>         | <b>0 to 3%</b>   | N/A  |
| <b>Total</b>  | <b>100.0%</b>      |                  |  |

\* U.S. to Non-U.S. equity ratio is reset quarterly based on the MSCI ACWI—Investable Market Index U.S. to Non-U.S. ratio.

**Defined Contribution Investment Policies****Investment Objective**


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


**Asset Allocation**

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

• Target Date Funds

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

|  <b>Defined Contribution Asset Allocation</b> |                         |         |        |         |        |         |        |         |        |         |
|--|-------------------------|---------|--------|---------|--------|---------|--------|---------|--------|---------|
| OPERS Investment Fund  | OPERS Target Date Funds |         |        |         |        |         |        |         |        |         |
|  | Payout                  |         | 2015   |         | 2020   |         | 2025   |         | 2030   |         |
|  | Target                  | Range   | Target | Range   | Target | Range   | Target | Range   | Target | Range   |
| Large Cap Index Fund   | 10.0%                   | +/-1.3% | 11.0%  | +/-1.4% | 14.0%  | +/-1.7% | 18.0%  | +/-1.9% | 21.0%  | +/-2.1% |
| Small Cap Index Fund   | 5.0                     | +/-1.7  | 7.0    | +/-1.8  | 12.0   | +/-2.1  | 16.0   | +/-2.4  | 19.0   | +/-2.6  |
| Non-U.S. Stock Index Fund  | 15.0                    | +/-2.2  | 18.0   | +/-2.4  | 26.0   | +/-2.6  | 35.0   | +/-2.8  | 40.0   | +/-2.8  |
| Bond Index Fund  | 32.0                    | +/-4.0  | 35.0   | +/-4.1  | 38.0   | +/-2.7  | 28.0   | +/-2.4  | 14.0   | +/-2.4  |
| Short-Term Bond Fund   | 25.0                    | +/-3.7  | 17.0   | +/-2.1  | 3.0    | +/-0.5  | 0.0    | +/-0.0  | 0.0    | +/-0.0  |
| Long-Duration Bond Fund  | 0.0                     | +/-0.0  | 0.0    | +/-0.0  | 0.0    | +/-0.0  | 2.0    | +/-1.5  | 6.0    | +/-1.4  |
| TIPS Fund  | 13.0                    | +/-3.4  | 12.0   | +/-3.5  | 7.0    | +/-0.5  | 1.0    | +/-0.5  | 0.0    | +/-0.0  |

|  <b>Defined Contribution Asset Allocation</b> (continued) |                         |         |        |         |        |         |        |         |        |         |
|---|-------------------------|---------|--------|---------|--------|---------|--------|---------|--------|---------|
| OPERS Investment Fund   | OPERS Target Date Funds |         |        |         |        |         |        |         |        |         |
|   | 2035                    |         | 2040   |         | 2045   |         | 2050   |         | 2055   |         |
|   | Target                  | Range   | Target | Range   | Target | Range   | Target | Range   | Target | Range   |
| Large Cap Index Fund  | 22.0%                   | +/-2.1% | 23.0%  | +/-2.2% | 25.0%  | +/-2.3% | 25.0%  | +/-2.3% | 25.0%  | +/-2.3% |
| Small Cap Index Fund  | 19.0                    | +/-2.7  | 20.0   | +/-2.7  | 20.0   | +/-2.8  | 20.0   | +/-2.8  | 20.0   | +/-2.8  |
| Non-U.S. Stock Index Fund   | 42.0                    | +/-2.9  | 43.0   | +/-3.0  | 44.0   | +/-3.1  | 45.0   | +/-3.1  | 45.0   | +/-3.1  |
| Bond Index Fund   | 9.0                     | +/-2.3  | 7.0    | +/-2.2  | 6.0    | +/-2.1  | 5.0    | +/-2.1  | 5.0    | +/-2.1  |
| Short-Term Bond Fund  | 0.0                     | +/-0.0  | 0.0    | +/-0.0  | 0.0    | +/-0.0  | 0.0    | +/-0.0  | 0.0    | +/-0.0  |
| Long-Duration Bond Fund   | 8.0                     | +/-1.3  | 7.0    | +/-1.3  | 5.0    | +/-1.2  | 5.0    | +/-1.2  | 5.0    | +/-1.2  |
| TIPS Fund   | 0.0                     | +/-0.0  | 0.0    | +/-0.0  | 0.0    | +/-0.0  | 0.0    | +/-0.0  | 0.0    | +/-0.0  |



• **OPERS Funds**

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

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

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

• **OPERS Self-Directed Brokerage Account**

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

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

**Rebalancing**

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

**Performance Objectives and Risk Management**

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

The Defined Contribution Fund Investment Options offer diversification to minimize the impact of loss from individual positions. In addition to diversification, the program is passively managed for the OPERS target date funds and OPERS funds. The OPERS Self-Directed Brokerage Account offers participants a broad range of mutual fund choices, that are self-selected and subject to the program parameters.

**Fixed Income**

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

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

**Public Equities (Domestic and International)**

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

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

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

| Asset Class     | Benchmark   | Tracking Error Range |
|-----------------|---|----------------------|
| U.S. Equity     | Russell 3000 Index  | 0 - 100 basis points |
| Non-U.S. Equity | Custom benchmark of the following indices:<br>55% MSCI World Index x U.S. Standard<br>10% MSCI World Index x U.S. Small Cap<br>31% MSCI Emerging Markets Standard<br>4% MSCI Emerging Markets Small Cap | 0 - 300 basis points |

**Real Estate**

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

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

The Private Market Real Estate program has a single-manager exposure limited to 20% of the Private Market Real Estate program. The long-term goal is to have at least 80% of the Private Market Real Estate portfolio invested in apartment, industrial, office and retail assets. Investments outside the United States will be limited to no more than 25% of the Private Market Real Estate portfolio. OPERS limits the amount of equity in any single direct investment to 15% of the Private Market Real Estate target allocation. Single closed-end commingled funds are limited to the greater of \$400 million or 5% of the Private Market Real Estate target allocation. Single open-end commingled funds are limited to 10% of the Private Market Real Estate target allocation.

## Private Equity

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

The Private Equity program exclusively uses active management strategies and is 100% externally managed with single partnership exposure limited to the lesser of 24.99% of total fund raise or \$400 million. Risk is also managed beyond manager and firm exposure through a combination of quantitative and qualitative constraints for liquidity, vintage, currency, industry, leverage and geography.

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

## Cash Management

Cash Management actively seeks to preserve principal, provide adequate liquidity and achieve market returns in excess of the benchmark, net of fees. Cash management involves actively investing cash and securities, and lending cash collateral relative to the respective benchmarks of each portfolio within established risk parameters. Interest rate, credit and liquidity risk are managed through a combination of quantitative and qualitative constraints with the objective being to preserve principal, maintain liquidity, and provide a market rate of return.

## Derivatives

Derivatives may be used to facilitate cost-effective and timely investment and risk management as well as to provide for trading efficiency, and enhance or manage the risk/return profile of individual securities or portfolios. Derivatives can be used to assist in achieving investment goals within a particular investment strategy such as managing the overall asset allocation of a Fund or portfolio, including rebalancing activities, transitioning assets between managers, and equitizing or bondizing cash balances. In addition, they can be used to hedge or manage exposure to equity markets, commodities, currencies, duration, total return, yield or credit, interest rates, sectors, sub-sectors and/or countries, risk/return profiles of individual securities or portfolios.

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

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

| Asset Class                | Derivatives Limit |
|----------------------------|-------------------|
| <b>Public Equity</b>       |                   |
| U.S. Equity                | 25%               |
| Non-U.S. Equity            | 25                |
| <b>Public Fixed Income</b> |                   |
| Core Fixed                 | 25                |
| TIPS                       | 25                |
| High Yield                 | 25                |
| Global High Yield          | 25                |
| Emerging Markets Debt      | 25                |
| Floating Rate Debt         | 25                |
| Securitized Debt           | 25                |
| <b>Alternatives</b>        |                   |
| REITs                      | 10                |
| Commodities                | 100               |
| Opportunistic              | 100               |

### Hedge Funds

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

The performance objective for the Hedge Funds sub-asset class is a custom benchmark using the HFRI single-strategy indices, weighted by the target allocation. Risk is managed through a combination of quantitative and qualitative measures. The requirements for establishing appropriate risk metrics for each hedge fund include (1) providing risk parameter and performance reporting on a monthly basis, (2) seeking advice from legal counsel, the due diligence consultant and/or investment advisor to determine if audited financial statements are required based on the specific structure of each investment and (3) establishing position-level transparency targets for the Hedge Funds asset class. Hedge fund allocations are limited to \$400 million, or 10%, of the sub-asset class market value, whichever is greater for multi-asset managers; and, direct hedge fund managers are limited to \$200 million, or 7%, of the sub-asset class market value, whichever is greater.

## Securities Lending

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

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

## Commodities

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

## Opportunistic

Investments in the Opportunistic sub-asset class include investment strategies or assets that are not currently used in the respective Defined Benefit, Health Care or 115 Health Care Trust portfolios but which have the potential to improve investment results over time. Assets and strategies used in the Opportunistic program must have the potential to be mainstreamed into the investment program over time, or be opportunistic based on either valuation or circumstances.

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

The primary risk control mechanisms are the limited size of the opportunistic allocation and the limits on the size of single assets and strategies. No single investment strategy or portfolio assigned to the same benchmark within the Opportunistic sub-asset class may exceed 0.5% of the sum of the Defined Benefit, Health Care, or 115 Health Care Trust portfolio assets at the time of funding.

### Global Tactical Asset Allocation (GTAA)

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

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

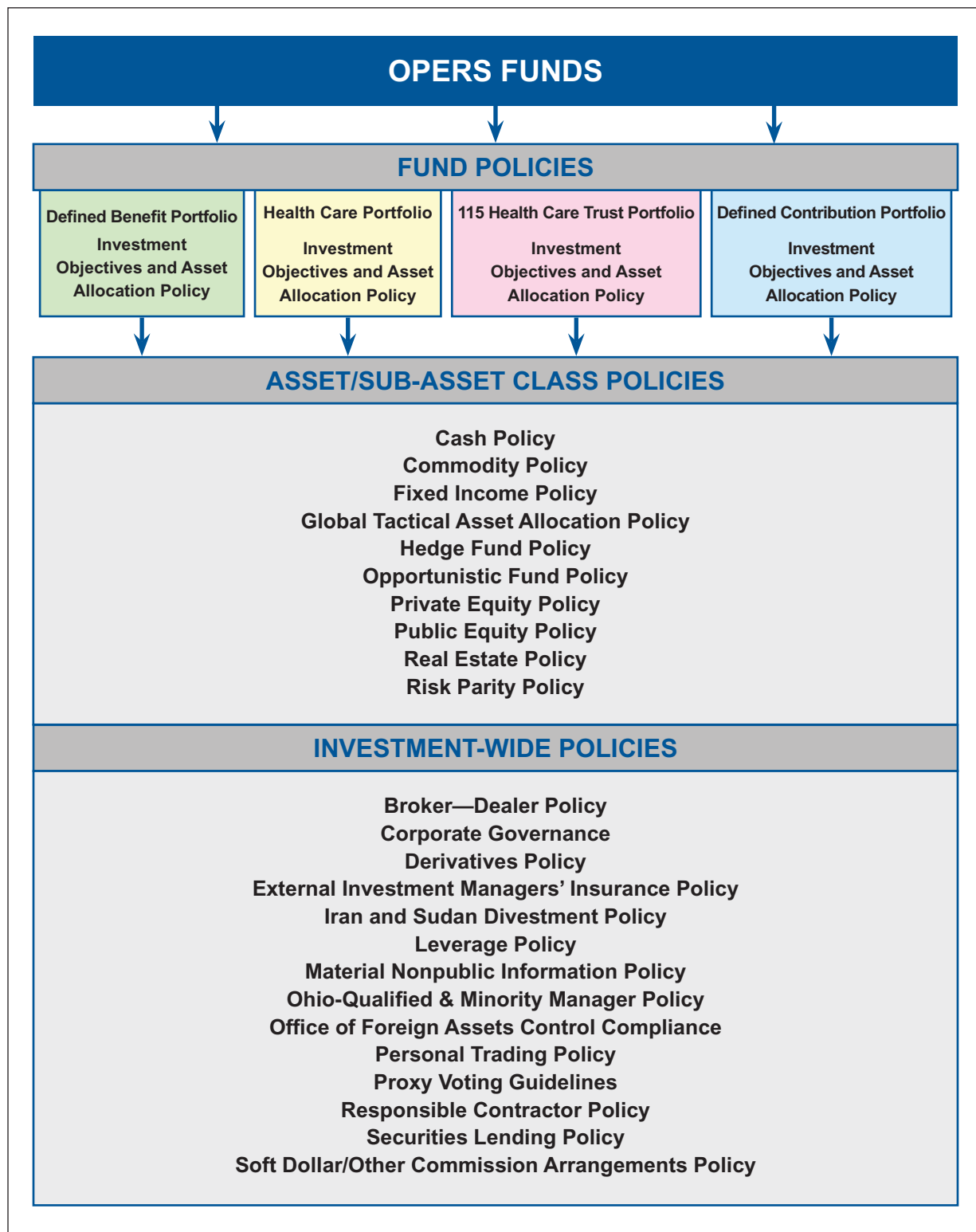
The overall benchmark for GTAA is the market value weight of the underlying managers' benchmarks. Risk is managed through a combination of quantitative and qualitative constraints. By allocating to multiple GTAA managers, concentration to any one manager is limited. Investment Advisors will help to identify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

### Risk Parity

Risk Parity seeks to diversify assets by obtaining exposure to global capital market assets in a risk-aware manner. This requires investing in multiple asset types and leveraging exposures to global markets in order to obtain the desired risk-aware mix. The Risk Parity allocation is structured to achieve roughly balanced risk exposure across equities, nominal fixed income, and inflation sensitive assets, targeting a total volatility level comparable to that of the Defined Benefit portfolio, the Health Care portfolio and the 115 Health Care Trust portfolio.

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

The following exhibit illustrates the structure and relationship of the 24 investment policies within the total System and its four investment portfolios.



This page intentionally left blank





## Supportable Growth

Trees do not grow beyond their ability to support themselves. During periods of stress, trees shed leaves, flowers, fruit and/or branches—they do this to survive, to preserve previous growth, and to bloom anew in another year.

In 2014, we were able to further measure, analyze, and forecast the positive impact produced by the ongoing implementation of pension reform legislation. Only by continuing assessment of actual past experience can OPERS anticipate and prepare for future liabilities. We are diligent in our analyses. We know that only through ongoing testing and adjusting can this System continue to keep the promise of providing a secure retirement to our members.

Modifications to adapt to environmental changes allows the System to be positioned for sustainable growth. For example, although health care is neither guaranteed nor mandated, we recognize the importance of providing meaningful health care for retirees. In 2012, analysis proved that the Health Care program would deplete all funding within 10 years if nothing were done. This was largely driven by increased life expectancy of our members and increasing health care costs. Working carefully and with extensive actuarial analysis, incremental changes were proposed and approved for the health care program. This thoughtful approach has resulted in a program that is expected to be sufficient to fund retiree health care benefits for current and future members based upon actuarial assumptions. Simply put, this means OPERS can provide meaningful access to health care, a discretionary program, well into the future—providing generational equity for future retirees.

*Note: This section is unaudited.*





Gabriel Roeder Smith & Company  
Consultants & Actuaries

One Towne Square  
Suite 800  
Southfield, MI 48076-3723

248.799.9000 phone  
248.799.9020 fax  
www.gabrielroeder.com

June 23, 2015

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

Dear Board Members:

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

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

This financial objective is addressed within the annual actuarial funding valuation of the defined benefit pension portion of OPERS. The purposes of the funding valuation are as follows:

- Measure the financial position of OPERS,
- Assist the Board in establishing employer and employee contribution rates necessary to fund the pension defined benefits provided by OPERS, and
- Determine the number of years required to amortize the unfunded actuarial accrued liabilities based upon established contribution rates.

The most recent funding valuation was completed based upon population data, asset data, and plan provisions as of December 31, 2014. A report containing the results of the funding valuation is produced annually, in some cases due to timing issues after the publication of the Comprehensive Annual Financial Report (CAFR).

In addition to the funding valuation report for the defined benefit pension plan, separate reports are issued to provide financial reporting information for OPERS in accordance with Governmental Accounting Standards Board (GASB) Statement Nos. 67 (pension benefits) and 43 (retiree health benefits). Reports containing the actuarial results of the financial reporting valuations are produced annually, in some cases after the publication of the CAFR. Financial reporting information has been produced based upon a measurement date of December 31, 2014 for GASB Statement No. 67 and December 31, 2013 for GASB Statement No. 43.

The Retirement Board  
June 23, 2015  
Page 2

The following schedules in the Actuarial Section and Financial Section of the CAFR were prepared based upon certain information presented in the previously mentioned funding and financial reporting valuation reports:

**Actuarial Section**

- Summary of Assumptions
- Schedules of Average Benefits Paid
- Actuarial Valuation Data
- Schedules of Funding Progress
- Short-Term Solvency Test
- Analysis of Financial Experience

**Financial Section**

- Net Pension Liability/(Asset)
- Key Methods and Assumptions Used in Valuation of Total Pension Liability
- Sensitivity of Net Pension Liability to Changes in the Discount Rate
- Funded Status of the Post-employment Health Care Plan
- Key Methods and Assumptions Used in Valuation of Health Care Liability
- Schedules of Changes in Net Pension Liability/(Asset)
- Schedules of Member and Employer Contributions
- Schedule of Funding Progress for Post-employment Health Care Plan

The individual member statistical data required for the valuations was furnished by OPERS, together with pertinent data on financial operations. The cooperation of OPERS in furnishing these materials is acknowledged with appreciation. We checked for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the data. Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed four-year period. For determining the Net Pension Liability (NPL) under GASB Statement No. 67, assets are valued on a market basis. The long term assumed rate of investment return on pension fund assets is 8.0%. Based upon the results of a projection performed in accordance with GASB Statement No. 67 parameters, the Single Discount Rate for purposes of discounting pension liabilities for pension financial reporting purposes is also 8.0%.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopted the actuarial assumptions after considering the advice of the actuary and other professionals. The assumptions and methods comply with relevant actuarial standards of practice. They also comply with the Board's funding policy. The December 31, 2014 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 2006-2010 period.

Gabriel Roeder Smith & Company

The Retirement Board  
June 23, 2015  
Page 3

The computed pension amortization period as of the December 31, 2014 annual valuation decreased to 21 years from the 24 years that had been reported in the prior year and the System is now 84% funded with respect to pension benefits. With respect to retiree health benefits, the implementation of Health Care Preservation Plan (HCPP) 3.0 has resulted in a program that is expected to be sufficient to fund retiree health care benefits for current and future members based upon the actuarial assumptions.

Based upon the results of the December 31, 2014 valuations, we are pleased to report to the Board that the Public Employees Retirement System of Ohio is meeting its basic financial objective and continues to operate in accordance with the actuarial principles of level percent of payroll financing.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

Readers desiring a more complete understanding of the actuarial condition of OPERS are encouraged to obtain and read the complete valuation reports. The material in the Actuarial Section and Financial Section of this CAFR contains some, but not all of, the information in the valuation reports.

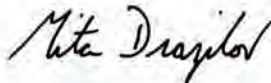
Brian B. Murphy and Mita D. Drazilov are Members of the American Academy of Actuaries and are independent of the plan sponsor and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,



Brian B. Murphy, FSA, MAAA

BBM/MDD:rmn



Mita D. Drazilov, ASA, MAAA

Gabriel Roeder Smith & Company

The defined benefit pension actuarial information presented in this *2014 Comprehensive Annual Financial Report* (CAFR) is based on the System's most current actuarial valuation data as of December 31, 2014. In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67): *Financial Reporting for Pension Plans*, this is the first year OPERS is reporting actuarial results of pensions as of the current year. Previously, the valuation results were presented a year in arrears. The Financial Section of the CAFR presents actuarial valuation information on a financial reporting basis as required by GASB 67. This section presents actuarial valuation information on a funding basis, and has been updated to reflect pension funding results as of December 31, 2014 and 2013. The actuarial assumptions in this section are applicable to both 2014 and 2013, unless otherwise noted.

The calculation method defined in GASB 67 requires different methods and may require different assumptions than are used to calculate the funded status of a plan. For example, GASB 67 requires the use of the market value of assets versus the smoothed value of assets used for the funding valuation, as reflected in the Financial Section on page 72. However, the information included in this section is reflected on an actuarial basis rather than market. Therefore, the GASB 67 net pension liability results will differ from the unfunded actuarial accrued liability results provided in the Schedules of Funding Progress included in this section, beginning on page 158. The new accounting and reporting standard breaks the link between accounting and funding. These changes affect the accounting information disclosed in the Notes to Combining Financial Statements and Required Supplementary Information, both included in the Financial Section. However, the changes do not impact the actuarial methods and assumptions used by OPERS to determine the employer contributions needed to fund the plan. The assumptions disclosed in this section were used for both the funding and financial reporting valuations, unless otherwise noted and reported in this section.

OPERS conducts experience studies every five years in accordance with Ohio Revised Code Section 145.22. The actuary conducted an experience study for the five-year period ended December 31, 2010. Following this experience study, and after consulting with the actuary, the Board of Trustees approved and adopted the methods and assumptions as disclosed in this section in 2011. These methods and assumptions apply to both the Traditional Pension Plan and the Combined Plan.

In September 2012, the Ohio legislature approved changes to the pension plans. These changes are summarized starting on page 218 in the Plan Statement. These changes, while subject to transition, modified the age-and-service eligibility requirements, final average salary and other plan components. The impact of these changes was included beginning with the 2012 actuarial valuation results presented in this section.

## Funding Method

An individual entry-age actuarial cost method of valuation is used in determining benefit liabilities and normal cost under both the funding valuations included in this section and the financial reporting valuation done under GASB 67 included in the Financial Section. Differences between assumed and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities. For funding valuation purposes, unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percent of payroll contributions.

## Economic Assumptions

The following economic assumptions were used by the actuary:

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

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

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

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

| Percent Separating Within Next Year—Death or Disability |                  |               |       |            |       |       |       |                                 |       |
|---|------------------|---------------|-------|------------|-------|-------|-------|---------------------------------|-------|
| Sample Ages   | Years of Service | Death         |       | Disability |       |       |       |                                 |       |
|   |                  | All Divisions |       | State      |       | Local |       | Public Safety & Law Enforcement |       |
|   |                  | Men           | Women | Men        | Women | Men   | Women | Men                             | Women |
| 25  | 5 & over         | 0.03%         | 0.01% | 0.12%      | 0.12% | 0.11% | 0.10% | 0.21%                           | 0.34% |
| 35  | 5 & over         | 0.07          | 0.03  | 0.26       | 0.26  | 0.23  | 0.17  | 0.65                            | 0.88  |
| 45  | 5 & over         | 0.14          | 0.06  | 0.58       | 0.58  | 0.50  | 0.36  | 1.01                            | 1.60  |
| 55  | 5 & over         | 0.33          | 0.17  | 1.10       | 1.10  | 1.08  | 0.79  | 2.37                            | 2.92  |
| 60  | 5 & over         | 0.61          | 0.34  | 1.78       | 1.78  | 1.24  | 1.09  | 3.01                            | 3.44  |

The turnover probabilities in the above tables estimate the number of active members who will separate from employment based on the criteria of age, gender, and years of service. These members may be eligible for a refund of their account or an annuity benefit depending on the nature

of the separation. The method of distribution and the resulting liabilities are calculated for this population based on the following assumptions:

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

### Asset Valuation Method

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

### Valuation Data

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

### Decrement Assumptions

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

- **Mortality**—The tables used in evaluating age-and-service and survivor benefit allowances to be paid were based on the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the Combined Healthy Male Mortality rates were used. For females, 100% of the Combined Healthy Female Mortality rates were used. The mortality rates used in evaluating disability allowances were based upon the RP-2000 mortality table with no projection. For males, 120% of the Disabled Female Mortality rates were used, set forward two years. For females, 100% of the Disabled Female Mortality rates were used.
- **Retirement**—Probabilities of age-and-service retirement applicable to members eligible to retire are as shown in the schedules on pages 149-153.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343, or who will be eligible to retire no later than five years after January 7, 2013 comprise transition group A. Members who have 20 years of service credit prior to January 7, 2013 or who will be eligible to retire not later than 10 years after January 7, 2013 are included in transition group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. See pages 219-220 of the Plan Statement for additional information.



 Percent of Eligible Active Members Retiring Within Next Year

**With Unreduced Age-and-Service Retirement Benefits**

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

**Transition Group A**

- **State and Local**—30 years of service at any age; five years of service at age 65:
  - > A service-based probability is used for members who attain 30 years of service prior to age 65;
  - > An age-based probability is used for members who attain 30 years of service on or after age 65.
- **Public Safety**—25 years of service and attained the age of 52; 15 years of service at age 62.
- **Law Enforcement**—25 years of service and attained the age of 48; 15 years of service at age 62.

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

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

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

**Transition Group B**

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

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

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

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

**Transition Group C**

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

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

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

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

 **Percent of Eligible Active Members Retiring Within Next Year**

**With Reduced Age-and-Service Retirement Benefits**

**Transition Group A**

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

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

**Transition Group B**

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

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

Transition Group C

Members in the State and Local divisions who have a minimum of 25 years of total service credit and who have attained the age of 57 and members with five years of service who have attained age 62 may retire with a reduced benefit. Members in the Public Safety division who have a minimum of 25 years of service and who have attained age 52 and members with 15 years of service who have attained age 56 may retire with a reduced benefit. Members in the Law Enforcement division who have a minimum of 25 years of service and who have attained age 48 and members with 15 years of service who have attained age 56 may also retire with a reduced benefit.

| Retirement Age | State |       | Local |       | Public Safety | Law Enforcement |
|----------------|-------|-------|-------|-------|---------------|-----------------|
|                | Men   | Women | Men   | Women |               |                 |
| 48-51          | N/A   | N/A   | N/A   | N/A   | N/A           | 8%              |
| 52-55          | N/A   | N/A   | N/A   | N/A   | 8%            | N/A             |
| 57-60          | 10%   | 10%   | 9%    | 11%   | N/A           | N/A             |
| 61             | 10    | 11    | 9     | 11    | N/A           | N/A             |
| 62             | 10    | 12    | 9     | 11    | N/A           | N/A             |
| 63             | 10    | 13    | 9     | 12    | N/A           | N/A             |
| 64             | 15    | 15    | 13    | 13    | N/A           | N/A             |
| 65             | 15    | 15    | 14    | 14    | N/A           | N/A             |
| 66             | 15    | 15    | 12    | 15    | N/A           | N/A             |

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

| Average Defined Benefits Paid OPERS Retirees |                           |                               |                              |                               | Traditional Pension Plan      |                                   |
|--|---------------------------|-------------------------------|------------------------------|-------------------------------|-------------------------------|-----------------------------------|
| Year   | Average Age at Retirement | Average Service at Retirement | Average Final Average Salary | Average Pension at Retirement | Average Age on Valuation Date | Average Pension on Valuation Date |
| 2014   | 57.6                      | 22.8                          | \$39,749                     | \$19,686                      | 69.7                          | \$24,849                          |
| 2013   | 57.4                      | 22.8                          | 38,760                       | 19,299                        | 69.5                          | 24,220                            |
| 2012   | 57.4                      | 22.7                          | 37,741                       | 18,832                        | 69.3                          | 23,468                            |
| 2011   | 57.3                      | 22.6                          | 36,549                       | 18,221                        | 69.3                          | 22,614                            |
| 2010   | 57.2                      | 22.4                          | 35,025                       | 17,380                        | 69.3                          | 21,600                            |
| 2009   | 57.2                      | 22.2                          | 33,808                       | 16,725                        | 69.3                          | 20,731                            |
| 2008   | 57.2                      | 22.0                          | 32,401                       | 15,942                        | 69.4                          | 19,751                            |
| 2007   | 57.2                      | 21.9                          | 31,214                       | 15,318                        | 69.4                          | 18,917                            |
| 2006   | 57.3                      | 21.7                          | 29,974                       | 14,711                        | 69.4                          | 18,096                            |
| 2005   | 57.3                      | 21.5                          | 28,817                       | 14,131                        | 69.5                          | 17,322                            |

| Average Defined Benefits Paid OPERS Retirees |                           |                               |                              |                               | Combined Plan*                |                                   |
|--|---------------------------|-------------------------------|------------------------------|-------------------------------|-------------------------------|-----------------------------------|
| Year   | Average Age at Retirement | Average Service at Retirement | Average Final Average Salary | Average Pension at Retirement | Average Age on Valuation Date | Average Pension on Valuation Date |
| 2014   | 64.7                      | 9.7                           | \$44,349                     | \$3,284                       | 66.8                          | \$3,421                           |
| 2013   | 64.9                      | 8.7                           | 43,403                       | 2,839                         | 67.0                          | 2,962                             |
| 2012   | 64.2                      | 8.5                           | 45,218                       | 2,785                         | 66.2                          | 2,891                             |
| 2011   | 64.2                      | 7.9                           | 49,751                       | 2,757                         | 66.0                          | 2,828                             |
| 2010   | 64.3                      | 7.9                           | 40,548                       | 2,158                         | 65.9                          | 2,219                             |
| 2009   | 65.0                      | 7.6                           | 35,139                       | 1,590                         | 66.6                          | 1,635                             |
| 2008   | 64.0                      | 7.4                           | 29,454                       | 1,239                         | 64.8                          | 1,260                             |
| 2007   | 61.1                      | 4.8                           | 43,743                       | 1,620                         | 62.0                          | 1,644                             |
| 2006   | 62.1                      | 3.8                           | 50,116                       | 1,656                         | 62.3                          | 1,656                             |

\* Plan inception January 1, 2003; first eligible retiree in 2006.

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

| Actuarial Valuation Data |                           |                  | Traditional Pension Plan |                              |             |                                 |               |                                |                   |
|--------------------------|---------------------------|------------------|--------------------------|------------------------------|-------------|---------------------------------|---------------|--------------------------------|-------------------|
| Valuation Year           | Participating Employers** | Employer Units** | Active Members           |                              |             |                                 | Retired Lives |                                |                   |
|                          |                           |                  | Number                   | Annual Payroll (\$ millions) | Average Pay | Percent Increase in Average Pay | Number*       | Annual Allowance (\$ millions) | Average Allowance |
| 2014                     | 3,251                     | 3,692            | 322,318                  | \$12,140                     | \$38,161    | 3.41%                           | 208,395       | \$5,085                        | \$24,401          |
| 2013                     | 3,260                     | 3,718            | 325,181                  | 12,000                       | 36,903      | 1.29                            | 201,841       | 4,803                          | 23,796            |
| 2012                     | 3,264                     | 3,702            | 326,227                  | 11,885                       | 36,432      | (1.08)                          | 195,622       | 4,523                          | 23,121            |
| 2011                     | 3,248                     | 3,695            | 328,640                  | 12,103                       | 36,828      | 1.27                            | 189,753       | 4,232                          | 22,303            |
| 2010                     | 3,245                     | 3,699            | 334,507                  | 12,165                       | 36,367      | 1.15                            | 181,433       | 3,868                          | 21,319            |
| 2009                     | 3,264                     | 3,714            | 341,777                  | 12,290                       | 35,953      | 0.29                            | 174,637       | 3,576                          | 20,477            |
| 2008                     | 3,275                     | 3,724            | 349,969                  | 12,546                       | 35,849      | 3.87                            | 169,000       | 3,300                          | 19,525            |
| 2007                     | 3,270                     | 3,714            | 357,743                  | 12,347                       | 34,514      | 2.76                            | 163,505       | 3,063                          | 18,731            |
| 2006                     | 3,263                     | 3,707            | 356,430                  | 11,971                       | 33,586      | 2.12                            | 159,039       | 2,852                          | 17,934            |
| 2005                     | 3,259                     | 3,712            | 353,708                  | 11,633                       | 32,890      | 2.00                            | 153,935       | 2,645                          | 17,186            |

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

\*\*The number of employer units exceeds the number of reporting or participating employers as some employers report multiple divisions or agencies. The employer unit count also includes private-sector employers that have assumed privatized functions from public employers for indeterminate periods. The number of participating employers is included to comply with GASB 67 requirements for presentation of a primary government and its component units as one employer.

| Actuarial Valuation Data |                           |                  | Combined Plan  |                              |             |                                 |               |                                |                   |
|--------------------------|---------------------------|------------------|----------------|------------------------------|-------------|---------------------------------|---------------|--------------------------------|-------------------|
| Valuation Year           | Participating Employers** | Employer Units** | Active Members |                              |             |                                 | Retired Lives |                                |                   |
|                          |                           |                  | Number         | Annual Payroll (\$ millions) | Average Pay | Percent Increase in Average Pay | Number*       | Annual Allowance (\$ millions) | Average Allowance |
| 2014                     | 3,251                     | 3,692            | 7,455          | \$346                        | \$47,485    | 3.85%                           | 158           | \$1                            | \$3,421           |
| 2013                     | 3,260                     | 3,718            | 7,239          | 331                          | 45,725      | 2.82                            | 100           | 0                              | 2,962             |
| 2012                     | 3,264                     | 3,702            | 6,948          | 309                          | 44,473      | 0.88                            | 57            | 0                              | 2,891             |
| 2011                     | 3,248                     | 3,695            | 6,714          | 296                          | 44,087      | 3.13                            | 36            | 0                              | 2,828             |
| 2010                     | 3,245                     | 3,699            | 6,667          | 284                          | 42,748      | 4.56                            | 20            | 0                              | 2,219             |
| 2009                     | 3,264                     | 3,714            | 6,335          | 258                          | 40,884      | 2.91                            | 8             | 0                              | 1,635             |
| 2008                     | 3,275                     | 3,724            | 6,419          | 255                          | 39,726      | 6.60                            | 7             | 0                              | 1,260             |
| 2007                     | 3,270                     | 3,714            | 6,333          | 236                          | 37,265      | 4.12                            | 2             | 0                              | 1,693             |
| 2006                     | 3,263                     | 3,707            | 5,700          | 205                          | 35,789      | 4.82                            | 1             | 0                              | 1,505             |
| 2005                     | 3,259                     | 3,712            | 5,096          | 174                          | 34,144      | 7.99                            | N/A           | N/A                            | N/A               |

\*The number of Retired Lives represents an individual count of retirees and beneficiaries receiving an age-and-service benefit. Plan inception January 1, 2003; first eligible retiree in 2006.

\*\*The number of employer units exceeds the number of reporting or participating employers as some employers report multiple divisions or agencies. The employer unit count also includes private-sector employers that have assumed privatized functions from public employers for indeterminate periods. The number of participating employers is included to comply with GASB 67 requirements for presentation of a primary government and its component units as one employer.

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

| Actuarial Valuation Data |                      |                                |                   | Purchased Annuities |                                |                   |
|--------------------------|----------------------|--------------------------------|-------------------|---------------------|--------------------------------|-------------------|
| Valuation Year           | Member-Directed Plan |                                |                   | Combined Plan       |                                |                   |
|                          | Number*              | Annual Allowance (\$ millions) | Average Allowance | Number*             | Annual Allowance (\$ millions) | Average Allowance |
| 2014                     | 155                  | \$1                            | \$4,305           | 101                 | \$0                            | \$3,257           |
| 2013                     | 131                  | 1                              | 4,146             | 64                  | 0                              | 3,248             |
| 2012                     | 62                   | 0                              | 3,516             | 38                  | 0                              | 2,922             |
| 2011                     | 38                   | 0                              | 2,652             | 22                  | 0                              | 2,286             |
| 2010                     | 18                   | 0                              | 2,275             | 12                  | 0                              | 1,920             |
| 2009                     | 10                   | 0                              | 2,158             | 4                   | 0                              | 1,770             |
| 2008                     | 4                    | 0                              | 3,468             | 5                   | 0                              | 1,778             |
| 2007                     | 2                    | 0                              | 1,932             | 2                   | 0                              | 1,702             |
| 2006**                   | 0                    | 0                              | 0                 | 1                   | 0                              | 2,007             |

\* Number represents an individual count of retirees and beneficiaries.

\*\* Plan inception January 1, 2003; first eligible retiree in 2006.



## Actuarial Section Retirees and Beneficiaries Added to and Removed from Rolls

The tables below display the changes in the retiree population that occurred each year within the Traditional Pension Plan and the Combined Plan. The Annual Allowances in the Rolls at End of the Year and the Average Annual Allowances represent the value of pension payments for the retiree population on the rolls at December 31, 2014.

The statistics presented below represent the number of retired members' accounts under which either the member or the members' beneficiaries are receiving defined formula benefits for age-and-service retirements, disability or survivor benefits. Annual Allowances include annual cost-of-living adjustments, but exclude other annuities such as money purchase or additional annuities (refer to the Plan Statement beginning on page 215 for a description of these benefits). Prior to 2011, the statistics excluded retired members with less than five years of service credit. Restated data for years prior to 2011 is not available.

| Schedule of Retirees and Beneficiaries Added to and Removed from Rolls |                |                   |                    |                   |                      |                   | Traditional Pension Plan                 |                           |
|--|----------------|-------------------|--------------------|-------------------|----------------------|-------------------|--|---------------------------|
| Year Ended   | Added to Rolls |                   | Removed From Rolls |                   | Rolls at End of Year |                   | Percentage Increase in Annual Allowances | Average Annual Allowances |
|  | Number         | Annual Allowances | Number             | Annual Allowances | Number               | Annual Allowances |  |                           |
| 2014   | 12,001         | \$270,725,495     | 5,609              | \$93,114,033      | 201,324              | \$5,065,543,814   | 5.9%                                     | \$25,161                  |
| 2013   | 10,946         | 265,957,588       | 5,371              | 83,764,472        | 194,932              | 4,784,927,394     | 6.3                                      | 24,547                    |
| 2012   | 11,263         | 281,185,485       | 5,772              | 87,465,474        | 189,357              | 4,501,952,331     | 6.8                                      | 23,775                    |
| 2011*  | 12,235         | 321,228,243       | 5,402              | 80,530,077        | 183,866              | 4,215,359,130     | 10.2                                     | 22,926                    |
| 2010   | 10,607         | 278,758,820       | 4,041              | 59,271,884        | 173,235              | 3,824,710,874     | 8.0                                      | 22,078                    |
| 2009   | 10,839         | 289,793,503       | 5,542              | 78,808,830        | 166,669              | 3,541,886,599     | 8.6                                      | 21,251                    |
| 2008   | 9,240          | 225,548,983       | 4,124              | 56,416,940        | 161,372              | 3,261,996,219     | 7.4                                      | 20,214                    |
| 2007   | 9,733          | 230,401,061       | 5,576              | 82,605,482        | 156,256              | 3,035,847,045     | 7.9                                      | 19,429                    |
| 2006   | 8,969          | 204,875,766       | 3,973              | 55,836,612        | 152,099              | 2,813,495,205     | 7.3                                      | 18,498                    |
| 2005   | 9,394          | 217,934,811       | 5,047              | 65,360,194        | 147,103              | 2,621,820,175     | 9.1                                      | 17,823                    |

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

| Schedule of Retirees and Beneficiaries Added to and Removed from Rolls |                |                   |                    |                   |                      |                   | Combined Plan—Defined Benefit*           |                           |
|--|----------------|-------------------|--------------------|-------------------|----------------------|-------------------|--|---------------------------|
| Year Ended   | Added to Rolls |                   | Removed From Rolls |                   | Rolls at End of Year |                   | Percentage Increase in Annual Allowances | Average Annual Allowances |
|  | Number         | Annual Allowances | Number             | Annual Allowances | Number               | Annual Allowances |  |                           |
| 2014   | 56             | \$223,294         | 0                  | \$0               | 156                  | \$528,211         | 78.3%                                    | \$3,386                   |
| 2013   | 45             | 133,159           | 0                  | 0                 | 100                  | 296,172           | 87.2                                     | 2,962                     |
| 2012   | 19             | 59,135            | 0                  | 0                 | 55                   | 158,191           | 68.4                                     | 2,876                     |
| 2011   | 15             | 50,537            | 0                  | 0                 | 36                   | 93,925            | 119.2                                    | 2,609                     |
| 2010   | 11             | 29,695            | 0                  | 0                 | 19                   | 42,849            | 228.7                                    | 2,255                     |
| 2009   | 4              | 7,545             | 3                  | 3,702             | 8                    | 13,035            | 46.8                                     | 1,629                     |
| 2008   | 5              | 5,492             | 0                  | 0                 | 7                    | 8,879             | 162.2                                    | 1,268                     |
| 2007**   | 1              | 1,881             | 0                  | 0                 | 2                    | 3,386             | 125.0                                    | 1,693                     |
| 2006**   | 1              | 1,505             | 0                  | 0                 | 1                    | 1,505             | 100.0                                    | 1,505                     |

\* Plan inception January 1, 2003; first eligible retiree in 2006.

\*\* Restated to remove annuitized defined contribution accounts previously included in values.

The Schedules of Funding Progress below include the Traditional Pension Plan, the defined benefit component of the Combined Plan and the actuarial impact of the annuitized defined contribution accounts for the Combined and Member-Directed plans. Members in the Combined and Member-Directed plans have the option of converting their defined contribution accounts to a defined benefit annuity at retirement. Separate schedules are displayed for each plan reflecting the funding status of the plans on a valuation basis. Separate schedules are included in the Required Supplementary Information of the Financial Section disclosing the 10-year schedule of actuarially determined and actual contributions paid.

| Schedule of Funding Progress* (\$ in millions) |                                     |                  |   | All Pension Plans      |                       |                                    |
|--|-------------------------------------|------------------|---|------------------------|-----------------------|------------------------------------|
| Valuation Year                                 | Actuarial Accrued Liabilities (AAL) | Valuation Assets | Unfunded Actuarial Accrued Liabilities (UAAL) | Ratio of Assets to AAL | Active Member Payroll | UAAL as % of Active Member Payroll |
| 2014   | \$89,285                            | \$74,865         | \$14,420                                      | 84%                    | \$12,933              | 111%                               |
| 2013   | 86,645                              | 71,411           | 15,234  | 82                     | 12,331                | 124                                |
| 2012   | 83,878                              | 67,855           | 16,023  | 81                     | 12,194                | 131                                |
| 2011   | 84,530                              | 65,436           | 19,094  | 77                     | 12,399                | 154                                |
| 2010***  | 80,485                              | 63,649           | 16,836  | 79                     | 12,449                | 135                                |
| 2010**   | 79,630                              | 60,600           | 19,030  | 76                     | 12,449                | 153                                |
| 2009   | 76,555                              | 57,629           | 18,926  | 75                     | 12,548                | 151                                |
| 2008   | 73,466                              | 55,315           | 18,151  | 75                     | 12,801                | 142                                |
| 2007   | 69,734                              | 67,151           | 2,583   | 96                     | 12,583                | 21                                 |
| 2006   | 66,161                              | 61,296           | 4,865   | 93                     | 12,175                | 40                                 |
| 2005***  | 62,498                              | 54,473           | 8,025   | 87                     | 11,807                | 68                                 |
| 2005**   | 61,146                              | 54,473           | 6,673   | 89                     | 11,807                | 57                                 |

| Schedule of Funding Progress* (\$ in millions) |                                     |                  |   | Traditional Pension Plan |                       |                                    |
|--|-------------------------------------|------------------|---|--------------------------|-----------------------|------------------------------------|
| Valuation Year                                 | Actuarial Accrued Liabilities (AAL) | Valuation Assets | Unfunded Actuarial Accrued Liabilities (UAAL) | Ratio of Assets to AAL   | Active Member Payroll | UAAL as % of Active Member Payroll |
| 2014   | \$89,017                            | \$74,567         | \$14,450                                      | 84%                      | \$12,140              | 119%                               |
| 2013   | 86,407                              | 71,175           | 15,232  | 82                       | 12,000                | 127                                |
| 2012   | 83,664                              | 67,670           | 15,994  | 81                       | 11,885                | 135                                |
| 2011   | 84,325                              | 65,274           | 19,051  | 77                       | 12,103                | 157                                |
| 2010***  | 80,307                              | 63,515           | 16,792  | 79                       | 12,165                | 138                                |
| 2010**   | 79,459                              | 60,461           | 18,998  | 76                       | 12,165                | 156                                |
| 2009   | 76,407                              | 57,519           | 18,888  | 75                       | 12,290                | 154                                |
| 2008   | 73,346                              | 55,230           | 18,116  | 75                       | 12,546                | 144                                |
| 2007   | 69,639                              | 67,067           | 2,572   | 96                       | 12,347                | 21                                 |
| 2006   | 66,089                              | 61,235           | 4,854   | 93                       | 11,971                | 41                                 |
| 2005***  | 62,447                              | 54,433           | 8,014   | 87                       | 11,633                | 69                                 |
| 2005**   | 61,099                              | 54,433           | 6,666   | 89                       | 11,633                | 57                                 |

\* The amounts reported on this schedule do not include assets or liabilities for the Post-employment Health Care Plan.

\*\* Results from original valuation prior to re-statement after completion of experience study.

\*\*\* Revised actuarial assumptions based on experience study.

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

| Schedule of Funding Progress* (\$ in millions) |                                     |                  |   |                        |                       | Combined Plan                      |
|--|-------------------------------------|------------------|---|------------------------|-----------------------|------------------------------------|
| Valuation Year                                 | Actuarial Accrued Liabilities (AAL) | Valuation Assets | Unfunded Actuarial Accrued Liabilities (UAAL) | Ratio of Assets to AAL | Active Member Payroll | UAAL as % of Active Member Payroll |
| 2014   | \$260                               | \$289            | (\$29)  | 111%                   | \$346                 | 0%                                 |
| 2013   | 230                                 | 229              | 1   | 100                    | 331                   | 0                                  |
| 2012   | 212                                 | 183              | 29  | 86                     | 309                   | 9                                  |
| 2011   | 203                                 | 161              | 42  | 79                     | 296                   | 14                                 |
| 2010***  | 177                                 | 134              | 43  | 76                     | 284                   | 15                                 |
| 2010**   | 171                                 | 138              | 33  | 81                     | 284                   | 12                                 |
| 2009   | 148                                 | 110              | 38  | 74                     | 258                   | 15                                 |
| 2008   | 120                                 | 85               | 35  | 71                     | 255                   | 14                                 |
| 2007   | 95                                  | 84               | 11  | 88                     | 236                   | 5                                  |
| 2006   | 72                                  | 61               | 11  | 85                     | 205                   | 5                                  |
| 2005***  | 51                                  | 40               | 11  | 78                     | 174                   | 6                                  |
| 2005**   | 47                                  | 40               | 7   | 85                     | 174                   | 4                                  |

\* The amounts reported on this schedule do not include assets or liabilities for the Post-employment Health Care Plan.

\*\* Results from original valuation prior to re-statement after completion of experience study.

\*\*\* Revised actuarial assumptions based on experience study.

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

| Schedule of Funding Progress* (\$ in thousands) |                                     |                  |   |                        |                       | Member-Directed Annuities#         |
|---|-------------------------------------|------------------|---|------------------------|-----------------------|------------------------------------|
| Valuation Year                                  | Actuarial Accrued Liabilities (AAL) | Valuation Assets | Unfunded Actuarial Accrued Liabilities (UAAL) | Ratio of Assets to AAL | Active Member Payroll | UAAL as % of Active Member Payroll |
| 2014  | \$8,291                             | \$8,772          | (\$481)                                       | 106%                   | N/A                   | N/A                                |
| 2013  | 6,884                               | 6,826            | 58  | 99                     | N/A                   | N/A                                |
| 2012  | 2,666                               | 2,524            | 142   | 95                     | N/A                   | N/A                                |
| 2011  | 1,173                               | 1,156            | 17  | 99                     | N/A                   | N/A                                |
| 2010***   | 496                                 | 454              | 42  | 92                     | N/A                   | N/A                                |
| 2010**  | 490                                 | 439              | 51  | 90                     | N/A                   | N/A                                |
| 2009  | 253                                 | 206              | 47  | 81                     | N/A                   | N/A                                |
| 2008  | 166                                 | 148              | 18  | 89                     | N/A                   | N/A                                |

\* Participants in the Member-Directed Plan do not have access to the Post-employment Health Care Plan. Instead, a portion of the employer contributions are deposited into an individual account in a Voluntary Employees' Beneficiary Association (VEBA) Plan.

\*\* Results from original valuation prior to re-statement after completion of experience study.

\*\*\* Revised actuarial assumptions based on experience study.

# Plan inception January 1, 2003. Actuarial data for annuitized accounts is not available prior to 2008.

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

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

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


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

| Accrued Pension Liabilities (\$ in millions) |                                    |                                   |   |                   | Traditional Pension Plan                                   |      |     |
|--|------------------------------------|-----------------------------------|---|-------------------|--|------|-----|
| Valuation Year                               | Aggregate Accrued Liabilities for  |                                   |   | Valuation Assets* | Portions of Accrued Liabilities Covered by Reported Assets |      |     |
|  | (1)<br>Active Member Contributions | (2)<br>Retirees and Beneficiaries | (3)<br>Active/Inactive Members<br>(Employer-Financed Portion) |                   | (1)  | (2)  | (3) |
| 2014   | \$13,191                           | \$55,102                          | \$20,724  | \$74,567          | 100%   | 100% | 30% |
| 2013   | 12,826                             | 52,404                            | 21,177  | 71,175            | 100  | 100  | 28  |
| 2012   | 12,640                             | 49,667                            | 21,357  | 67,670            | 100  | 100  | 25  |
| 2011   | 12,299                             | 46,588                            | 25,439  | 65,274            | 100  | 100  | 25  |
| 2010***                                      | 12,134                             | 42,362                            | 25,811  | 63,515            | 100  | 100  | 35  |
| 2010**                                       | 12,134                             | 41,715                            | 25,609  | 60,461            | 100  | 100  | 26  |
| 2009   | 11,933                             | 38,577                            | 25,897  | 57,519            | 100  | 100  | 27  |
| 2008   | 11,546                             | 35,485                            | 26,315  | 55,230            | 100  | 100  | 31  |
| 2007   | 10,785                             | 32,923                            | 25,930  | 67,067            | 100  | 100  | 90  |
| 2006   | 10,374                             | 30,636                            | 25,078  | 61,235            | 100  | 100  | 81  |
| 2005***                                      | 9,810                              | 28,373                            | 24,264  | 54,433            | 100  | 100  | 67  |
| 2005**                                       | 9,810                              | 27,925                            | 23,364  | 54,433            | 100  | 100  | 71  |

\* Does not include assets set aside for the Post-employment Health Care Plan.

\*\* Results from original valuation prior to completion of experience study.

\*\*\* Results restated based on experience study.

|  <b>Accrued Pension Liabilities</b> (\$ in millions) |                                    |                                   |   |                   | <b>Combined Plan</b>                                       |      |      |
|---|------------------------------------|-----------------------------------|---|-------------------|--|------|------|
| Valuation Year  | Aggregate Accrued Liabilities for  |                                   |   | Valuation Assets* | Portions of Accrued Liabilities Covered by Reported Assets |      |      |
|   | (1)<br>Active Member Contributions | (2)<br>Retirees and Beneficiaries | (3)<br>Active/Inactive Members<br>(Employer-Financed Portion) |                   | (1)  | (2)  | (3)  |
| 2014  | \$3                                | \$10                              | \$246   | \$289             | 100%   | 100% | 112% |
| 2013  | 2                                  | 6                                 | 223   | 229               | 100  | 100  | 100  |
| 2012  | 2                                  | 3                                 | 207   | 183               | 100  | 100  | 86   |
| 2011  | 1                                  | 2                                 | 200   | 161               | 100  | 100  | 79   |
| 2010***   | 1                                  | 1                                 | 175   | 134               | 100  | 100  | 75   |
| 2010**  | 1                                  | 1                                 | 169   | 138               | 100  | 100  | 80   |
| 2009  | 1                                  | 0                                 | 147   | 110               | 100  | 100  | 74   |
| 2008  | 1                                  | 0                                 | 119   | 85                | 100  | 100  | 71   |
| 2007  | 0                                  | 0                                 | 95  | 84                | 100  | 100  | 89   |
| 2006  | N/A                                | 0                                 | 72  | 61                | N/A  | 100  | 85   |
| 2005***   | N/A                                | N/A                               | 51  | 40                | N/A  | N/A  | 78   |
| 2005**  | N/A                                | N/A                               | 47  | 40                | N/A  | N/A  | 85   |

\* Does not include assets set aside for the Post-employment Health Care Plan.

\*\* Results from original valuation prior to completion of experience study.

\*\*\* Results restated based on experience study.

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

| Analysis of Financial Experience (continued on next page)   |   |                  |                |                  |
|---|---|------------------|----------------|------------------|
| Type of Activity  | Gains (or Losses) for Year (\$ in millions) |                  |                |                  |
|   | 2014  | 2013             | 2012           | 2011             |
| <b>Age-and-Service Retirements</b><br>When members retire at older ages than assumed, a gain results.<br>If members retire at ages younger than assumed, a loss occurs.               | (\$91.9)                                    | (\$77.2)         | (\$113.2)      | (\$179.0)        |
| <b>Disability Retirements</b><br>When disability claims are less than assumed, a gain results.<br>If claims are greater than assumed, a loss occurs.                                  | 95.0  | 64.0             | 71.6           | 88.1             |
| <b>Death-In-Service Annuities</b><br>When survivor claims are less than assumed, a gain results.<br>If claims are greater than assumed, a loss occurs.                                | 40.4  | 29.5             | 42.0           | 36.1             |
| <b>Other Separations</b><br>When liabilities released by other separations are greater than assumed, a gain results. If liabilities released are less than assumed, a loss occurs.    | 4.7   | (13.0)           | 8.9            | 15.9             |
| <b>Pay Increases</b><br>When pay increases are less than assumed, a gain results.<br>If pay increases are greater than assumed, a loss occurs.  | 461.8                                       | 551.7            | 1,261.7        | 359.5            |
| <b>Investment Return</b><br>When investment returns are greater than assumed, a gain results.<br>If investment returns are less than assumed, a loss occurs.                          | 471.3                                       | 617.1            | (398.4)        | (1,193.8)        |
| <b>Retiree Mortality</b><br>When liabilities released due to death of members are greater than assumed, a gain results. If liabilities released are less than assumed, a loss occurs. | 33.8  |                  |                |                  |
| <b>Gains (or Losses) During Year From Financial Experience</b>  | <b>\$1,015.1</b>                            | <b>\$1,172.1</b> | <b>\$872.6</b> | <b>(\$873.2)</b> |

| Analysis of Financial Experience (continued on next page)   |   |                |                |               |
|---|---|----------------|----------------|---------------|
| Type of Activity  | Gains (or Losses) for Year (\$ in millions) |                |                |               |
|   | 2014  | 2013           | 2012           | 2011          |
| <b>Age-and-Service Retirements</b><br>When members retire at older ages than assumed, a gain results.<br>If members retire at ages younger than assumed, a loss occurs.               | (\$0.16)                                    | (\$0.09)       | (\$0.11)       | (\$0.09)      |
| <b>Disability Retirements</b><br>When disability claims are less than assumed, a gain results.<br>If claims are greater than assumed, a loss occurs.                                  | 4.66  | 4.34           | 4.86           | 4.52          |
| <b>Death-In-Service Annuities</b><br>When survivor claims are less than assumed, a gain results.<br>If claims are greater than assumed, a loss occurs.                                | 1.04  | 0.66           | 0.59           | (0.02)        |
| <b>Other Separations</b><br>When liabilities released by other separations are greater than assumed, a gain results. If liabilities released are less than assumed, a loss occurs.    | (0.74)                                      | (0.09)         | 0.44           | 0.55          |
| <b>Pay Increases</b><br>When pay increases are less than assumed, a gain results.<br>If pay increases are greater than assumed, a loss occurs.  | 4.92  | 5.53           | 7.55           | 3.00          |
| <b>Investment Return</b><br>When investment returns are greater than assumed, a gain results.<br>If investment returns are less than assumed, a loss occurs.                          | 3.05  | 2.84           | (0.38)         | (2.69)        |
| <b>Retiree Mortality</b><br>When liabilities released due to death of members are greater than assumed, a gain results. If liabilities released are less than assumed, a loss occurs. | 0.01  |                |                |               |
| <b>Gains (or Losses) During Year From Financial Experience</b>  | <b>\$12.78</b>                              | <b>\$13.19</b> | <b>\$12.95</b> | <b>\$5.27</b> |

Actual vs. Recommended Contribution Rates

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

| <b>Traditional Pension Plan</b>             |                |                     |                  |                  |                |
|---|----------------|---------------------|------------------|------------------|----------------|
| Gains (or Losses) for Year (\$ in millions) |                |                     |                  |                  |                |
| 2010  | 2009           | 2008                | 2007             | 2006             | 2005           |
| (\$20.5)                                    | (\$27.5)       | \$10.1              | (\$30.6)         | (\$32.1)         | (\$26.7)       |
| 59.2  | 74.0           | 39.1                | 36.7             | 3.0              | (25.6)         |
| 32.0  | 34.6           | 31.7                | 29.5             | 14.3             | 23.1           |
| 99.8  | (58.9)         | (27.9)              | (129.0)          | (134.4)          | (112.1)        |
| 773.7                                       | 1,141.8        | 220.2               | 202.4            | 373.3            | 302.3          |
| 153.5                                       | (620.5)        | (15,813.5)          | 1,979.3          | 3,332.2          | 705.9          |
|   |                |                     |                  |                  |                |
| <b>\$1,097.7</b>                            | <b>\$543.5</b> | <b>(\$15,540.3)</b> | <b>\$2,088.3</b> | <b>\$3,556.3</b> | <b>\$866.9</b> |

| <b>Combined Plan</b>                        |               |                  |               |                 |                 |
|---|---------------|------------------|---------------|-----------------|-----------------|
| Gains (or Losses) for Year (\$ in millions) |               |                  |               |                 |                 |
| 2010  | 2009          | 2008             | 2007          | 2006            | 2005            |
| (\$0.12)                                    | (\$0.12)      | (\$0.06)         | (\$0.03)      | (\$0.01)        | (\$0.01)        |
| 2.78  | 2.07          | 1.94             | 1.12          | 0.89            | (0.12)          |
| 0.04  | 0.53          | 0.05             | 0.21          | 0.14            | (0.03)          |
| (1.67)                                      | 7.56          | 1.98             | 1.08          | (3.15)          | (1.30)          |
| 2.29  | (3.35)        | (0.21)           | 0.22          | 0.15            | (0.66)          |
| (3.44)                                      | (3.25)        | (23.83)          | (0.10)        | (0.09)          | (0.05)          |
|   |               |                  |               |                 |                 |
| <b>(\$0.12)</b>                             | <b>\$3.44</b> | <b>(\$20.13)</b> | <b>\$2.50</b> | <b>(\$2.07)</b> | <b>(\$2.17)</b> |

This page intentionally left blank





## Counting the rings

Sometimes, it's difficult to see growth—especially for pension systems that tend to have incremental growth from year-to-year. With detailed statistics, and ongoing analysis of those statistics, we know with certainty where the System is, where it was and where it needs to be. Statistics help us accurately chart growth by measuring everything we do and measuring our progress in all categories. Only with accurate statistics can a clear light shine on all activities for all to see. What, exactly, do we measure? In this document, where possible, we share 10 years of assets and liabilities, changes to funds, contribution rates, numbers of members, numbers of retirees and benefits by type—just to name a few.

Within the organization, the need to compile statistics goes well beyond large categories. Each year, we work to connect with, on an individual basis, all stakeholders—and that takes some doing. However, in 2014, the statistics show OPERS:

- Had almost 240,000 unique visitors to our website
- Fielded more than 15,000 employer calls
- Mailed approximately 20,000 letters each month to members
- Provided educational seminars, webinars and videos that reached more than 100,000 members and retirees
- Answered more than 500,000 member calls and scheduled more than 23,200 counselor appointments with current and soon-to-be retirees.

*Note: This section is unaudited.*



The Statistical Section provides pertinent information to assist readers when viewing the Financial Statements, Notes to the Financial Statements and Required Supplementary Information to help in understanding and assessing the System's overall financial condition. The information reported here is in compliance with GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This statement establishes standardized reporting requirements for the supplementary information provided in this section.

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

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

The schedules on page 194 compare the pension assets accumulated to cover the projected pension liabilities that are ultimately due at retirement for each of the defined benefit plans and the corresponding funded ratio. The schedule on page 195 displays similar information for health care assets and projected liabilities. The Health Care Solvency schedule shows the estimated number of years for which assets are available to cover the projected liabilities. The overall objective is to maintain a funding level that will meet all future health care obligations. Refer to Schedules of Pension and Health Care Assets vs. Liabilities.

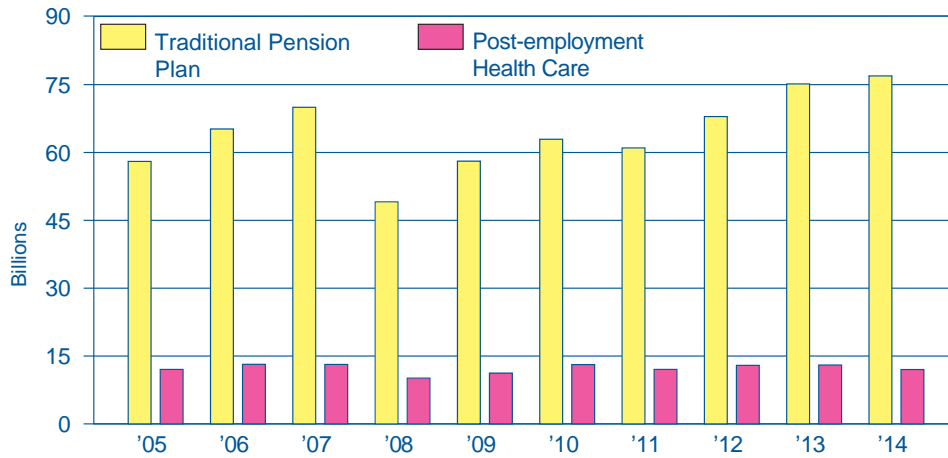
The schedules beginning on page 192 show demographic and economic information and operating information. The demographic and economic information is designed to assist in understanding the environment in which OPERS operates. The operating information is intended to provide contextual information about operations to assist in assessing the System's economic condition. The demographic and economic information, and the operating information presented includes:

- Number of Refund Payments by Plan,
- Pension Assets vs. Pension Liabilities,
- Health Care Assets vs. Health Care Liabilities,
- Number of Retirees/Benefit Recipients by Category,
- Number of Covered Lives by Category,
- Schedule of Retirees by Benefit Type and Amount,
- Number of New Pension Retirees,
- Schedule of Average Benefits (Traditional Pension and Combined plans),
- Member Counts by Plan,
- 2014 Pension Benefits by Ohio County,
- Retirees by Geographic Location,
- Contribution Rates,
- Number of Employer Units, and
- Principal Participating Employers.

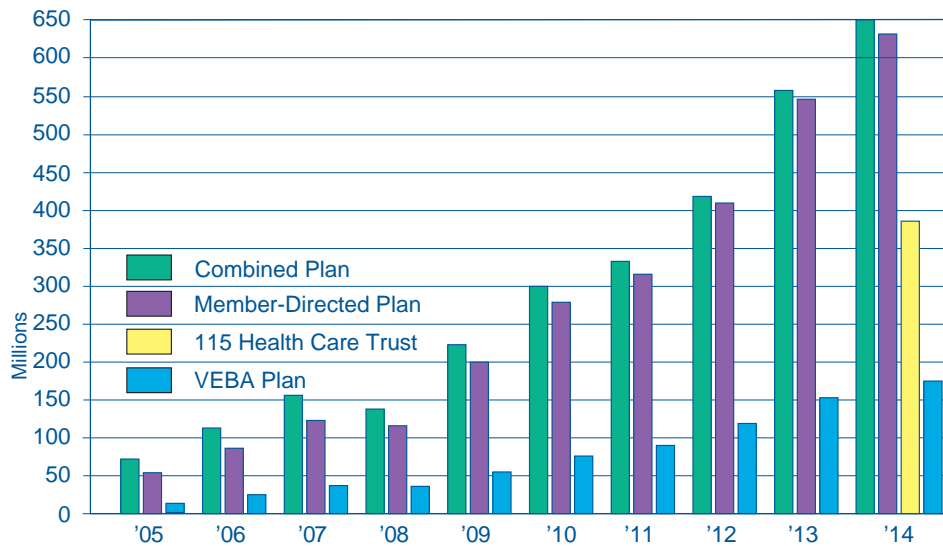
All non-accounting data is derived from OPERS internal sources.

## Statistical Section

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



### Net Position by Plan Combined, Member-Directed, 115 Health Care Trust, VEBA




### Net Position by Plan (last 10 fiscal years)

| Year  | Traditional Pension Plan | Post-employment Health Care Plan | 115 Health Care Trust** | Combined Plan | Member-Directed Plan | VEBA Plan     | Total Net Position |
|-------|--------------------------|----------------------------------|-------------------------|---------------|----------------------|---------------|--------------------|
| 2014  | \$76,956,230,642         | \$12,440,522,790                 | \$386,080,172           | \$650,249,727 | \$635,272,613        | \$175,539,164 | \$91,243,895,108   |
| 2013  | 74,618,532,269           | 13,111,684,807                   |                         | 559,612,889   | 547,022,037          | 153,084,296   | 88,989,936,298     |
| 2012  | 67,668,091,799           | 12,828,625,322                   |                         | 420,197,546   | 410,662,967          | 119,615,875   | 81,447,193,509     |
| 2011* | 61,330,891,370           | 11,959,000,311                   |                         | 333,095,015   | 317,193,338          | 90,696,132    | 74,030,876,166     |
| 2010* | 63,153,243,166           | 12,682,612,422                   |                         | 300,437,631   | 279,096,442          | 76,231,029    | 76,491,620,690     |
| 2009  | 57,630,423,957           | 11,415,195,274                   |                         | 223,384,797   | 200,588,070          | 55,784,131    | 69,525,376,229     |
| 2008  | 49,312,811,154           | 9,596,082,077                    |                         | 138,950,485   | 117,342,021          | 36,333,066    | 59,201,518,803     |
| 2007  | 69,959,641,078           | 13,282,947,482                   |                         | 156,864,566   | 123,946,918          | 37,227,685    | 83,560,627,729     |
| 2006  | 65,297,352,893           | 12,838,059,079                   |                         | 113,999,034   | 86,524,882           | 25,331,889    | 78,361,267,777     |
| 2005  | 57,662,214,741           | 11,845,713,012                   |                         | 72,499,607    | 54,502,026           | 15,377,190    | 69,650,306,576     |

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


\*\* The 115 Health Care Trust was established in 2014.


|  |                         |                         |                         |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Year  | 2014                    | 2013                    | 2012                    | 2011*                   |
| <b>All Plans</b>  |                         |                         |                         |                         |
| Employees' Savings Fund   | \$13,194,306,671        | \$12,828,423,536        | \$12,641,655,468        | \$12,300,117,438        |
| Employers' Accumulation Fund—Pension/Health Care                                  | 22,768,644,951          | 22,852,975,720          | 19,074,270,351          | 15,959,261,830          |
| Annuity and Pension Reserve Fund  | 52,331,183,968          | 50,525,254,541          | 47,232,908,883          | 43,513,048,458          |
| Survivors' Benefit Fund   | 1,675,926,615           | 1,654,787,855           | 1,627,212,197           | 1,568,050,108           |
| Defined Contribution Fund—Retirement/Health Care                                  | 1,154,079,903           | 1,011,655,646           | 763,702,610             | 587,622,632             |
| Income Fund   | 114,494,235             | 113,671,739             | 107,444,000             | 99,016,985              |
| Expense Fund  | 5,258,765               | 3,167,261               |                         | 3,758,715               |
| <b>Total Fund Balance</b>   | <b>\$91,243,895,108</b> | <b>\$88,989,936,298</b> | <b>\$81,447,193,509</b> | <b>\$74,030,876,166</b> |
| <b>Traditional Pension Plan</b>   |                         |                         |                         |                         |
| Employees' Savings Fund   | \$13,191,067,352        | \$12,826,142,567        | \$12,639,906,042        | \$12,298,673,251        |
| Employers' Accumulation Fund—Pension  | 9,655,043,969           | 9,507,406,396           | 6,066,140,290           | 3,850,924,715           |
| Annuity and Pension Reserve Fund  | 52,314,439,706          | 50,513,356,451          | 47,227,389,270          | 43,510,467,596          |
| Survivors' Benefit Fund   | 1,675,926,615           | 1,654,787,855           | 1,627,212,197           | 1,568,050,108           |
| Income Fund   | 114,494,235             | 113,671,739             | 107,444,000             | 99,016,985              |
| Expense Fund  | 5,258,765               | 3,167,261               |                         | 3,758,715               |
| <b>Total Fund Balance</b>   | <b>\$76,956,230,642</b> | <b>\$74,618,532,269</b> | <b>\$67,668,091,799</b> | <b>\$61,330,891,370</b> |
| <b>Post-employment Health Care Plan</b>   |                         |                         |                         |                         |
| Employers' Accumulation Fund—Health Care  | \$12,440,522,790        | \$13,111,684,807        | \$12,828,625,322        | \$11,959,000,311        |
| <b>Total Fund Balance</b>   | <b>\$12,440,522,790</b> | <b>\$13,111,684,807</b> | <b>\$12,828,625,322</b> | <b>\$11,959,000,311</b> |
| <b>115 Health Care Trust**</b>  |                         |                         |                         |                         |
| Employers' Accumulation Fund—115 Health Care Trust                                | \$386,080,172           |                         |                         |                         |
| <b>Total Fund Balance</b>   | <b>\$386,080,172</b>    | <b>\$0</b>              | <b>\$0</b>              | <b>\$0</b>              |
| <b>Combined Plan</b>  |                         |                         |                         |                         |
| Employees' Savings Fund   | \$2,994,501             | \$1,894,549             | \$1,606,472             | \$1,362,904             |
| Employers' Accumulation Fund—Pension  | 286,747,478             | 233,588,347             | 179,466,995             | 149,374,928             |
| Annuity and Pension Reserve Fund  | 8,359,792               | 5,481,510               | 3,114,881               | 1,514,253               |
| Defined Contribution Fund—Retirement  | 352,147,956             | 318,648,483             | 236,009,198             | 180,842,930             |
| <b>Total Fund Balance</b>   | <b>\$650,249,727</b>    | <b>\$559,612,889</b>    | <b>\$420,197,546</b>    | <b>\$333,095,015</b>    |
| <b>Member-Directed Plan</b>   |                         |                         |                         |                         |
| Employees' Savings Fund   | \$244,818               | \$386,420               | \$142,954               | \$81,283                |
| Employers' Accumulation Fund—Pension  | 250,542                 | 296,170                 | 37,744                  | (38,124)                |
| Annuity and Pension Reserve Fund  | 8,384,470               | 6,416,580               | 2,404,732               | 1,066,609               |
| Defined Contribution Fund—Retirement  | 626,392,783             | 539,922,867             | 408,077,537             | 316,083,570             |
| <b>Total Fund Balance</b>   | <b>\$635,272,613</b>    | <b>\$547,022,037</b>    | <b>\$410,662,967</b>    | <b>\$317,193,338</b>    |
| <b>VEBA Plan</b>  |                         |                         |                         |                         |
| Defined Contribution Fund—Health Care   | \$175,539,164           | \$153,084,296           | \$119,615,875           | \$90,696,132            |
| <b>Total Fund Balance</b>   | <b>\$175,539,164</b>    | <b>\$153,084,296</b>    | <b>\$119,615,875</b>    | <b>\$90,696,132</b>     |

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

\*\* The 115 Health Care Trust was established in 2014.


## Statistical Section

|  |                         |                         |                         |                         |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 2010*   | 2009                    | 2008                    | 2007                    | 2006                    | 2005                    |
| \$12,134,839,989  | \$11,933,642,333        | \$11,546,208,967        | \$10,815,159,012        | \$10,374,480,725        | \$9,810,364,125         |
| 22,278,219,189  | 20,026,006,552          | 13,503,733,507          | 40,336,757,059          | 38,641,822,117          | 33,061,020,982          |
| 39,927,499,750  | 35,616,195,176          | 32,410,382,036          | 30,699,027,425          | 27,770,522,547          | 25,377,301,101          |
| 1,527,374,797   | 1,472,264,995           | 1,418,388,692           | 1,373,512,884           | 1,313,109,826           | 1,209,472,794           |
| 522,426,170   | 376,419,373             | 216,885,601             | 234,047,349             | 165,336,652             | 102,223,154             |
| 99,070,651  | 95,184,666              | 100,226,117             | 99,627,634              | 95,995,910              | 87,484,700              |
| 2,190,144   | 5,663,134               | 5,693,883               | 2,496,366               |                         | 2,439,720               |
| <b>\$76,491,620,690</b>   | <b>\$69,525,376,229</b> | <b>\$59,201,518,803</b> | <b>\$83,560,627,729</b> | <b>\$78,361,267,777</b> | <b>\$69,650,306,576</b> |
| \$12,133,856,642  | \$11,932,873,455        | \$11,545,651,011        | \$10,814,646,533        | \$10,374,152,385        | \$9,810,182,770         |
| 9,464,360,661   | 8,508,596,858           | 3,832,714,973           | 26,970,418,583          | 25,743,571,669          | 21,175,333,656          |
| 39,926,390,271  | 35,615,840,849          | 32,410,136,478          | 30,698,939,078          | 27,770,523,103          | 25,377,301,101          |
| 1,527,374,797   | 1,472,264,995           | 1,418,388,692           | 1,373,512,884           | 1,313,109,826           | 1,209,472,794           |
| 99,070,651  | 95,184,666              | 100,226,117             | 99,627,634              | 95,995,910              | 87,484,700              |
| 2,190,144   | 5,663,134               | 5,693,883               | 2,496,366               |                         | 2,439,720               |
| <b>\$63,153,243,166</b>   | <b>\$57,630,423,957</b> | <b>\$49,312,811,154</b> | <b>\$69,959,641,078</b> | <b>\$65,297,352,893</b> | <b>\$57,662,214,741</b> |
| \$12,682,612,422  | \$11,415,195,274        | \$9,596,082,077         | \$13,282,947,482        | \$12,838,059,079        | \$11,845,713,012        |
| <b>\$12,682,612,422</b>   | <b>\$11,415,195,274</b> | <b>\$9,596,082,077</b>  | <b>\$13,282,947,482</b> | <b>\$12,838,059,079</b> | <b>\$11,845,713,012</b> |
|   |                         |                         |                         |                         |                         |
| <b>\$0</b>  | <b>\$0</b>              | <b>\$0</b>              | <b>\$0</b>              | <b>\$0</b>              | <b>\$0</b>              |
| \$975,589   | \$768,977               | \$557,956               | \$512,479               | \$328,340               | \$181,355               |
| 131,266,975   | 102,108,811             | 74,976,136              | 83,391,067              | 60,191,369              | 39,974,314              |
| 644,239   | 251,905                 | 73,758                  | 60,804                  | (556)                   |                         |
| 167,550,828   | 120,255,104             | 63,342,635              | 72,900,216              | 53,479,881              | 32,343,938              |
| <b>\$300,437,631</b>  | <b>\$223,384,797</b>    | <b>\$138,950,485</b>    | <b>\$156,864,566</b>    | <b>\$113,999,034</b>    | <b>\$72,499,607</b>     |
| \$7,758   | (\$99)                  |                         |                         |                         |                         |
| (20,869)  | 105,609                 | (\$39,679)              | (\$73)                  |                         |                         |
| 465,240   | 102,422                 | 171,800                 | 27,543                  |                         |                         |
| 278,644,313   | 200,380,138             | 117,209,900             | 123,919,448             | \$86,524,882            | \$54,502,026            |
| <b>\$279,096,442</b>  | <b>\$200,588,070</b>    | <b>\$117,342,021</b>    | <b>\$123,946,918</b>    | <b>\$86,524,882</b>     | <b>\$54,502,026</b>     |
| \$76,231,029  | \$55,784,131            | \$36,333,066            | \$37,227,685            | \$25,331,889            | \$15,377,190            |
| <b>\$76,231,029</b>   | <b>\$55,784,131</b>     | <b>\$36,333,066</b>     | <b>\$37,227,685</b>     | <b>\$25,331,889</b>     | <b>\$15,377,190</b>     |

|  <b>Fiduciary Net Position by Year</b> (last 10 fiscal years) |                         |                         |                         |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Year   | 2014                    | 2013                    | 2012                    | 2011*                   |
| <b>All Plans</b>   |                         |                         |                         |                         |
| <b>Assets</b>  |                         |                         |                         |                         |
| Cash and Short-Term Investments  | \$2,882,858,353         | \$3,333,382,605         | \$2,780,697,535         | \$2,847,839,851         |
| Receivables  | 1,088,837,041           | 1,092,845,990           | 2,212,003,770           | 1,554,352,796           |
| Investments  | 87,891,142,075          | 85,137,610,781          | 77,617,850,120          | 71,149,016,095          |
| Collateral on Loaned Securities  | 7,854,368,780           | 6,958,964,420           | 6,827,172,458           | 10,401,223,945          |
| Net Capital Assets   | 133,629,210             | 131,389,851             | 121,172,935             | 112,092,861             |
| Prepaid Expenses and Other Assets  | 2,261,461               | 2,912,709               | 3,841,978               | 779,630                 |
| <b>Total Assets</b>  | <b>99,853,096,920</b>   | <b>96,657,106,356</b>   | <b>89,562,738,796</b>   | <b>86,065,305,178</b>   |
| <b>Liabilities and Net Position</b>  |                         |                         |                         |                         |
| Benefits Payable   | 99,844,976              | 90,115,030              | 101,188,640             | 119,591,363             |
| Investment Commitments Payable   | 593,164,943             | 554,398,461             | 1,116,869,935           | 1,423,836,318           |
| Obligations Under Securities Lending   | 7,852,803,699           | 6,953,717,885           | 6,816,672,766           | 10,410,130,422          |
| Other Liabilities  | 63,388,194              | 68,938,682              | 80,813,946              | 80,870,909              |
| Net Position (Fund Balance)  | 91,243,895,108          | 88,989,936,298          | 81,447,193,509          | 74,030,876,166          |
| <b>Total Liabilities and Net Position</b>  | <b>\$99,853,096,920</b> | <b>\$96,657,106,356</b> | <b>\$89,562,738,796</b> | <b>\$86,065,305,178</b> |
| <b>Traditional Pension Plan</b>  |                         |                         |                         |                         |
| <b>Assets</b>  |                         |                         |                         |                         |
| Cash and Short-Term Investments  | \$2,357,796,670         | \$2,826,596,339         | \$2,324,824,614         | \$2,321,930,951         |
| Receivables  | 709,932,322             | 760,735,070             | 1,690,953,615           | 1,181,127,055           |
| Investments  | 74,279,082,505          | 71,393,042,048          | 64,487,332,183          | 58,890,460,789          |
| Collateral on Loaned Securities  | 7,809,036,934           | 6,924,316,299           | 6,797,920,566           | 10,363,838,801          |
| Net Capital Assets   | 96,963,543              | 98,948,820              | 85,661,140              | 84,923,332              |
| Prepaid Expenses and Other Assets  | 2,261,461               | 2,912,709               | 3,841,978               | 779,630                 |
| <b>Total Assets</b>  | <b>85,255,073,435</b>   | <b>82,006,551,285</b>   | <b>75,390,534,096</b>   | <b>72,843,060,558</b>   |
| <b>Liabilities and Net Position</b>  |                         |                         |                         |                         |
| Benefits Payable   | 311,575                 | 78,477                  | 682,136                 | 1,061,656               |
| Investment Commitments Payable   | 475,297,939             | 451,977,660             | 918,234,060             | 1,124,645,829           |
| Obligations Under Securities Lending   | 7,807,480,885           | 6,919,095,886           | 6,787,465,861           | 10,372,713,265          |
| Other Liabilities  | 15,752,394              | 16,866,993              | 16,060,240              | 13,748,438              |
| Net Position (Fund Balance)  | 76,956,230,642          | 74,618,532,269          | 67,668,091,799          | 61,330,891,370          |
| <b>Total Liabilities and Net Position</b>  | <b>\$85,255,073,435</b> | <b>\$82,006,551,285</b> | <b>\$75,390,534,096</b> | <b>\$72,843,060,558</b> |
| <b>Post-employment Health Care Plan</b>  |                         |                         |                         |                         |
| <b>Assets</b>  |                         |                         |                         |                         |
| Cash and Short-Term Investments  | \$503,893,407           | \$491,371,340           | \$446,851,345           | \$516,841,401           |
| Receivables  | 125,472,731             | 290,484,285             | 500,838,389             | 355,160,439             |
| Investments  | 12,008,141,647          | 12,510,470,437          | 12,167,526,143          | 11,492,400,597          |
| Collateral on Loaned Securities  |                         |                         |                         |                         |
| Net Capital Assets   | 28,631,421              | 24,866,659              | 26,625,770              | 26,945,871              |
| <b>Total Assets</b>  | <b>12,666,139,206</b>   | <b>13,317,192,721</b>   | <b>13,141,841,647</b>   | <b>12,391,348,308</b>   |
| <b>Liabilities and Net Position</b>  |                         |                         |                         |                         |
| Benefits Payable   | 99,279,185              | 90,019,865              | 100,495,333             | 118,529,285             |
| Investment Commitments Payable   | 113,120,724             | 99,797,215              | 194,165,994             | 294,572,622             |
| Obligations Under Securities Lending   |                         |                         |                         |                         |
| Other Liabilities  | 13,216,507              | 15,690,834              | 18,554,998              | 19,246,090              |
| Net Position (Fund Balance)  | 12,440,522,790          | 13,111,684,807          | 12,828,625,322          | 11,959,000,311          |
| <b>Total Liabilities and Net Position</b>  | <b>\$12,666,139,206</b> | <b>\$13,317,192,721</b> | <b>\$13,141,841,647</b> | <b>\$12,391,348,308</b> |


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

## Statistical Section

|  <b>Fiduciary Net Position by Year</b> (continued) |                         |                         |                         |                         |                         |  |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--|
| 2010*   | 2009                    | 2008                    | 2007                    | 2006                    | 2005                    |  |
| \$3,654,805,279   | \$1,742,538,072         | \$1,429,632,493         | \$1,030,943,608         | \$1,395,818,610         | \$965,982,241           |  |
| 1,437,458,798   | 1,976,201,742           | 1,016,153,104           | 1,029,220,765           | 1,214,050,676           | 641,652,467             |  |
| 72,661,379,153  | 66,819,524,257          | 57,289,210,006          | 82,001,128,270          | 76,452,836,443          | 68,225,900,093          |  |
| 9,250,107,607   | 9,978,449,975           | 7,665,906,536           | 13,159,403,768          | 12,744,242,746          | 11,087,980,611          |  |
| 112,130,055   | 113,508,936             | 117,521,350             | 120,859,724             | 120,156,097             | 120,588,673             |  |
| 471,611   | 236,290                 | 284,846                 | 387,169                 | 213,849,031             | 198,922,306             |  |
| <b>87,116,352,503</b>   | <b>80,630,459,272</b>   | <b>67,518,708,335</b>   | <b>97,341,943,304</b>   | <b>92,140,953,603</b>   | <b>81,241,026,391</b>   |  |
| 142,993,825   | 140,959,867             | 131,922,479             | 142,701,327             | 145,895,911             | 138,450,016             |  |
| 1,155,469,120   | 916,348,545             | 437,680,710             | 415,429,392             | 836,766,843             | 314,302,665             |  |
| 9,250,107,607   | 9,978,449,975           | 7,665,906,536           | 13,159,403,768          | 12,744,242,746          | 11,087,980,611          |  |
| 76,161,261  | 69,324,656              | 81,679,807              | 63,781,088              | 52,780,326              | 49,986,523              |  |
| 76,491,620,690  | 69,525,376,229          | 59,201,518,803          | 83,560,627,729          | 78,361,267,777          | 69,650,306,576          |  |
| <b>\$87,116,352,503</b>   | <b>\$80,630,459,272</b> | <b>\$67,518,708,335</b> | <b>\$97,341,943,304</b> | <b>\$92,140,953,603</b> | <b>\$81,241,026,391</b> |  |
| \$2,969,362,112   | \$1,652,107,085         | \$1,208,848,813         | \$858,481,646           | \$1,070,224,554         | \$714,335,617           |  |
| 1,039,459,387   | 915,977,579             | 741,420,763             | 774,558,734             | 937,337,825             | 505,540,741             |  |
| 59,973,039,802  | 55,741,813,567          | 47,649,655,710          | 68,602,804,295          | 63,719,149,199          | 56,418,544,924          |  |
| 7,708,958,738   | 9,653,891,069           | 5,357,710,312           | 11,069,869,796          | 10,710,884,709          | 9,324,745,071           |  |
| 85,155,975  | 86,063,353              | 91,213,500              | 93,969,101              | 94,728,174              | 95,976,311              |  |
| 471,611   | 236,290                 | 284,846                 | 387,169                 | 213,849,031             | 198,922,306             |  |
| <b>71,776,447,625</b>   | <b>68,050,088,943</b>   | <b>55,049,133,944</b>   | <b>81,400,070,741</b>   | <b>76,746,173,492</b>   | <b>67,258,064,970</b>   |  |
| 31,862  | 6,950,608               | 130,259                 |                         |                         | 258,012,233             |  |
| 899,118,485   | 749,608,796             | 364,423,724             | 355,806,425             | 725,040,155             | 9,324,745,071           |  |
| 7,708,958,738   | 9,653,891,069           | 5,357,710,312           | 11,069,869,796          | 10,710,884,709          | 13,092,925              |  |
| 15,095,374  | 9,214,513               | 14,058,495              | 14,753,442              | 12,895,735              | 57,662,214,741          |  |
| 63,153,243,166  | 57,630,423,957          | 49,312,811,154          | 69,959,641,078          | 65,297,352,893          |                         |  |
| <b>\$71,776,447,625</b>   | <b>\$68,050,088,943</b> | <b>\$55,049,133,944</b> | <b>\$81,400,070,741</b> | <b>\$76,746,173,492</b> | <b>\$67,258,064,970</b> |  |
| \$673,728,399   | \$82,384,335            | \$214,267,049           | \$166,407,166           | \$322,120,585           | \$250,418,690           |  |
| 383,127,242   | 1,046,106,655           | 261,187,030             | 242,221,858             | 266,309,590             | 128,024,458             |  |
| 12,011,299,168  | 10,567,015,643          | 9,301,814,794           | 13,050,429,116          | 12,479,536,506          | 11,636,525,615          |  |
| 1,517,578,594   | 299,502,780             | 2,297,927,070           | 2,072,493,713           | 2,015,624,266           | 1,749,802,181           |  |
| 26,862,896  | 27,377,310              | 26,203,570              | 26,606,207              | 24,425,394              | 22,906,221              |  |
| <b>14,612,596,299</b>   | <b>12,022,386,723</b>   | <b>12,101,399,513</b>   | <b>15,558,158,060</b>   | <b>15,108,016,341</b>   | <b>13,787,677,165</b>   |  |
| 142,952,643   | 134,007,772             | 131,776,992             | 142,701,327             | 145,895,911             | 138,450,016             |  |
| 253,257,695   | 163,153,464             | 69,811,443              | 57,017,727              | 108,410,835             | 53,711,956              |  |
| 1,517,578,594   | 299,502,780             | 2,297,927,070           | 2,072,493,713           | 2,015,624,266           | 1,749,802,181           |  |
| 16,194,945  | 10,527,433              | 5,801,931               | 2,997,811               | 26,250                  |                         |  |
| 12,682,612,422  | 11,415,195,274          | 9,596,082,077           | 13,282,947,482          | 12,838,059,079          | 11,845,713,012          |  |
| <b>\$14,612,596,299</b>   | <b>\$12,022,386,723</b> | <b>\$12,101,399,513</b> | <b>\$15,558,158,060</b> | <b>\$15,108,016,341</b> | <b>\$13,787,677,165</b> |  |

continued on page 172

continued from page 171


|  |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
| Year  | 2014                 | 2013                 | 2012                 | 2011*                |
| <b>115 Health Care Trust**</b>  |                      |                      |                      |                      |
| <b>Assets</b>   |                      |                      |                      |                      |
| Cash and Short-Term Investments   | \$7,797,254          |                      |                      |                      |
| Receivables   | 197,641,190          |                      |                      |                      |
| Investments   | 182,748,955          |                      |                      |                      |
| <b>Total Assets</b>   | <b>388,187,399</b>   |                      |                      |                      |
| <b>Liabilities and Net Position</b>   |                      |                      |                      |                      |
| Investment Commitments Payable  | 1,803,774            |                      |                      |                      |
| Other Liabilities   | 303,453              |                      |                      |                      |
| Net Position (Fund Balance)   | 386,080,172          |                      |                      |                      |
| <b>Total Liabilities and Net Position</b>   | <b>\$388,187,399</b> | <b>\$0</b>           | <b>\$0</b>           | <b>\$0</b>           |
| <b>Combined Plan</b>  |                      |                      |                      |                      |
| <b>Assets</b>   |                      |                      |                      |                      |
| Cash and Short-Term Investments   | \$8,947,770          | \$9,425,463          | \$6,574,926          | \$6,248,674          |
| Receivables   | 21,472,538           | 17,071,301           | 9,350,843            | 7,707,808            |
| Investments   | 623,991,406          | 534,668,467          | 416,161,716          | 339,986,995          |
| Collateral on Loaned Securities   | 27,497,528           | 20,966,014           | 18,059,949           | 23,506,898           |
| Net Capital Assets  | 3,998,438            | 3,921,730            | 4,357,765            | 65,084               |
| <b>Total Assets</b>   | <b>685,907,680</b>   | <b>586,052,975</b>   | <b>454,505,199</b>   | <b>377,515,459</b>   |
| <b>Liabilities and Net Position</b>   |                      |                      |                      |                      |
| Investment Commitments Payable  | 1,787,256            | 1,549,789            | 2,690,744            | 2,823,632            |
| Obligations Under Securities Lending  | 27,492,049           | 20,950,208           | 18,032,174           | 23,527,027           |
| Other Liabilities   | 6,378,648            | 3,940,089            | 13,584,735           | 18,069,785           |
| Net Position (Fund Balance)   | 650,249,727          | 559,612,889          | 420,197,546          | 333,095,015          |
| <b>Total Liabilities and Net Position</b>   | <b>\$685,907,680</b> | <b>\$586,052,975</b> | <b>\$454,505,199</b> | <b>\$377,515,459</b> |
| <b>Member-Directed Plan</b>   |                      |                      |                      |                      |
| <b>Assets</b>   |                      |                      |                      |                      |
| Cash and Short-Term Investments   | \$274,295            | \$282,346            | \$91,299             | \$980,013            |
| Receivables   | 21,577,499           | 15,586,438           | 6,821,748            | 7,353,279            |
| Investments   | 638,145,075          | 560,933,809          | 432,851,458          | 338,695,474          |
| Collateral on Loaned Securities   | 767,134              | 482,373              | 205,837              | 111,647              |
| Net Capital Assets  | 3,150,369            | 2,856,649            | 3,667,974            | 94,933               |
| <b>Total Assets</b>   | <b>663,914,372</b>   | <b>580,141,615</b>   | <b>443,638,316</b>   | <b>347,235,346</b>   |
| <b>Liabilities and Net Position</b>   |                      |                      |                      |                      |
| Investment Commitments Payable  | 137,585              | 196,803              | 155,855              | 123,669              |
| Obligations Under Securities Lending  | 766,982              | 482,009              | 205,521              | 111,743              |
| Other Liabilities   | 27,737,192           | 32,440,766           | 32,613,973           | 29,806,596           |
| Net Position (Fund Balance)   | 635,272,613          | 547,022,037          | 410,662,967          | 317,193,338          |
| <b>Total Liabilities and Net Position</b>   | <b>\$663,914,372</b> | <b>\$580,141,615</b> | <b>\$443,638,316</b> | <b>\$347,235,346</b> |
| <b>VEBA Plan</b>  |                      |                      |                      |                      |
| <b>Assets</b>   |                      |                      |                      |                      |
| Cash and Short-Term Investments   | \$4,148,957          | \$5,707,117          | \$2,355,351          | \$1,838,812          |
| Receivables   | 12,740,761           | 8,968,896            | 4,039,175            | 3,004,215            |
| Investments   | 159,032,487          | 138,496,020          | 113,978,620          | 87,472,240           |
| Collateral on Loaned Securities   | 17,067,184           | 13,199,734           | 10,986,106           | 13,766,599           |
| Net Capital Assets  | 885,439              | 795,993              | 860,286              | 63,641               |
| <b>Total Assets</b>   | <b>193,874,828</b>   | <b>167,167,760</b>   | <b>132,219,538</b>   | <b>106,145,507</b>   |
| <b>Liabilities and Net Position</b>   |                      |                      |                      |                      |
| Benefits Payable  | 254,216              | 16,688               | 11,171               | 422                  |
| Investment Commitments Payable  | 1,017,665            | 876,994              | 1,623,282            | 1,670,566            |
| Obligations Under Securities Lending  | 17,063,783           | 13,189,782           | 10,969,210           | 13,778,387           |
| Other Liabilities   |                      |                      |                      |                      |
| Net Position (Fund Balance)   | 175,539,164          | 153,084,296          | 119,615,875          | 90,696,132           |
| <b>Total Liabilities and Net Position</b>   | <b>\$193,874,828</b> | <b>\$167,167,760</b> | <b>\$132,219,538</b> | <b>\$106,145,507</b> |


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

\*\* The 115 Health Care Trust was established in 2014.



## Statistical Section


|  <b>Fiduciary Net Position by Year</b> (continued) |                      |                      |                      |                      |                     |
|---|----------------------|----------------------|----------------------|----------------------|---------------------|
| 2010*   | 2009                 | 2008                 | 2007                 | 2006                 | 2005                |
| \$0   | \$0                  | \$0                  | \$0                  | \$0                  | \$0                 |
| \$7,127,776   | \$3,716,643          | \$2,982,361          | \$2,725,143          | \$1,375,582          | \$267,450           |
| 6,892,606   | 6,259,012            | 5,788,861            | 5,264,533            | 4,853,858            | 3,779,363           |
| 303,637,263   | 233,771,271          | 157,027,020          | 172,094,212          | 127,517,778          | 85,816,585          |
| 15,196,825  | 16,765,205           | 7,044,675            | 11,788,022           | 10,888,345           | 7,667,367           |
| 34,750  | 1,932                | 118                  | 68,975               | 437,854              | 858,051             |
| <b>332,889,220</b>  | <b>260,514,063</b>   | <b>172,843,035</b>   | <b>191,940,885</b>   | <b>145,073,417</b>   | <b>98,388,816</b>   |
| 1,950,989   | 1,942,496            | 1,527,796            | 1,205,858            | 1,626,857            | 1,121,710           |
| 15,196,825  | 16,765,205           | 7,044,675            | 11,788,022           | 10,888,345           | 7,667,367           |
| 15,303,775  | 18,421,565           | 25,320,079           | 22,082,439           | 18,559,181           | 17,100,132          |
| 300,437,631   | 223,384,797          | 138,950,485          | 156,864,566          | 113,999,034          | 72,499,607          |
| <b>\$332,889,220</b>  | <b>\$260,514,063</b> | <b>\$172,843,035</b> | <b>\$191,940,885</b> | <b>\$145,073,417</b> | <b>\$98,388,816</b> |
| \$1,349,705   | \$2,322,907          | \$2,194,785          | \$3,064,085          | \$1,644,348          | \$738,324           |
| 5,657,850   | 5,901,916            | 5,995,977            | 5,397,814            | 3,977,091            | 2,997,398           |
| 301,502,301   | 221,224,028          | 137,235,988          | 140,594,070          | 103,263,918          | 69,936,199          |
| 40,463  | 30,222               | 9,177                | 171,375              | 3,077,000            | 3,738,615           |
| 38,662  | 2,294                | 137                  | 55,124               | 333,494              | 679,200             |
| <b>308,588,981</b>  | <b>229,481,367</b>   | <b>145,436,064</b>   | <b>149,282,468</b>   | <b>112,295,851</b>   | <b>78,089,736</b>   |
| 6,707   | 787,160              | 1,585,226            | 1,216,779            | 1,394,809            | 1,380,789           |
| 40,463  | 30,222               | 9,177                | 171,375              | 3,077,000            | 3,738,615           |
| 29,445,369  | 28,075,915           | 26,499,640           | 23,947,396           | 21,299,160           | 18,468,306          |
| 279,096,442   | 200,588,070          | 117,342,021          | 123,946,918          | 86,524,882           | 54,502,026          |
| <b>\$308,588,981</b>  | <b>\$229,481,367</b> | <b>\$145,436,064</b> | <b>\$149,282,468</b> | <b>\$112,295,851</b> | <b>\$78,089,736</b> |
| \$3,237,287   | \$2,007,102          | \$1,339,485          | \$265,568            | \$453,541            | \$222,160           |
| 2,321,713   | 1,956,580            | 1,760,473            | 1,777,826            | 1,572,312            | 1,310,507           |
| 71,900,619  | 55,699,748           | 43,476,494           | 35,206,577           | 23,369,042           | 15,076,770          |
| 8,332,987   | 8,260,699            | 3,215,302            | 5,080,862            | 3,768,426            | 2,027,377           |
| 37,772  | 64,047               | 104,025              | 160,317              | 231,181              | 168,890             |
| <b>85,830,378</b>   | <b>67,988,176</b>    | <b>49,895,779</b>    | <b>42,491,150</b>    | <b>29,394,502</b>    | <b>18,805,704</b>   |
| 9,320   | 1,487                | 15,228               |                      |                      |                     |
| 1,135,244   | 856,629              | 332,521              | 182,603              | 294,187              | 75,977              |
| 8,332,987   | 8,260,699            | 3,215,302            | 5,080,862            | 3,768,426            | 2,027,377           |
| 121,798   | 3,085,230            | 9,999,662            |                      |                      | 1,325,160           |
| 76,231,029  | 55,784,131           | 36,333,066           | 37,227,685           | 25,331,889           | 15,377,190          |
| <b>\$85,830,378</b>   | <b>\$67,988,176</b>  | <b>\$49,895,779</b>  | <b>\$42,491,150</b>  | <b>\$29,394,502</b>  | <b>\$18,805,704</b> |

|  <b>Changes in Fiduciary Net Position</b> (last 10 fiscal years) |                         |                         |                         |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Year  | 2014                    | 2013                    | 2012                    | 2011*                   |
| <b>All Plans</b>  |                         |                         |                         |                         |
| <b>Additions</b>  |                         |                         |                         |                         |
| Member Contributions  | \$1,545,835,210         | \$1,458,086,045         | \$1,426,415,134         | \$1,434,755,544         |
| Employer Contributions  | 1,829,907,525           | 1,794,039,132           | 1,778,728,069           | 1,809,470,716           |
| Contracts and Other Receipts  | 270,728,202             | 250,228,379             | 218,259,489             | 211,847,098             |
| Federal Subsidy   | 176,619,891             | 105,965,762             | 182,579,917             | 192,118,407             |
| Net Income/(Loss) from Investing Activity   | 5,775,317,835           | 11,006,164,375          | 10,375,431,044          | 179,956,702             |
| Other Income, Net   | 8,304,360               | 13,898,739              | 12,103,692              | 11,255,503              |
| Interplan Activity  | 10,357,663              | 13,034,171              | 16,981,683              | 10,077,664              |
| <b>Total Additions</b>  | <b>9,617,070,686</b>    | <b>14,641,416,603</b>   | <b>14,010,499,028</b>   | <b>3,849,481,634</b>    |
| <b>Deductions</b>   |                         |                         |                         |                         |
| Pension Benefits  | 5,112,123,787           | 4,931,491,707           | 4,590,938,871           | 4,329,918,267           |
| Health Care Expenses  | 1,740,814,106           | 1,644,244,641           | 1,609,157,697           | 1,576,457,152           |
| Refunds of Contributions  | 425,701,829             | 441,284,204             | 307,486,279             | 323,672,042             |
| Administrative Expenses   | 74,114,491              | 68,619,091              | 69,617,155              | 70,101,033              |
| Interplan Activity  | 10,357,663              | 13,034,171              | 16,981,683              | 10,077,664              |
| <b>Total Deductions</b>   | <b>7,363,111,876</b>    | <b>7,098,673,814</b>    | <b>6,594,181,685</b>    | <b>6,310,226,158</b>    |
| Net Increase/(Decrease)   | 2,253,958,810           | 7,542,742,789           | 7,416,317,343           | (2,460,744,524)         |
| Net Position Held in Trust, Beginning of Year   | 88,989,936,298          | 81,447,193,509          | 74,030,876,166          | 76,491,620,690          |
| <b>Net Position Held in Trust, End of Year</b>  | <b>\$91,243,895,108</b> | <b>\$88,989,936,298</b> | <b>\$81,447,193,509</b> | <b>\$74,030,876,166</b> |
| <b>Traditional Pension Plan**</b>   |                         |                         |                         |                         |
| <b>Additions</b>  |                         |                         |                         |                         |
| Member Contributions  | \$1,228,144,074         | \$1,206,808,750         | \$1,199,073,380         | \$1,221,597,118         |
| Employer Contributions  | 1,476,074,083           | 1,571,758,150           | 1,208,150,727           | 1,233,002,841           |
| Contracts and Other Receipts  | 114,830,564             | 121,818,099             | 122,281,629             | 121,560,871             |
| Net Income/(Loss) from Investing Activity   | 5,056,307,357           | 9,423,847,940           | 8,713,817,411           | 274,530,266             |
| Other Income, Net   | 625,549                 | 414,878                 | 329,493                 | 340,460                 |
| Interplan Activity  | 10,357,663              | 13,034,171              | 16,918,042              | 10,077,664              |
| <b>Total Additions</b>  | <b>7,886,339,290</b>    | <b>12,337,681,988</b>   | <b>11,260,570,682</b>   | <b>2,861,109,220</b>    |
| <b>Deductions</b>   |                         |                         |                         |                         |
| Pension Benefits  | 5,109,100,939           | 4,928,972,847           | 4,589,973,216           | 4,329,452,581           |
| Refunds of Contributions  | 389,707,612             | 411,321,700             | 284,217,216             | 302,812,289             |
| Administrative Expenses   | 49,832,366              | 46,946,971              | 49,179,821              | 51,196,146              |
| Interplan Activity  |                         |                         |                         |                         |
| <b>Total Deductions</b>   | <b>5,548,640,917</b>    | <b>5,387,241,518</b>    | <b>4,923,370,253</b>    | <b>4,683,461,016</b>    |
| Net Increase/(Decrease)   | 2,337,698,373           | 6,950,440,470           | 6,337,200,429           | (1,822,351,796)         |
| Net Position Held in Trust, Beginning of Year   | 74,618,532,269          | 67,668,091,799          | 61,330,891,370          | 63,153,243,166          |
| <b>Net Position Held in Trust, End of Year</b>  | <b>\$76,956,230,642</b> | <b>\$74,618,532,269</b> | <b>\$67,668,091,799</b> | <b>\$61,330,891,370</b> |

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


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

## Statistical Section

|  <b>Changes in Fiduciary Net Position</b> (continued) |                         |                         |                         |                         |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 2010   | 2009                    | 2008                    | 2007                    | 2006                    | 2005                    |
| \$1,387,327,050  | \$1,385,175,757         | \$1,386,561,202         | \$1,306,544,058         | \$1,171,079,333         | \$1,055,269,202         |
| 1,796,343,429  | 1,822,639,448           | 1,840,585,266           | 1,798,305,461           | 1,673,479,701           | 1,599,401,084           |
| 197,507,372  | 219,182,666             | 180,763,502             | 151,494,844             | 216,390,457             | 120,057,761             |
| 142,658,293  | 69,132,772              | 63,310,194              | 59,075,120              | 58,987,181              |                         |
| 9,268,181,189  | 12,274,797,785          | (22,770,412,901)        | 6,594,053,702           | 10,028,554,662          | 5,740,076,574           |
| 7,930,265  | 794,525                 | 1,635,996               | 110,559                 | 1,501,275               | 980,539                 |
| 10,528,250   | 7,879,768               | 7,470,205               | 5,730,846               | 5,286,335               | 2,457,816               |
| <b>12,810,475,848</b>  | <b>15,779,602,721</b>   | <b>(19,290,086,536)</b> | <b>9,915,314,590</b>    | <b>13,155,278,944</b>   | <b>8,518,242,976</b>    |
| 3,961,552,022  | 3,661,174,109           | 3,388,953,861           | 3,136,995,197           | 2,906,859,113           | 2,679,084,743           |
| 1,568,065,943  | 1,488,266,219           | 1,377,274,519           | 1,282,829,856           | 1,231,882,888           | 1,152,943,718           |
| 233,054,714  | 222,580,254             | 221,300,825             | 221,092,748             | 235,136,633             | 220,236,000             |
| 71,030,458   | 75,844,945              | 74,022,980              | 69,305,991              | 65,152,774              | 61,664,979              |
| 10,528,250   | 7,879,768               | 7,470,205               | 5,730,846               | 5,286,335               | 2,457,816               |
| 5,844,231,387  | 5,455,745,295           | 5,069,022,390           | 4,715,954,638           | 4,444,317,743           | 4,116,387,256           |
| 6,966,244,461  | 10,323,857,426          | (24,359,108,926)        | 5,199,359,952           | 8,710,961,201           | 4,401,855,720           |
| 69,525,376,229   | 59,201,518,803          | 83,560,627,729          | 78,361,267,777          | 69,650,306,576          | 65,248,450,856          |
| <b>\$76,491,620,690</b>  | <b>\$69,525,376,229</b> | <b>\$59,201,518,803</b> | <b>\$83,560,627,729</b> | <b>\$78,361,267,777</b> | <b>\$69,650,306,576</b> |
| \$1,217,388,746  | \$1,236,966,262         | \$1,253,053,822         | \$1,183,959,051         | \$1,065,862,778         | \$965,977,835           |
| 1,097,711,440  | 1,019,582,360           | 892,693,746             | 1,051,808,289           | 1,092,998,459           | 1,106,755,953           |
| 113,080,115  | 160,232,136             | 113,351,117             | 105,157,859             | 122,076,019             | 112,227,300             |
| 7,678,536,712  | 9,822,978,753           | (19,258,540,437)        | 5,717,111,026           | 8,529,935,923           | 4,860,636,257           |
| 763,943  | 140,494                 | 1,021,007               | 40,061                  | 194,492                 | 432,175                 |
| 10,501,974   | 7,839,790               | 7,289,779               | 4,969,740               | 4,520,387               | 1,593,458               |
| <b>10,117,982,930</b>  | <b>12,247,739,795</b>   | <b>(16,991,130,966)</b> | <b>8,063,046,026</b>    | <b>10,815,588,058</b>   | <b>7,047,622,978</b>    |
| 3,961,217,461  | 3,661,076,709           | 3,388,862,796           | 3,136,978,910           | 2,906,857,436           | 2,679,084,743           |
| 219,808,143  | 212,209,227             | 212,802,651             | 213,007,451             | 228,034,617             | 215,398,602             |
| 52,375,762   | 56,805,048              | 53,853,085              | 50,053,260              | 44,854,241              | 44,375,744              |
|  | 36,008                  | 180,426                 | 718,220                 | 703,612                 | 864,358                 |
| 4,233,401,366  | 3,930,126,992           | 3,655,698,958           | 3,400,757,841           | 3,180,449,906           | 2,939,723,447           |
| 5,884,581,564  | 8,317,612,803           | (20,646,829,924)        | 4,662,288,185           | 7,635,138,152           | 4,107,899,531           |
| 57,630,423,957   | 49,312,811,154          | 69,959,641,078          | 65,297,352,893          | 57,662,214,741          | 53,554,315,210          |
| <b>\$63,515,005,521</b>  | <b>\$57,630,423,957</b> | <b>\$49,312,811,154</b> | <b>\$69,959,641,078</b> | <b>\$65,297,352,893</b> | <b>\$57,662,214,741</b> |

continued on 176

continued from page 175


|  <b>Changes in Fiduciary Net Position</b> (last 10 fiscal years, continued) |                         |                         |                         |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Year   | 2014                    | 2013                    | 2012                    | 2011*                   |
| <b>Post-employment Health Care Plan**</b>  |                         |                         |                         |                         |
| <b>Additions</b>   |                         |                         |                         |                         |
| Member Contributions   | \$238,406,380           | \$178,140,822           | \$159,614,898           | \$148,370,246           |
| Employer Contributions   | 135,522,351             | 120,056,440             | 494,048,415             | 503,458,216             |
| Contracts and Other Receipts   | 10,950,386              | 126,941,889             | 94,730,390              | 89,087,996              |
| Federal Subsidy  | 44,715,641              | 105,965,762             | 182,579,917             | 192,118,407             |
| Net Income/(Loss) from Investing Activity  | 648,566,894             | 1,397,348,823           | 1,549,970,894           | (78,923,627)            |
| Other Income, Net  | 7,601,841               | 13,483,861              | 11,774,199              | 10,915,043              |
| <b>Total Additions</b>   | <b>1,085,763,493</b>    | <b>1,941,937,597</b>    | <b>2,492,718,713</b>    | <b>865,026,281</b>      |
| <b>Deductions</b>  |                         |                         |                         |                         |
| Health Care Expenses   | 1,738,596,173           | 1,642,525,598           | 1,607,921,528           | 1,575,561,578           |
| Administrative Expenses  | 18,329,337              | 16,352,514              | 15,172,174              | 13,076,814              |
| <b>Total Deductions</b>  | <b>1,756,925,510</b>    | <b>1,658,878,112</b>    | <b>1,623,093,702</b>    | <b>1,588,638,392</b>    |
| Net Increase/(Decrease)  | (671,162,017)           | 283,059,485             | 869,625,011             | (723,612,111)           |
| Net Position Held in Trust, Beginning of Year  | 13,111,684,807          | 12,828,625,322          | 11,959,000,311          | 12,682,612,422          |
| <b>Net Position Held in Trust, End of Year</b>   | <b>\$12,440,522,790</b> | <b>\$13,111,684,807</b> | <b>\$12,828,625,322</b> | <b>\$11,959,000,311</b> |
| <b>115 Health Care Trust***</b>  |                         |                         |                         |                         |
| <b>Additions</b>   |                         |                         |                         |                         |
| Employer Contributions   | \$111,561,319           |                         |                         |                         |
| Contracts and Other Receipts   | 143,813,190             |                         |                         |                         |
| Federal Subsidy  | 131,904,250             |                         |                         |                         |
| Net Income/(Loss) from Investing Activity  | (1,193,356)             |                         |                         |                         |
| Other Income, Net  | 76,970                  |                         |                         |                         |
| <b>Total Additions</b>   | <b>386,162,373</b>      |                         |                         |                         |
| <b>Deductions</b>  |                         |                         |                         |                         |
| Administrative Expenses  | 82,201                  |                         |                         |                         |
| <b>Total Deductions</b>  | <b>82,201</b>           |                         |                         |                         |
| Net Increase/(Decrease)  | 386,080,172             |                         |                         |                         |
| Net Position Held in Trust, Beginning of Year  |                         |                         |                         |                         |
| <b>Net Position Held in Trust, End of Year</b>   | <b>\$386,080,172</b>    | <b>\$0</b>              | <b>\$0</b>              | <b>\$0</b>              |
| <b>Combined Plan</b>   |                         |                         |                         |                         |
| <b>Additions</b>   |                         |                         |                         |                         |
| Member Contributions   | \$34,604,398            | \$32,535,565            | \$30,193,165            | \$29,256,952            |
| Employer Contributions   | 44,196,044              | 45,427,520              | 23,998,486              | 23,280,520              |
| Contracts and Other Receipts   | 412,808                 | 680,258                 | 745,347                 | 386,879                 |
| Net Income/(Loss) from Investing Activity  | 32,379,863              | 78,379,140              | 50,732,608              | (5,810,229)             |
| Other Income, Net  |                         |                         |                         |                         |
| Interplan Activity   |                         |                         |                         |                         |
| <b>Total Additions</b>   | <b>111,593,113</b>      | <b>157,022,483</b>      | <b>105,669,606</b>      | <b>47,114,122</b>       |
| <b>Deductions</b>  |                         |                         |                         |                         |
| Pension Benefits   | 2,230,987               | 1,526,005               | 610,545                 | 305,215                 |
| Refunds of Contributions   | 10,974,442              | 7,731,155               | 6,173,714               | 6,462,849               |
| Administrative Expenses  | 2,375,278               | 2,264,293               | 2,295,688               | 2,559,312               |
| Interplan Activity   | 5,375,568               | 6,085,687               | 9,487,128               | 5,129,362               |
| <b>Total Deductions</b>  | <b>20,956,275</b>       | <b>17,607,140</b>       | <b>18,567,075</b>       | <b>14,456,738</b>       |
| Net Increase/(Decrease)  | 90,636,838              | 139,415,343             | 87,102,531              | 32,657,384              |
| Net Position Held in Trust, Beginning of Year  | 559,612,889             | 420,197,546             | 333,095,015             | 300,437,631             |
| <b>Net Position Held in Trust, End of Year</b>   | <b>\$650,249,727</b>    | <b>\$559,612,889</b>    | <b>\$420,197,546</b>    | <b>\$333,095,015</b>    |

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

\*\* The year 2010 was restated for reclassification of Early Retirement Reinsurance Program from Contracts and Other Receipts to Federal Subsidy, and the reclassification of the Pending Medical Claims adjustment from Health Care Expenses to Other Income. Pending Medical Claims consists of the annual adjustment made to the incurred but not reported liability included in Benefits Payable. This liability fluctuates from year to year based on changes in the claims experience.


\*\*\* The 115 Health Care Trust was established in 2014.

## Statistical Section

|  <b>Changes in Fiduciary Net Position</b> (continued) |                         |                        |                         |                         |                         |
|--|-------------------------|------------------------|-------------------------|-------------------------|-------------------------|
| 2010   | 2009                    | 2008                   | 2007                    | 2006                    | 2005                    |
| \$111,638,313  | \$94,370,543            | \$82,695,255           | \$79,198,959            | \$71,718,182            | \$63,408,347            |
| 628,685,237  | 740,817,891             | 891,561,073            | 695,967,837             | 538,312,995             | 457,325,506             |
| 83,572,868   | 58,649,547              | 66,343,542             | 45,534,017              | 93,724,104              | 7,234,092               |
| 142,658,293  | 69,132,772              | 63,310,194             | 59,075,120              | 58,987,181              |                         |
| 1,511,164,964  | 2,356,554,863           | (3,400,647,342)        | 858,614,433             | 1,471,059,831           | 868,900,661             |
| 7,163,609  | 654,031                 | 614,989                | 70,498                  | 1,306,783               | 548,364                 |
| <b>2,484,883,284</b>   | <b>3,320,179,647</b>    | <b>(2,296,122,289)</b> | <b>1,738,460,864</b>    | <b>2,235,109,076</b>    | <b>1,397,416,970</b>    |
| 1,567,551,611  | 1,488,032,855           | 1,377,146,173          | 1,282,776,044           | 1,231,870,038           | 1,152,941,961           |
| 12,782,968   | 13,033,595              | 13,596,943             | 10,796,417              | 10,892,971              | 7,875,355               |
| <b>1,580,334,579</b>   | <b>1,501,066,450</b>    | <b>1,390,743,116</b>   | <b>1,293,572,461</b>    | <b>1,242,763,009</b>    | <b>1,160,817,316</b>    |
| 904,548,705  | 1,819,113,197           | (3,686,865,405)        | 444,888,403             | 992,346,067             | 236,599,654             |
| 11,415,195,274   | 9,596,082,077           | 13,282,947,482         | 12,838,059,079          | 11,845,713,012          | 11,609,113,358          |
| <b>\$12,319,743,979</b>  | <b>\$11,415,195,274</b> | <b>\$9,596,082,077</b> | <b>\$13,282,947,482</b> | <b>\$12,838,059,079</b> | <b>\$11,845,713,012</b> |
|  |                         |                        |                         |                         |                         |
|  |                         |                        |                         |                         |                         |
|  |                         |                        |                         |                         |                         |
|  |                         |                        |                         |                         |                         |
|  |                         |                        |                         |                         |                         |
|  |                         |                        |                         |                         |                         |
| <b>\$0</b>   | <b>\$0</b>              | <b>\$0</b>             | <b>\$0</b>              | <b>\$0</b>              | <b>\$0</b>              |
| \$27,272,707   | \$26,096,068            | \$25,123,220           | \$21,907,704            | \$17,367,629            | \$13,720,773            |
| 26,432,761   | 23,397,299              | 20,352,999             | 19,241,579              | 17,689,420              | 15,632,184              |
| 384,947  | 124,823                 | 844,005                | 347,280                 | 427,966                 | 263,142                 |
| 35,971,101   | 44,034,607              | (53,571,566)           | 9,866,238               | 14,041,870              | 5,420,080               |
| 1,267  |                         |                        |                         |                         |                         |
|  |                         | 68,857                 | 411,764                 | 420,198                 | 425,831                 |
| <b>90,062,783</b>  | <b>93,652,797</b>       | <b>(7,182,485)</b>     | <b>51,774,565</b>       | <b>49,947,083</b>       | <b>35,462,010</b>       |
| 128,366  | 35,566                  | 11,911                 | 5,451                   | 552                     |                         |
| 3,540,043  | 2,905,883               | 3,623,723              | 2,707,630               | 1,910,107               | 1,390,162               |
| 2,584,673  | 2,638,279               | 2,990,092              | 3,890,828               | 4,510,803               | 4,432,803               |
| 6,043,719  | 3,638,757               | 4,105,870              | 2,305,124               | 2,026,194               | 602,893                 |
| <b>12,296,801</b>  | <b>9,218,485</b>        | <b>10,731,596</b>      | <b>8,909,033</b>        | <b>8,447,656</b>        | <b>6,425,858</b>        |
| 77,765,982   | 84,434,312              | (17,914,081)           | 42,865,532              | 41,499,427              | 29,036,152              |
| 223,384,797  | 138,950,485             | 156,864,566            | 113,999,034             | 72,499,607              | 43,463,455              |
| <b>\$301,150,779</b>   | <b>\$223,384,797</b>    | <b>\$138,950,485</b>   | <b>\$156,864,566</b>    | <b>\$113,999,034</b>    | <b>\$72,499,607</b>     |


continued on page 178


continued from page 177

|  <b>Changes in Fiduciary Net Position</b> (last 10 fiscal years, continued) |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
| Year   | 2014                 | 2013                 | 2012                 | 2011*                |
| <b>Member-Directed Plan</b>  |                      |                      |                      |                      |
| <b>Additions</b>   |                      |                      |                      |                      |
| Member Contributions   | \$44,680,358         | \$40,600,908         | \$37,533,691         | \$35,531,228         |
| Employer Contributions   | 47,851,530           | 38,540,851           | 35,646,573           | 33,746,291           |
| Contracts and Other Receipts   | 700,770              | 785,072              | 492,890              | 802,270              |
| Net Income/(Loss) from Investing Activity  | 28,212,549           | 88,633,791           | 46,860,344           | (10,151,205)         |
| Other Income, Net Interplan Activity   |                      |                      |                      |                      |
| <b>Total Additions</b>   | <b>121,445,207</b>   | <b>168,560,622</b>   | <b>120,533,498</b>   | <b>59,928,584</b>    |
| <b>Deductions</b>  |                      |                      |                      |                      |
| Pension Benefits   | 791,861              | 992,855              | 355,110              | 160,471              |
| Refunds of Contributions   | 25,019,775           | 22,231,349           | 17,095,349           | 14,396,904           |
| Administrative Expenses  | 2,400,900            | 2,028,864            | 2,118,855            | 2,354,183            |
| Interplan Activity   | 4,982,095            | 6,948,484            | 7,494,555            | 4,920,130            |
| <b>Total Deductions</b>  | <b>33,194,631</b>    | <b>32,201,552</b>    | <b>27,063,869</b>    | <b>21,831,688</b>    |
| Net Increase/(Decrease)  | 88,250,576           | 136,359,070          | 93,469,629           | 38,096,896           |
| Net Position Held in Trust, Beginning of Year  | 547,022,037          | 410,662,967          | 317,193,338          | 279,096,442          |
| <b>Net Position Held in Trust, End of Year</b>   | <b>\$635,272,613</b> | <b>\$547,022,037</b> | <b>\$410,662,967</b> | <b>\$317,193,338</b> |
| <b>VEBA Plan</b>   |                      |                      |                      |                      |
| <b>Additions</b>   |                      |                      |                      |                      |
| Employer Contributions   | \$14,702,198         | \$18,256,171         | \$16,883,868         | \$15,982,848         |
| Contracts and Other Receipts   | 20,484               | 3,061                | 9,233                | 9,082                |
| Net Income/(Loss) from Investing Activity  | 11,044,528           | 17,954,681           | 14,049,787           | 311,497              |
| Other Income, Net Interplan Activity   |                      |                      | 63,641               |                      |
| <b>Total Additions</b>   | <b>25,767,210</b>    | <b>36,213,913</b>    | <b>31,006,529</b>    | <b>16,303,427</b>    |
| <b>Deductions</b>  |                      |                      |                      |                      |
| Health Care Expenses   | 2,217,933            | 1,719,043            | 1,236,169            | 895,574              |
| Administrative Expenses  | 1,094,409            | 1,026,449            | 850,617              | 914,578              |
| Interplan Activity   |                      |                      |                      | 28,172               |
| <b>Total Deductions</b>  | <b>3,312,342</b>     | <b>2,745,492</b>     | <b>2,086,786</b>     | <b>1,838,324</b>     |
| Net Increase/(Decrease)  | 22,454,868           | 33,468,421           | 28,919,743           | 14,465,103           |
| Net Position Held in Trust, Beginning of Year  | 153,084,296          | 119,615,875          | 90,696,132           | 76,231,029           |
| <b>Net Position Held in Trust, End of Year</b>   | <b>\$175,539,164</b> | <b>\$153,084,296</b> | <b>\$119,615,875</b> | <b>\$90,696,132</b>  |

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

## Statistical Section


|  <b>Changes in Fiduciary Net Position</b> (continued) |                      |                      |                      |                     |                     |
|--|----------------------|----------------------|----------------------|---------------------|---------------------|
| 2010   | 2009                 | 2008                 | 2007                 | 2006                | 2005                |
| \$31,027,284   | \$27,742,884         | \$25,688,905         | \$21,478,344         | \$16,130,744        | \$12,162,247        |
| 29,527,197   | 26,356,764           | 24,411,834           | 21,048,014           | 16,363,129          | 12,435,161          |
| 462,075  | 173,832              | 223,485              | 453,716              | 161,894             | 332,927             |
| 34,223,485   | 42,835,328           | (46,084,400)         | 5,860,816            | 10,529,166          | 4,078,183           |
| 1,108  |                      | 55,277               | 278,478              | 345,750             | 355,531             |
| 95,241,149   | 97,108,808           | 4,295,101            | 49,119,368           | 43,530,683          | 29,364,049          |
| 206,195  | 61,834               | 79,154               | 10,836               | 1,125               |                     |
| 9,706,528  | 7,465,144            | 4,874,451            | 5,377,667            | 5,191,909           | 3,447,236           |
| 2,435,285  | 2,514,665            | 2,762,484            | 3,601,327            | 3,882,917           | 4,128,233           |
| 4,382,873  | 3,821,116            | 3,183,909            | 2,707,502            | 2,431,876           | 866,427             |
| 16,730,881   | 13,862,759           | 10,899,998           | 11,697,332           | 11,507,827          | 8,441,896           |
| 78,510,268   | 83,246,049           | (6,604,897)          | 37,422,036           | 32,022,856          | 20,922,153          |
| 200,588,070  | 117,342,021          | 123,946,918          | 86,524,882           | 54,502,026          | 33,579,873          |
| <b>\$279,096,338</b>   | <b>\$200,588,070</b> | <b>\$117,342,021</b> | <b>\$123,946,918</b> | <b>\$86,524,882</b> | <b>\$54,502,026</b> |
| \$13,986,794   | \$12,485,134         | \$11,565,614         | \$10,239,742         | \$8,115,698         | \$7,252,280         |
| 7,367  | 2,328                | 1,353                | 1,972                | 474                 | 300                 |
| 8,284,927  | 8,394,234            | (11,569,156)         | 2,601,189            | 2,987,872           | 1,041,393           |
| 338  |                      |                      |                      |                     |                     |
| 26,276   | 39,978               | 56,292               | 70,864               |                     | 82,996              |
| 22,305,702   | 20,921,674           | 54,103               | 12,913,767           | 11,104,044          | 8,376,969           |
| 514,332  | 233,364              | 128,346              | 53,812               | 12,850              | 1,757               |
| 851,770  | 853,358              | 820,376              | 964,159              | 1,011,842           | 852,844             |
| 101,658  | 383,887              |                      |                      | 124,653             | 124,138             |
| 1,467,760  | 1,470,609            | 948,722              | 1,017,971            | 1,149,345           | 978,739             |
| 20,837,942   | 19,451,065           | (894,619)            | 11,895,796           | 9,954,699           | 7,398,230           |
| 55,784,131   | 36,333,066           | 37,227,685           | 25,331,889           | 15,377,190          | 7,978,960           |
| <b>\$76,622,073</b>  | <b>\$55,784,131</b>  | <b>\$36,333,066</b>  | <b>\$37,227,685</b>  | <b>\$25,331,889</b> | <b>\$15,377,190</b> |

|  <b>Additions by Source</b> (last 10 fiscal years) |                        |                         |                         |                        |
|---|------------------------|-------------------------|-------------------------|------------------------|
| Year  | 2014                   | 2013                    | 2012                    | 2011                   |
| <b>All Plans</b>  |                        |                         |                         |                        |
| Member Contributions  | \$1,545,835,210        | \$1,458,086,045         | \$1,426,415,134         | \$1,434,755,544        |
| Employer Contributions  | 1,829,907,525          | 1,794,039,132           | 1,778,728,069           | 1,809,470,716          |
| Purchase of Service   | 26,521,581             | 60,100,714              | 62,507,139              | 59,976,857             |
| Early Retirement Incentive Payments   | 15,180,991             | 7,294,662               | 13,568,992              | 23,366,505             |
| Transfers from Other Retirement Systems   | 69,328,737             | 46,370,923              | 39,590,467              | 31,487,779             |
| Vendor Rebates & Other Receipts   | 150,377,554            | 121,660,735             | 90,103,930              | 84,515,422             |
| Additional Annuity/Voluntary Contributions  | 1,693,612              | 5,786,692               | 5,402,253               | 5,334,480              |
| Other Employer Payments   | 7,625,727              | 9,014,653               | 7,086,708               | 7,166,055              |
| Federal Subsidy   | 176,619,891            | 105,965,762             | 182,579,917             | 192,118,407            |
| Net Income/(Loss) from Investing Activity   | 5,775,317,835          | 11,006,164,375          | 10,375,431,044          | 179,956,702            |
| Other Income, Net   | 8,304,360              | 13,898,739              | 12,103,692              | 11,255,503             |
| Interplan Activity  | 10,357,663             | 13,034,171              | 16,981,683              | 10,077,664             |
| <b>Total Additions</b>  | <b>\$9,617,070,686</b> | <b>\$14,641,416,603</b> | <b>\$14,010,499,028</b> | <b>\$3,849,481,634</b> |
| <b>Traditional Pension Plan</b>   |                        |                         |                         |                        |
| Member Contributions  | \$1,228,144,074        | \$1,206,808,750         | \$1,199,073,380         | \$1,221,597,118        |
| Employer Contributions  | 1,476,074,083          | 1,571,758,150           | 1,208,150,727           | 1,233,002,841          |
| Purchase of Service   | 26,297,267             | 59,756,708              | 62,193,231              | 59,770,075             |
| Early Retirement Incentive Payments   | 14,427,760             | 6,943,575               | 13,134,027              | 22,388,005             |
| Transfers from Other Retirement Systems   | 66,309,930             | 42,242,610              | 36,013,336              | 28,505,778             |
| Additional Annuity Contributions  | 945,803                | 4,744,751               | 4,530,704               | 4,447,182              |
| Other Employer Payments   | 6,849,804              | 8,130,455               | 6,410,331               | 6,449,831              |
| Net Income/(Loss) from Investing Activity   | 5,056,307,357          | 9,423,847,940           | 8,713,817,411           | 274,530,266            |
| Other Income, Net   | 625,549                | 414,878                 | 329,493                 | 340,460                |
| Interplan Activity  | 10,357,663             | 13,034,171              | 16,918,042              | 10,077,664             |
| <b>Total Additions</b>  | <b>\$7,886,339,290</b> | <b>\$12,337,681,988</b> | <b>\$11,260,570,682</b> | <b>\$2,861,109,220</b> |
| <b>Post-employment Health Care Plan</b>   |                        |                         |                         |                        |
| Member Contributions  | \$238,406,380          | \$178,140,822           | \$159,614,898           | \$148,370,246          |
| Employer Contributions  | 135,522,351            | 120,056,440             | 494,048,415             | 503,458,216            |
| Purchase of Service   |                        |                         |                         |                        |
| Early Retirement Incentive Payments   | 753,231                | 351,087                 | 434,965                 | 978,500                |
| Transfers from Other Retirement Systems   | 276,331                | 4,128,313               | 3,577,131               | 2,946,044              |
| Vendor Rebates & Other Receipts   | 9,396,130              | 121,660,735             | 90,103,930              | 84,515,422             |
| Other Employer Payments   | 524,694                | 801,754                 | 614,364                 | 648,030                |
| Federal Subsidy—Medicare Part D   | 170,515                | 246,139                 | 926,931                 | 788,419                |
| Federal Subsidy—Medicare PDP  | 44,545,126             | 105,719,623             | 181,652,986             | 81,802,880             |
| Federal Subsidy—Early Retiree Reinsurance Program   |                        |                         |                         | 109,527,108            |
| Net Income/(Loss) from Investing Activity   | 648,566,894            | 1,397,348,823           | 1,549,970,894           | (78,923,627)           |
| Other Income, Net   | 7,601,841              | 13,483,861              | 11,774,199              | 10,915,043             |
| <b>Total Additions</b>  | <b>\$1,085,763,493</b> | <b>\$1,941,937,597</b>  | <b>\$2,492,718,713</b>  | <b>\$865,026,281</b>   |

\* Year 2010 Post-employment Health Care expenses restated for reclassification of Pending Medical Claims adjustment from Health Care Medical Expense to Other Income. Pending Medical Claims consists of the annual adjustment made to the incurred but not reported liability included in Benefits Payable. This liability fluctuates from year to year based on changes in the claims experience.




## Statistical Section

|  <b>Additions by Source</b> (continued) |                         |                           |                        |                         |                        |  |
|--|-------------------------|---------------------------|------------------------|-------------------------|------------------------|--|
| 2010*  | 2009                    | 2008                      | 2007                   | 2006                    | 2005                   |  |
| \$1,387,327,050  | \$1,385,175,757         | \$1,386,561,202           | \$1,306,544,058        | \$1,171,079,333         | \$1,055,269,202        |  |
| 1,796,343,429  | 1,822,639,448           | 1,840,585,266             | 1,798,305,461          | 1,673,479,701           | 1,599,401,084          |  |
| 51,936,153   | 42,247,663              | 47,326,741                | 45,091,289             | 50,645,844              | 48,472,217             |  |
| 27,964,615   | 93,149,748              | 34,588,480                | 30,078,951             | 38,617,128              | 37,426,646             |  |
| 31,862,677   | 26,142,599              | 43,533,703                | 24,071,283             | 23,863,918              | 17,996,360             |  |
| 72,854,648   | 47,557,407              | 44,672,114                | 41,826,091             | 87,417,935              | 4,024,855              |  |
| 5,296,310  | 3,915,521               | 4,498,262                 | 5,538,887              | 8,668,898               | 8,457,595              |  |
| 7,592,969  | 6,169,728               | 6,144,202                 | 4,888,343              | 7,176,734               | 3,680,088              |  |
| 142,658,293  | 69,132,772              | 63,310,194                | 59,075,120             | 58,987,181              |                        |  |
| 9,268,181,189  | 12,274,797,785          | (22,770,412,901)          | 6,594,053,702          | 10,028,554,662          | 5,740,076,574          |  |
| 7,930,265  | 794,525                 | 1,635,996                 | 110,559                | 1,501,275               | 980,539                |  |
| 10,528,250   | 7,879,768               | 7,470,205                 | 5,730,846              | 5,286,335               | 2,457,816              |  |
| <b>\$12,810,475,848</b>  | <b>\$15,779,602,721</b> | <b>(\$19,290,086,536)</b> | <b>\$9,915,314,590</b> | <b>\$13,155,278,944</b> | <b>\$8,518,242,976</b> |  |
| \$1,217,388,746  | \$1,236,966,262         | \$1,253,053,822           | \$1,183,959,051        | \$1,065,862,778         | \$965,977,835          |  |
| 1,097,711,440  | 1,019,582,360           | 892,693,746               | 1,051,808,289          | 1,092,998,459           | 1,106,755,953          |  |
| 51,738,819   | 42,177,769              | 47,167,085                | 44,994,292             | 50,533,824              | 48,434,728             |  |
| 26,567,998   | 87,738,002              | 32,401,549                | 27,838,050             | 35,579,146              | 34,700,645             |  |
| 23,234,777   | 20,972,055              | 24,779,353                | 23,209,103             | 21,807,617              | 17,958,823             |  |
| 4,699,133  | 3,705,856               | 3,615,649                 | 4,879,268              | 8,184,059               | 7,940,554              |  |
| 6,839,388  | 5,638,454               | 5,387,481                 | 4,237,146              | 5,971,373               | 3,192,550              |  |
| 7,678,536,712  | 9,822,978,753           | (19,258,540,437)          | 5,717,111,026          | 8,529,935,923           | 4,860,636,257          |  |
| 763,943  | 140,494                 | 1,021,007                 | 40,061                 | 194,492                 | 432,175                |  |
| 10,501,974   | 7,839,790               | 7,289,779                 | 4,969,740              | 4,520,387               | 1,593,458              |  |
| <b>\$10,117,982,930</b>  | <b>\$12,247,739,795</b> | <b>(\$16,991,130,966)</b> | <b>\$8,063,046,026</b> | <b>\$10,815,588,058</b> | <b>\$7,047,622,978</b> |  |
| \$111,638,313  | \$94,370,543            | \$82,695,255              | \$79,198,959           | \$71,718,182            | \$63,408,347           |  |
| 628,685,237  | 740,817,891             | 891,561,073               | 695,967,837            | 538,312,995             | 457,325,506            |  |
| 48,467   |                         |                           | 13,557                 | 28,133                  | 3,586                  |  |
| 1,396,617  | 5,411,746               | 2,186,931                 | 2,240,901              | 3,037,982               | 2,726,001              |  |
| 8,627,900  | 5,170,544               | 18,754,350                | 862,180                | 2,056,301               |                        |  |
| 72,854,394   | 47,557,407              | 44,672,114                | 41,826,091             | 87,417,935              | 4,024,855              |  |
| 645,490  | 509,850                 | 730,147                   | 591,288                | 1,183,753               | 479,650                |  |
| 72,100,529   | 69,132,772              | 63,310,194                | 59,075,120             | 58,987,181              |                        |  |
| 70,557,764   |                         |                           |                        |                         |                        |  |
| 1,511,164,964  | 2,356,554,863           | (3,400,647,342)           | 858,614,433            | 1,471,059,831           | 868,900,661            |  |
| 7,163,609  | 654,031                 | 614,989                   | 70,498                 | 1,306,783               | 548,364                |  |
| <b>\$2,484,883,284</b>   | <b>\$3,320,179,647</b>  | <b>(\$2,296,122,289)</b>  | <b>\$1,738,460,864</b> | <b>\$2,235,109,076</b>  | <b>\$1,397,416,970</b> |  |


continued on page 182


continued from page 181

|  |                      |                      |                      |                     |
|---|----------------------|----------------------|----------------------|---------------------|
| Year  | 2014                 | 2013                 | 2012                 | 2011                |
| <b>115 Health Care Trust*</b>   |                      |                      |                      |                     |
| Employer Contributions  | \$111,561,319        |                      |                      |                     |
| Transfers from Other Retirement Systems   | 2,742,476            |                      |                      |                     |
| Vendor Rebates & Other Receipts   | 140,981,424          |                      |                      |                     |
| Other Employer Payments   | 89,290               |                      |                      |                     |
| Federal Subsidy—Medicare Part D   | 223,579              |                      |                      |                     |
| Federal Subsidy—Medicare PDP  | 131,680,671          |                      |                      |                     |
| Net Income/(Loss) from Investing Activity   | (1,193,356)          |                      |                      |                     |
| Other Income, Net   | 76,970               |                      |                      |                     |
| <b>Total Additions</b>  | <b>\$386,162,373</b> | <b>\$0</b>           | <b>\$0</b>           | <b>\$0</b>          |
| <b>Combined Plan</b>  |                      |                      |                      |                     |
| Member Contributions  | \$34,604,398         | \$32,535,565         | \$30,193,165         | \$29,256,952        |
| Employer Contributions  | 44,196,044           | 45,427,520           | 23,998,486           | 23,280,520          |
| Purchase of Service   | 218,582              | 343,752              | 313,711              | 201,906             |
| Transfers from Other Retirement Systems   |                      |                      |                      | 35,957              |
| Voluntary Contributions   | 153,014              | 270,861              | 425,653              | 134,608             |
| Other Employer Payments   | 41,212               | 65,645               | 5,983                | 14,408              |
| Net Income/(Loss) from Investing Activity   | 32,379,863           | 78,379,140           | 50,732,608           | (5,810,229)         |
| Other Income, Net   |                      |                      |                      |                     |
| Interplan Activity  |                      |                      |                      |                     |
| <b>Total Additions</b>  | <b>\$111,593,113</b> | <b>\$157,022,483</b> | <b>\$105,669,606</b> | <b>\$47,114,122</b> |
| <b>Member-Directed Plan</b>   |                      |                      |                      |                     |
| Member Contributions  | \$44,680,358         | \$40,600,908         | \$37,533,691         | \$35,531,228        |
| Employer Contributions  | 47,851,530           | 38,540,851           | 35,646,573           | 33,746,291          |
| Purchase of Service   | 5,732                | 254                  | 197                  | 4,876               |
| Voluntary Contributions   | 594,795              | 771,080              | 445,896              | 752,690             |
| Other Employer Payments   | 100,243              | 13,738               | 46,797               | 44,704              |
| Net Income/(Loss) from Investing Activity   | 28,212,549           | 88,633,791           | 46,860,344           | (10,151,205)        |
| Other Income, Net   |                      |                      |                      |                     |
| Interplan Activity  |                      |                      |                      |                     |
| <b>Total Additions</b>  | <b>\$121,445,207</b> | <b>\$168,560,622</b> | <b>\$120,533,498</b> | <b>\$59,928,584</b> |
| <b>VEBA Plan</b>  |                      |                      |                      |                     |
| Employer Contributions  | \$14,702,198         | \$18,256,171         | \$16,883,868         | \$15,982,848        |
| Vendor Rebates & Other Receipts   |                      |                      |                      |                     |
| Other Employer Payments   | 20,484               | 3,061                | 9,233                | 9,082               |
| Net Income/(Loss) from Investing Activity   | 11,044,528           | 17,954,681           | 14,049,787           | 311,497             |
| Other Income, Net   |                      |                      |                      |                     |
| Interplan Activity  |                      |                      | 63,641               |                     |
| <b>Total Additions</b>  | <b>\$25,767,210</b>  | <b>\$36,213,913</b>  | <b>\$31,006,529</b>  | <b>\$16,303,427</b> |

\* The 115 Health Care Trust was established in 2014.

## Statistical Section

|  <b>Additions by Source</b> (continued) |                     |                      |                     |                     |                     |
|--|---------------------|----------------------|---------------------|---------------------|---------------------|
| 2010   | 2009                | 2008                 | 2007                | 2006                | 2005                |
| \$0  | \$0                 | \$0                  | \$0                 | \$0                 | \$0                 |
| \$27,272,707   | \$26,096,068        | \$25,123,220         | \$21,907,704        | \$17,367,629        | \$13,720,773        |
| 26,432,761   | 23,397,299          | 20,352,999           | 19,241,579          | 17,689,420          | 15,632,184          |
| 150,035  | 68,726              | 159,371              | 83,440              | 83,887              | 33,903              |
|  |                     |                      |                     |                     | 37,537              |
| 177,121  | 48,855              | 684,634              | 239,505             | 329,818             | 186,294             |
| 57,791   | 7,242               |                      | 24,335              | 14,261              | 5,408               |
| 35,971,101   | 44,034,607          | (53,571,566)         | 9,866,238           | 14,041,870          | 5,420,080           |
| 1,267  |                     | 68,857               | 411,764             | 420,198             | 425,831             |
| <b>\$90,062,783</b>  | <b>\$93,652,797</b> | <b>(\$7,182,485)</b> | <b>\$51,774,565</b> | <b>\$49,947,083</b> | <b>\$35,462,010</b> |
| \$31,027,284   | \$27,742,884        | \$25,688,905         | \$21,478,344        | \$16,130,744        | \$12,162,247        |
| 29,527,197   | 26,356,764          | 24,411,834           | 21,048,014          | 16,363,129          | 12,435,161          |
| (1,168)  | 1,168               | 285                  |                     |                     |                     |
| 420,056  | 160,810             | 197,979              | 420,114             | 155,021             | 330,747             |
| 43,187   | 11,854              | 25,221               | 33,602              | 6,873               | 2,180               |
| 34,223,485   | 42,835,328          | (46,084,400)         | 5,860,816           | 10,529,166          | 4,078,183           |
| 1,108  |                     | 55,277               | 278,478             | 345,750             | 355,531             |
| <b>\$95,241,149</b>  | <b>\$97,108,808</b> | <b>\$4,295,101</b>   | <b>\$49,119,368</b> | <b>\$43,530,683</b> | <b>\$29,364,049</b> |
| \$13,986,794   | \$12,485,134        | \$11,565,614         | \$10,239,742        | \$8,115,698         | \$7,252,280         |
| 254  |                     |                      |                     |                     |                     |
| 7,113  | 2,328               | 1,353                | 1,972               | 474                 | 300                 |
| 8,284,927  | 8,394,234           | (11,569,156)         | 2,601,189           | 2,987,872           | 1,041,393           |
| 338  |                     |                      |                     |                     |                     |
| 26,276   | 39,978              | 56,292               | 70,864              |                     | 82,996              |
| <b>\$22,305,702</b>  | <b>\$20,921,674</b> | <b>\$54,103</b>      | <b>\$12,913,767</b> | <b>\$11,104,044</b> | <b>\$8,376,969</b>  |


|  <b>Deductions by Type</b> (last 10 fiscal years) |                        |                        |                        |                        |
|--|------------------------|------------------------|------------------------|------------------------|
| Year   | 2014                   | 2013                   | 2012                   | 2011                   |
| <b>All Plans</b>   |                        |                        |                        |                        |
| Pension—Annuities  | \$5,101,735,902        | \$4,920,408,972        | \$4,582,583,776        | \$4,322,202,507        |
| Pension—Installment Payments   | 1,628,513              | 1,549,139              | 463,923                | 207,443                |
| Pension—Other  | 7,482,091              | 7,913,434              | 7,891,172              | 7,508,317              |
| Disability Case Management & Exams   | 1,277,281              | 1,620,162              |                        |                        |
| Refunds  | 425,701,829            | 441,284,204            | 307,486,279            | 323,672,042            |
| Medicare Part B  | 113,967,145            | 112,820,822            | 112,530,781            | 109,072,281            |
| Medical  | 921,172,088            | 912,071,417            | 888,700,307            | 872,219,550            |
| Pending Medical Claims   |                        |                        |                        |                        |
| Prescription Drug  | 634,474,812            | 551,391,403            | 541,552,286            | 530,404,030            |
| Dental   | 50,907,491             | 48,106,058             | 41,711,390             | 38,467,223             |
| Vision   | 9,564,606              | 9,038,035              | 7,896,366              | 7,288,175              |
| Disease Management   | 3,840,401              | 4,535,512              | 4,711,813              | 4,620,914              |
| Allowance Payment to RMA   | 4,669,630              | 4,562,351              | 10,818,585             | 13,489,405             |
| VEBA Claims  | 2,217,933              | 1,719,043              | 1,236,169              | 895,574                |
| Administrative Expenses  | 74,114,491             | 68,619,091             | 69,617,154             | 70,101,033             |
| Interplan Activity   | 10,357,663             | 13,034,171             | 16,981,684             | 10,077,664             |
| <b>Total Deductions</b>  | <b>\$7,363,111,876</b> | <b>\$7,098,673,814</b> | <b>\$6,594,181,685</b> | <b>\$6,310,226,158</b> |
| <b>Traditional Pension Plan</b>  |                        |                        |                        |                        |
| Pension—Annuities  | \$5,100,341,567        | \$4,919,439,251        | \$4,582,082,044        | \$4,321,944,264        |
| Pension—Other  | 7,482,091              | 7,913,434              | 7,891,172              | 7,508,317              |
| Disability Case Management & Exams   | 1,277,281              | 1,620,162              |                        |                        |
| Refunds  | 389,707,612            | 411,321,700            | 284,217,216            | 302,812,289            |
| Administrative Expenses  | 49,832,366             | 46,946,971             | 49,179,821             | 51,196,146             |
| Interplan Activity   |                        |                        |                        |                        |
| <b>Total Deductions</b>  | <b>\$5,548,640,917</b> | <b>\$5,387,241,518</b> | <b>\$4,923,370,253</b> | <b>\$4,683,461,016</b> |
| <b>Post-employment Health Care Plan*</b>   |                        |                        |                        |                        |
| Medicare Part B  | \$113,967,145          | \$112,820,822          | \$112,530,781          | \$109,072,281          |
| Medical  | 921,172,088            | 912,071,417            | 888,700,307            | 872,219,550            |
| Pending Medical Claims   |                        |                        |                        |                        |
| Prescription Drug  | 634,474,812            | 551,391,403            | 541,552,286            | 530,404,030            |
| Dental   | 50,907,491             | 48,106,058             | 41,711,390             | 38,467,223             |
| Vision   | 9,564,606              | 9,038,035              | 7,896,366              | 7,288,175              |
| Disease Management   | 3,840,401              | 4,535,512              | 4,711,813              | 4,620,914              |
| Allowance Payment to RMA   | 4,669,630              | 4,562,351              | 10,818,585             | 13,489,405             |
| Administrative Expenses  | 18,329,337             | 16,352,514             | 15,172,174             | 13,076,814             |
| <b>Total Deductions</b>  | <b>\$1,756,925,510</b> | <b>\$1,658,878,112</b> | <b>\$1,623,093,702</b> | <b>\$1,588,638,392</b> |
| <b>115 Health Care Trust***</b>  |                        |                        |                        |                        |
| Administrative Expenses  | \$82,201               |                        |                        |                        |
| <b>Total Deductions</b>  | <b>\$82,201</b>        | <b>\$0</b>             | <b>\$0</b>             | <b>\$0</b>             |

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

\*\* Year 2010 Post-employment Health Care expenses restated for reclassification of Pending Medical Claims adjustment from Health Care Medical Expense to Other Income. Pending Medical Claims consists of the annual adjustment made to the incurred but not reported liability included in Benefits Payable. This liability fluctuates from year to year based on changes in the claims experience.


\*\*\* The 115 Health Care Trust was established in 2014.

## Statistical Section


|  <b>Deductions by Type</b> (continued) |  |  |   |  |   |
|---|--|--|---|--|---|
| 2010**  | 2009   | 2008   | 2007  | 2006   | 2005  |
| \$3,954,057,452<br>246,225<br>7,248,345   | \$3,653,998,513<br>50,709<br>7,124,887                                     | \$3,381,914,006<br>41,250<br>6,998,605                                     | \$3,130,094,411<br>9,600<br>6,891,186                                     | \$2,899,824,472<br>1,125<br>7,033,516                        | \$2,671,847,680<br><br>7,237,063                                    |
| 233,054,714<br>107,770,173<br>871,299,322   | 222,580,254<br>105,854,803<br>877,861,028                                  | 221,300,825<br>103,934,337<br>827,135,910                                  | 221,092,748<br>99,175,973<br>745,052,859                                  | 235,136,633<br>92,268,184<br>705,427,089                     | 220,236,000<br>80,094,041<br>656,301,652                            |
| 526,054,523<br>38,978,748<br>7,668,138<br>2,557,254<br>13,223,453<br>514,332<br>71,030,458<br>10,528,250                | 494,674,419<br><br><br><br>9,642,605<br>233,364<br>75,844,945<br>7,879,768 | 441,059,097<br><br><br><br>5,016,829<br>128,346<br>74,022,980<br>7,470,205 | 431,405,495<br><br><br><br>3,020,425<br>53,812<br>69,305,991<br>5,730,846 | 428,140,230<br><br><br><br>12,850<br>65,152,774<br>5,286,335 | 403,184,288<br><br><br><br><br><br>1,757<br>61,664,979<br>2,457,816 |
| <b>\$5,844,231,387</b>  | <b>\$5,455,745,295</b>   | <b>\$5,069,022,390</b>   | <b>\$4,715,954,638</b>  | <b>\$4,444,317,743</b>                                       | <b>\$4,116,387,256</b>  |
| \$3,953,969,116<br>7,248,345  | \$3,653,951,822<br>7,124,887   | \$3,381,864,191<br>6,998,605   | \$3,130,087,724<br>6,891,186  | \$2,899,823,920<br>7,033,516                                 | \$2,671,847,680<br>7,237,063  |
| 219,808,143<br>52,375,762   | 212,209,227<br>56,805,048<br>36,008  | 212,802,651<br>53,853,085<br>180,426                                       | 213,007,451<br>50,053,260<br>718,220                                      | 228,034,617<br>44,854,241<br>703,612                         | 215,398,602<br>44,375,744<br>864,358                                |
| <b>\$4,233,401,366</b>  | <b>\$3,930,126,992</b>   | <b>\$3,655,698,958</b>   | <b>\$3,400,757,841</b>  | <b>\$3,180,449,906</b>                                       | <b>\$2,939,723,447</b>  |
| \$107,770,173<br>871,299,322  | \$105,854,803<br>877,861,028   | \$103,934,337<br>827,135,910   | \$99,175,973<br>745,052,859   | \$92,268,184<br>705,427,089                                  | \$80,094,041<br>656,301,652   |
| 526,054,523<br>38,978,748<br>7,668,138<br>2,557,254<br>13,223,453<br>12,782,968   | 494,674,419<br><br><br><br>9,642,605<br>13,033,595                         | 441,059,097<br><br><br><br>5,016,829<br>13,596,943                         | 431,405,495<br><br><br><br>3,020,425<br>10,796,417                        | 428,140,230<br><br><br><br>10,892,971                        | 403,184,288<br><br><br><br>7,875,355                                |
| <b>\$1,580,334,579</b>  | <b>\$1,501,066,450</b>   | <b>\$1,390,743,116</b>   | <b>\$1,293,572,461</b>  | <b>\$1,242,763,009</b>                                       | <b>\$1,160,817,316</b>  |
|   |  |  |   |  |   |
| <b>\$0</b>  | <b>\$0</b>   | <b>\$0</b>   | <b>\$0</b>  | <b>\$0</b>   | <b>\$0</b>  |


continued on page 186

continued from page 185

|  <b>Deductions by Type</b> (last 10 fiscal years, continued) |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
| Year  | 2014                | 2013                | 2012                | 2011                |
| <b>Combined Plan</b>  |                     |                     |                     |                     |
| Pension—Annuities   | \$773,394           | \$533,920           | \$273,809           | \$187,051           |
| Pension—Installment Payments  | 1,457,593           | 992,085             | 336,736             | 118,164             |
| Refunds   | 10,974,442          | 7,731,155           | 6,173,714           | 6,462,849           |
| Administrative Expenses   | 2,375,278           | 2,264,293           | 2,295,688           | 2,559,312           |
| Interplan Activity  | 5,375,568           | 6,085,687           | 9,487,128           | 5,129,362           |
| <b>Total Deductions</b>   | <b>\$20,956,275</b> | <b>\$17,607,140</b> | <b>\$18,567,075</b> | <b>\$14,456,738</b> |
| <b>Member-Directed Plan</b>   |                     |                     |                     |                     |
| Pension—Annuities   | \$620,941           | \$435,801           | \$227,923           | \$71,192            |
| Pension—Installment Payments  | 170,920             | 557,054             | 127,187             | 89,279              |
| Refunds   | 25,019,775          | 22,231,349          | 17,095,349          | 14,396,904          |
| Administrative Expenses   | 2,400,900           | 2,028,864           | 2,118,854           | 2,354,183           |
| Interplan Activity  | 4,982,095           | 6,948,484           | 7,494,556           | 4,920,130           |
| <b>Total Deductions</b>   | <b>\$33,194,631</b> | <b>\$32,201,552</b> | <b>\$27,063,869</b> | <b>\$21,831,688</b> |
| <b>VEBA Plan</b>  |                     |                     |                     |                     |
| VEBA Claims   | \$2,217,933         | \$1,719,043         | \$1,236,169         | \$895,574           |
| Administrative Expenses   | 1,094,409           | 1,026,449           | 850,617             | 914,578             |
| Interplan Activity  |                     |                     |                     | 28,172              |
| <b>Total Deductions</b>   | <b>\$3,312,342</b>  | <b>\$2,745,492</b>  | <b>\$2,086,786</b>  | <b>\$1,838,324</b>  |

## Statistical Section

|  <b>Deductions by Type</b> (continued) |                     |                     |                     |                     |      |                    |
|---|---------------------|---------------------|---------------------|---------------------|------|--------------------|
| 2010  | 2009                | 2008                | 2007                | 2006                | 2005 |                    |
| \$61,125  | \$30,566            | \$11,911            | \$5,451             | \$552               |      |                    |
| 67,241  | 5,000               |                     |                     |                     |      |                    |
| 3,540,043   | 2,905,883           | 3,623,723           | 2,707,630           | 1,910,107           |      | \$1,390,162        |
| 2,584,673   | 2,638,279           | 2,990,092           | 3,890,828           | 4,510,803           |      | 4,432,803          |
| 6,043,719   | 3,638,757           | 4,105,870           | 2,305,124           | 2,026,194           |      | 602,893            |
| <b>\$12,296,801</b>   | <b>\$9,218,485</b>  | <b>\$10,731,596</b> | <b>\$8,909,033</b>  | <b>\$8,447,656</b>  |      | <b>\$6,425,858</b> |
| \$27,211  | \$16,125            | \$37,904            | \$1,236             |                     |      |                    |
| 178,984   | 45,709              | 41,250              | 9,600               | \$1,125             |      |                    |
| 9,706,528   | 7,465,144           | 4,874,451           | 5,377,667           | 5,191,909           |      | \$3,447,236        |
| 2,435,285   | 2,514,665           | 2,762,484           | 3,601,327           | 3,882,917           |      | 4,128,233          |
| 4,382,873   | 3,821,116           | 3,183,909           | 2,707,502           | 2,431,876           |      | 866,427            |
| <b>\$16,730,881</b>   | <b>\$13,862,759</b> | <b>\$10,899,998</b> | <b>\$11,697,332</b> | <b>\$11,507,827</b> |      | <b>\$8,441,896</b> |
| \$514,332   | \$233,364           | \$128,346           | \$53,812            | \$12,850            |      | \$1,757            |
| 851,770   | 853,358             | 820,376             | 964,159             | 1,011,842           |      | 852,844            |
| 101,658   | 383,887             |                     |                     | 124,653             |      | 124,138            |
| <b>\$1,467,760</b>  | <b>\$1,470,609</b>  | <b>\$948,722</b>    | <b>\$1,017,971</b>  | <b>\$1,149,345</b>  |      | <b>\$978,739</b>   |

|  <b>Benefits by Type*</b> (last 10 fiscal years) |                        |                        |                        |                        |
|---|------------------------|------------------------|------------------------|------------------------|
| Year  | 2014                   | 2013                   | 2012                   | 2011                   |
| <b>All Plans</b>  |                        |                        |                        |                        |
| Annuities and Installment Payments  | \$5,536,370,924        | \$5,278,981,628        | \$4,905,031,237        | \$4,645,565,449        |
| Disabilities  | 1,057,979,091          | 1,040,711,575          | 1,017,238,745          | 984,655,943            |
| Other Systems/Death/QEBA**  | 10,646,707             | 13,550,680             | 34,367,830             | 31,381,217             |
| Survivors   | 243,271,541            | 237,930,114            | 232,640,171            | 231,283,405            |
| Allowance Payment to RMA  | 4,669,630              | 4,562,351              | 10,818,585             | 13,489,405             |
| <b>Total Pension Benefits and Health Care</b>   | <b>\$6,852,937,893</b> | <b>\$6,575,736,348</b> | <b>\$6,200,096,568</b> | <b>\$5,906,375,419</b> |
| <b>Traditional Pension Plan</b>   |                        |                        |                        |                        |
| <b>Pension Benefits</b>   |                        |                        |                        |                        |
| Age-and-Service Annuities   | \$4,228,575,327        | \$4,044,320,992        | \$3,739,845,743        | \$3,518,341,988        |
| Disabilities  | 634,409,874            | 624,038,549            | 603,354,845            | 578,018,246            |
| Other Systems   | 987,644                | 3,534,484              | 24,815,413             | 22,453,906             |
| Survivors   | 178,633,434            | 174,766,735            | 170,092,349            | 165,488,973            |
| Additional Annuities  | 5,421,653              | 26,011,745             | 4,341,522              | 4,324,569              |
| Money Purchase Annuities  | 51,413,944             | 46,284,146             | 37,970,927             | 31,897,588             |
| Death   | 7,482,091              | 7,913,434              | 7,891,172              | 7,508,317              |
| QEBA**  | 2,176,972              | 2,102,762              | 1,661,245              | 1,418,994              |
| <b>Total Pension Benefits</b>   | <b>\$5,109,100,939</b> | <b>\$4,928,972,847</b> | <b>\$4,589,973,216</b> | <b>\$4,329,452,581</b> |
| <b>Post-employment Health Care Plan</b>   |                        |                        |                        |                        |
| <b>Health Care***</b>   |                        |                        |                        |                        |
| Annuities   | \$1,245,719,219        | \$1,158,126,842        | \$1,120,671,221        | \$1,089,640,044        |
| Disabilities  | 423,569,217            | 416,673,026            | 413,883,900            | 406,637,697            |
| Survivors   | 64,638,107             | 63,163,379             | 62,547,822             | 65,794,432             |
| Allowance Payment to RMA****  | 4,669,630              | 4,562,351              | 10,818,585             | 13,489,405             |
| <b>Total Health Care</b>  | <b>\$1,738,596,173</b> | <b>\$1,642,525,598</b> | <b>\$1,607,921,528</b> | <b>\$1,575,561,578</b> |
| <b>Combined Plan</b>  |                        |                        |                        |                        |
| <b>Pension Benefits</b>   |                        |                        |                        |                        |
| Annuities   | \$773,394              | \$533,920              | \$273,809              | \$187,051              |
| Installment Payments  | 1,457,593              | 992,085                | 336,736                | 118,164                |
| <b>Total Pension Benefits</b>   | <b>\$2,230,987</b>     | <b>\$1,526,005</b>     | <b>\$610,545</b>       | <b>\$305,215</b>       |
| <b>Member-Directed Plan</b>   |                        |                        |                        |                        |
| <b>Pension Benefits</b>   |                        |                        |                        |                        |
| Annuities   | \$620,941              | \$435,801              | \$227,923              | \$71,192               |
| Installment Payments  | 170,920                | 557,054                | 127,187                | 89,279                 |
| <b>Total Pension Benefits</b>   | <b>\$791,861</b>       | <b>\$992,855</b>       | <b>\$355,110</b>       | <b>\$160,471</b>       |
| <b>VEBA Plan</b>  |                        |                        |                        |                        |
| <b>Health Care</b>  |                        |                        |                        |                        |
| Annuities and Installment Payments  | \$2,217,933            | \$1,719,043            | \$1,236,169            | \$895,574              |
| <b>Total Health Care</b>  | <b>\$2,217,933</b>     | <b>\$1,719,043</b>     | <b>\$1,236,169</b>     | <b>\$895,574</b>       |

\* The 115 Health Care Trust was established and funding began in 2014. Initial health care disbursements are planned to commence with January 2016 premiums.


\*\* Qualified Excess Benefit Arrangement (QEBA) commenced in 2000.

\*\*\* Year 2010 Post-employment Health Care expenses restated for reclassification of Pending Medical Claims adjustment from Health Care Medical Expense to Other Income. Pending Medical Claims consists of the annual adjustment made to the incurred but not reported liability included in Benefits Payable. This liability fluctuates from year to year based on changes in the claims experience.

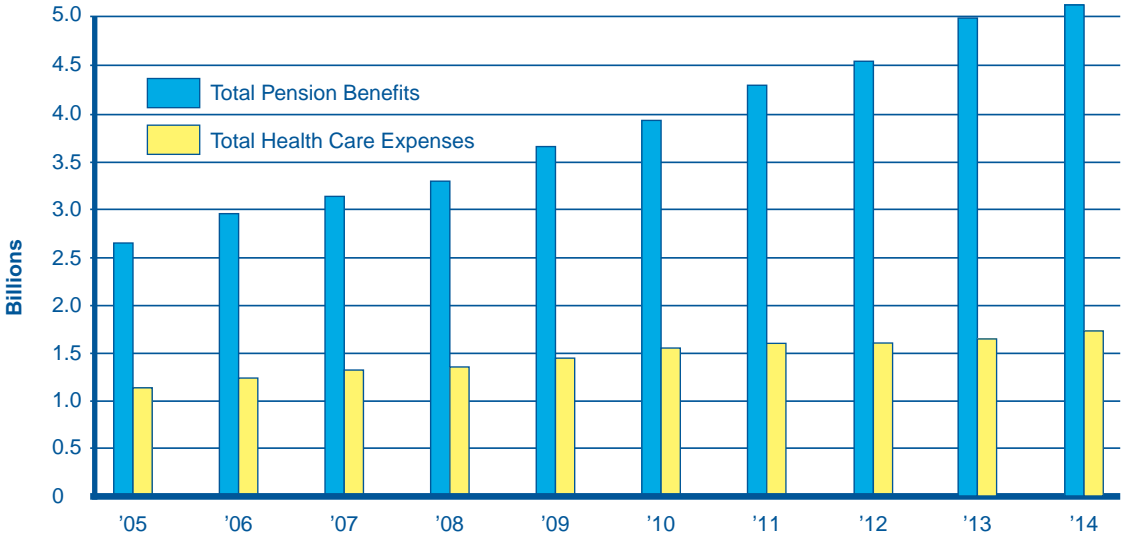
\*\*\*\* Retiree Medical Account (RMA) commenced January 1, 2007.



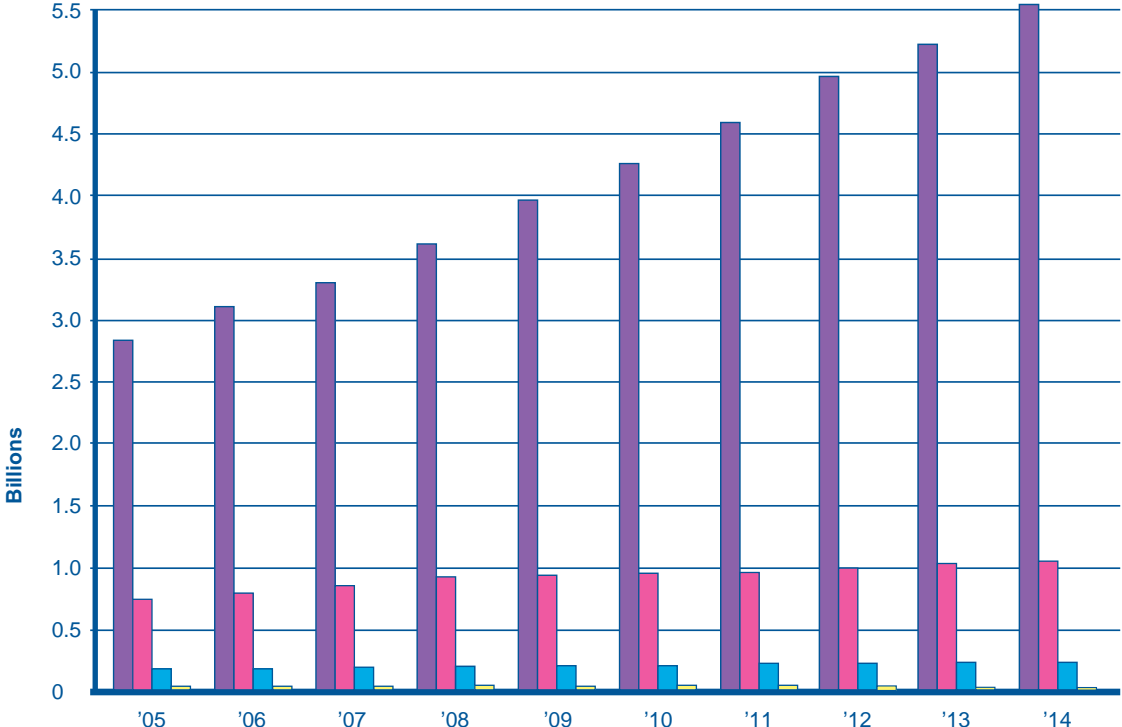
## Statistical Section

|  <b>Benefits by Type</b> (continued) |  |  |  |  |  |  |
|---|--|--|--|--|--|--|
| 2010  | 2009   | 2008   | 2007   | 2006   | 2005   |  |
| \$4,284,704,173<br>982,774,343<br>26,785,331<br>222,130,665<br>13,223,453   | \$3,936,872,530<br>966,748,686<br>20,803,990<br>215,372,517<br>9,642,605                                       | \$3,612,525,198<br>915,061,487<br>25,216,043<br>208,408,823<br>5,016,829                                       | \$3,332,227,776<br>861,927,107<br>21,293,226<br>201,356,519<br>3,020,425                                       | \$3,109,822,482<br>815,518,857<br>18,413,480<br>194,987,182  | \$2,876,119,101<br>748,295,207<br>18,826,529<br>188,787,624  |  |
| <b>\$5,529,617,965</b>  | <b>\$5,149,440,328</b>   | <b>\$4,766,228,380</b>   | <b>\$4,419,825,053</b>   | <b>\$4,138,742,001</b>   | <b>\$3,832,028,461</b>   |  |
| \$3,185,230,279<br>556,074,897<br>18,490,323<br>159,725,674<br>3,432,344<br>29,968,936<br>7,248,345<br>1,046,663      | \$2,929,672,689<br>529,948,352<br>13,014,368<br>154,482,707<br>2,867,888<br>23,301,083<br>7,124,887<br>664,735 | \$2,676,785,413<br>509,082,328<br>17,565,698<br>149,770,901<br>2,537,528<br>25,470,583<br>6,998,605<br>651,740 | \$2,466,754,245<br>481,728,386<br>13,929,119<br>144,011,334<br>2,044,243<br>21,147,476<br>6,891,186<br>472,921 | \$2,274,583,165<br>454,254,591<br>11,090,453<br>138,952,075<br>1,404,610<br>19,249,515<br>7,033,516<br>289,511 | \$2,089,885,773<br>418,066,051<br>11,331,852<br>134,275,593<br>964,490<br>17,066,307<br>7,237,063<br>257,614 |  |
| <b>\$3,961,217,461</b>  | <b>\$3,661,076,709</b>   | <b>\$3,388,862,796</b>   | <b>\$3,136,978,910</b>   | <b>\$2,906,857,436</b>   | <b>\$2,679,084,743</b>   |  |
| \$1,065,223,721<br>426,699,446<br>62,404,991<br>13,223,453  | \$980,700,106<br>436,800,334<br>60,889,810<br>9,642,605  | \$907,512,263<br>405,979,159<br>58,637,922<br>5,016,829  | \$842,211,713<br>380,198,721<br>57,345,185<br>3,020,425  | \$814,570,665<br>361,264,266<br>56,035,107   | \$768,200,774<br>330,229,156<br>54,512,031   |  |
| <b>\$1,567,551,611</b>  | <b>\$1,488,032,855</b>   | <b>\$1,377,146,173</b>   | <b>\$1,282,776,044</b>   | <b>\$1,231,870,038</b>   | <b>\$1,152,941,961</b>   |  |
| \$61,125<br>67,241  | \$30,566<br>5,000  | \$11,911   | \$5,451  | \$552  |  |  |
| <b>\$128,366</b>  | <b>\$35,566</b>  | <b>\$11,911</b>  | <b>\$5,451</b>   | <b>\$552</b>   | <b>\$0</b>   |  |
| \$27,211<br>178,984   | \$16,125<br>45,709   | \$37,904<br>41,250   | \$1,236<br>9,600   | \$1,125  |  |  |
| <b>\$206,195</b>  | <b>\$61,834</b>  | <b>\$79,154</b>  | <b>\$10,836</b>  | <b>\$1,125</b>   | <b>\$0</b>   |  |
| \$514,332   | \$233,364  | \$128,346  | \$53,812   | \$12,850   | \$1,757  |  |
| <b>\$514,332</b>  | <b>\$233,364</b>   | <b>\$128,346</b>   | <b>\$53,812</b>  | <b>\$12,850</b>  | <b>\$1,757</b>   |  |

**Benefits by Type**



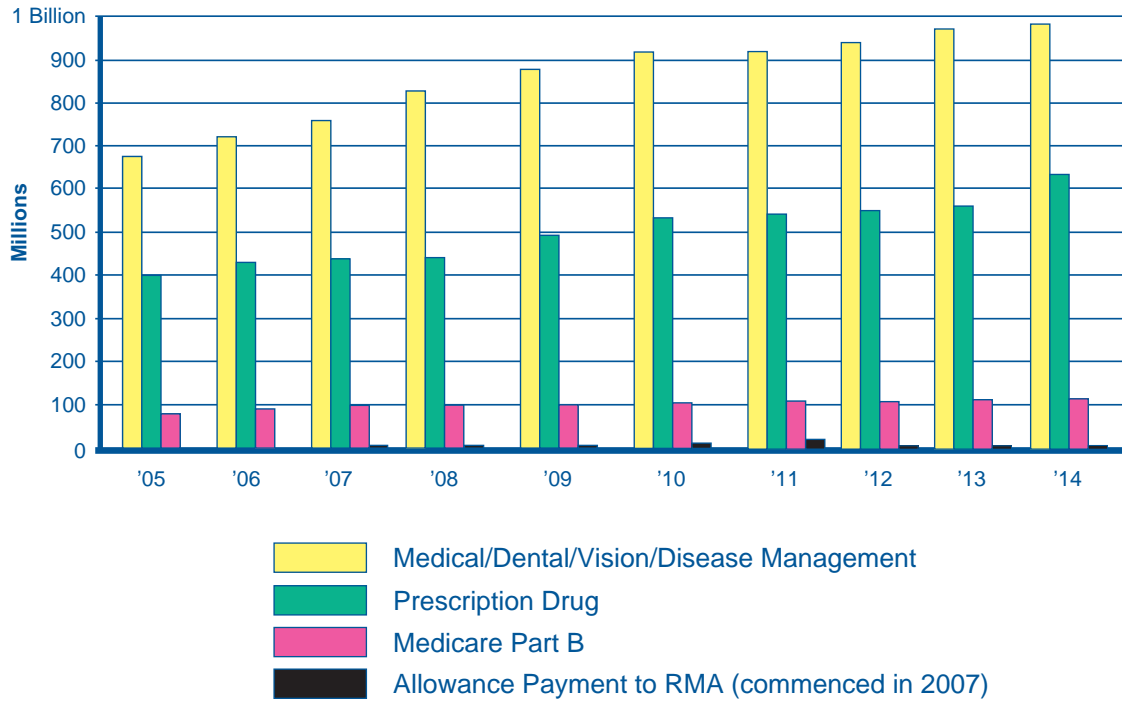
**Benefits by Type** **Traditional Pension Plan**





- Annuities
- Disabilities
- Survivors
- Other Systems/Death/QEBA

## Statistical Section


### Health Care Expenses by Type

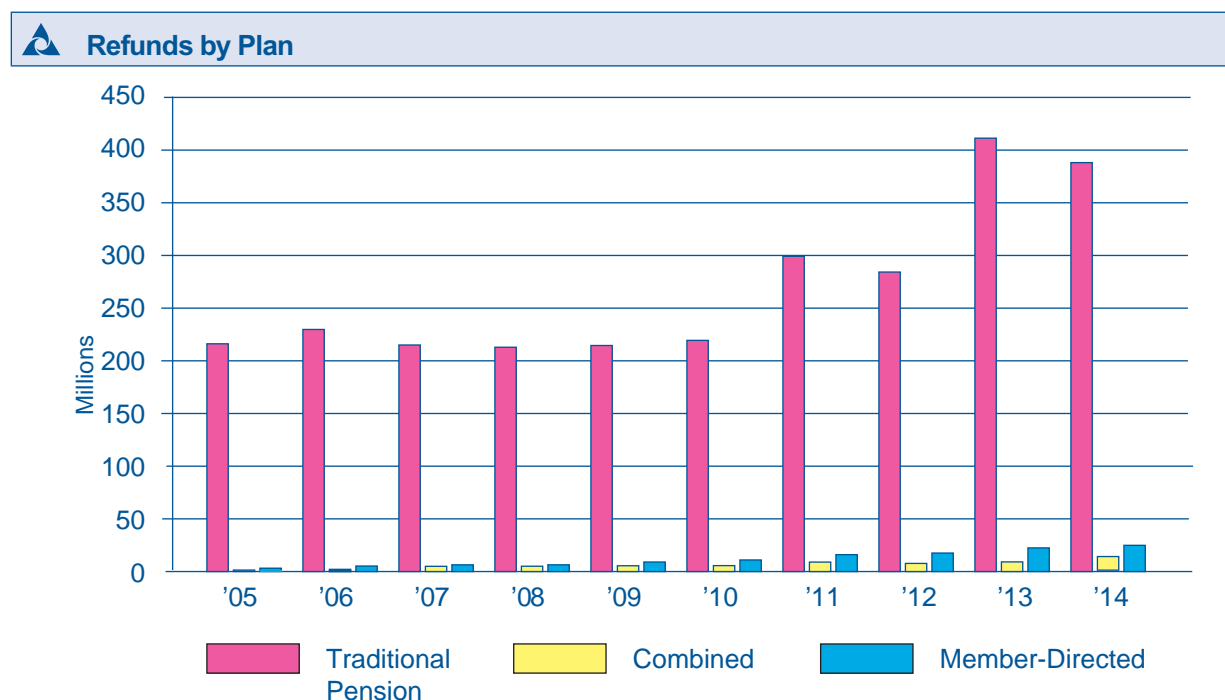


|  <b>Refunds by Type</b> (last 10 fiscal years) |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
| Year  | 2014                 | 2013                 | 2012                 | 2011                 |
| <b>All Plans</b>  |                      |                      |                      |                      |
| Separation  | \$313,034,142        | \$299,488,361        | \$275,020,766        | \$291,727,781        |
| Beneficiaries   | 22,186,469           | 17,577,111           | 23,366,136           | 21,276,967           |
| Other   | 90,481,218           | 124,218,732          | 9,099,376            | 10,667,294           |
| <b>Total Refunds</b>  | <b>\$425,701,829</b> | <b>\$441,284,204</b> | <b>\$307,486,278</b> | <b>\$323,672,042</b> |
| <b>Traditional Pension Plan</b>   |                      |                      |                      |                      |
| Separation  | \$277,494,212        | \$270,224,068        | \$252,159,989        | \$271,336,582        |
| Beneficiaries   | 21,732,182           | 16,878,900           | 22,957,850           | 20,808,413           |
| Other   | 90,481,218           | 124,218,732          | 9,099,376            | 10,667,294           |
| <b>Total Refunds</b>  | <b>\$389,707,612</b> | <b>\$411,321,700</b> | <b>\$284,217,215</b> | <b>\$302,812,289</b> |
| <b>Combined Plan</b>  |                      |                      |                      |                      |
| Separation  | \$10,789,116         | \$7,605,803          | \$6,138,096          | \$6,319,318          |
| Beneficiaries   | 185,326              | 125,352              | 35,618               | 143,531              |
| Other   |                      |                      |                      |                      |
| <b>Total Refunds</b>  | <b>\$10,974,442</b>  | <b>\$7,731,155</b>   | <b>\$6,173,714</b>   | <b>\$6,462,849</b>   |
| <b>Member-Directed Plan</b>   |                      |                      |                      |                      |
| Separation  | \$24,750,814         | \$21,658,490         | \$16,722,681         | \$14,071,881         |
| Beneficiaries   | 268,961              | 572,859              | 372,668              | 325,023              |
| Other   |                      |                      |                      |                      |
| <b>Total Refunds</b>  | <b>\$25,019,775</b>  | <b>\$22,231,349</b>  | <b>\$17,095,349</b>  | <b>\$14,396,904</b>  |

|  <b>Number of Refund Payments by Plan</b> (last 10 fiscal years) |                          |               |                      |        |
|---|--------------------------|---------------|----------------------|--------|
| Year  | Traditional Pension Plan | Combined Plan | Member-Directed Plan | Total  |
| 2014  | 29,014                   | 387           | 878                  | 30,279 |
| 2013  | 25,670                   | 378           | 1,071                | 27,119 |
| 2012  | 24,487                   | 384           | 1,099                | 25,970 |
| 2011  | 26,686                   | 391           | 893                  | 27,970 |
| 2010  | 21,797                   | 345           | 736                  | 22,878 |
| 2009  | 21,413                   | 389           | 822                  | 22,624 |
| 2008  | 23,173                   | 451           | 799                  | 24,423 |
| 2007  | 23,679                   | 378           | 739                  | 24,796 |
| 2006  | 26,276                   | 383           | 937                  | 27,596 |
| 2005  | 28,013                   | 253           | 580                  | 28,846 |

## Statistical Section

|  |  |  |  |  |  |
|---|--|--|--|--|--|
| 2010  | 2009                                     | 2008                                     | 2007                                     | 2006                                     | 2005                                     |
| \$205,298,464<br>20,870,868<br>6,885,382  | \$192,467,640<br>21,549,473<br>8,563,141 | \$192,910,095<br>19,118,230<br>9,272,500 | \$196,668,493<br>18,590,739<br>5,833,515 | \$207,231,584<br>18,466,920<br>9,438,129 | \$193,717,806<br>18,638,613<br>7,879,581 |
| <b>\$233,054,714</b>  | <b>\$222,580,254</b>                     | <b>\$221,300,825</b>                     | <b>\$221,092,747</b>                     | <b>\$235,136,633</b>                     | <b>\$220,236,000</b>                     |
| \$192,608,328<br>20,314,433<br>6,885,382  | \$182,274,674<br>21,371,412<br>8,563,141 | \$184,463,536<br>19,066,615<br>9,272,500 | \$188,635,768<br>18,538,167<br>5,833,515 | \$200,138,152<br>18,458,336<br>9,438,129 | \$189,019,842<br>18,510,705<br>7,868,055 |
| <b>\$219,808,143</b>  | <b>\$212,209,227</b>                     | <b>\$212,802,651</b>                     | <b>\$213,007,450</b>                     | <b>\$228,034,617</b>                     | <b>\$215,398,602</b>                     |
| \$3,515,815<br>24,228   | \$2,824,743<br>81,140                    | \$3,596,259<br>27,464                    | \$2,665,357<br>42,273                    | \$1,910,107                              | \$1,346,396<br>39,498<br>4,268           |
| <b>\$3,540,043</b>  | <b>\$2,905,883</b>                       | <b>\$3,623,723</b>                       | <b>\$2,707,630</b>                       | <b>\$1,910,107</b>                       | <b>\$1,390,162</b>                       |
| \$9,174,321<br>532,207  | \$7,368,223<br>96,921                    | \$4,850,300<br>24,151                    | \$5,367,368<br>10,299                    | \$5,183,325<br>8,584                     | \$3,351,568<br>88,410<br>7,258           |
| <b>\$9,706,528</b>  | <b>\$7,465,144</b>                       | <b>\$4,874,451</b>                       | <b>\$5,377,667</b>                       | <b>\$5,191,909</b>                       | <b>\$3,447,236</b>                       |



## Statistical Section

| Pension Assets vs Pension Liabilities (last 10 fiscal years, \$ in millions) |            |            |                    |                   |            |                    |                   |            |            |           |           |                    | All Plans         |  |
|--|------------|------------|--------------------|-------------------|------------|--------------------|-------------------|------------|------------|-----------|-----------|--------------------|-------------------|--|
| Year   | 2014       | 2013       | 2012 <sup>##</sup> | 2012 <sup>#</sup> | 2011       | 2010 <sup>**</sup> | 2010 <sup>*</sup> | 2009       | 2008       | 2007      | 2006      | 2005 <sup>**</sup> | 2005 <sup>*</sup> |  |
| Pension Assets   | \$74,865   | \$71,411   | \$67,855           | \$67,855          | \$65,436   | \$63,649           | \$60,600          | \$57,629   | \$55,315   | \$67,151  | \$61,296  | \$54,473           | \$54,473          |  |
| Accrued Liabilities  | \$89,285   | \$86,645   | \$83,878           | \$87,105          | \$84,530   | \$80,485           | \$79,630          | \$76,555   | \$73,466   | \$69,734  | \$66,161  | \$62,498           | \$61,146          |  |
| Unfunded Liabilities   | (\$14,420) | (\$15,234) | (\$16,023)         | (\$19,250)        | (\$19,094) | (\$16,836)         | (\$19,030)        | (\$18,926) | (\$18,151) | (\$2,583) | (\$4,865) | (\$8,025)          | (\$6,673)         |  |
| Funded Ratio   | 83.85%     | 82.42%     | 80.90%             | 77.90%            | 77.41%     | 79.08%             | 76.10%            | 75.28%     | 75.29%     | 96.30%    | 92.65%    | 87.16%             | 89.09%            |  |
| Amortization Years   | 21         | 24         | 26                 | 30                | 30         | 24                 | 29                | 30         | 30         | 14        | 26        | 28                 | 20                |  |

| Pension Assets vs Pension Liabilities (last 10 fiscal years, \$ in millions) |            |            |                    |                   |            |                    |                   |            |            |           |           |                    | Traditional Pension Plan |  |
|--|------------|------------|--------------------|-------------------|------------|--------------------|-------------------|------------|------------|-----------|-----------|--------------------|--------------------------|--|
| Year   | 2014       | 2013       | 2012 <sup>##</sup> | 2012 <sup>#</sup> | 2011       | 2010 <sup>**</sup> | 2010 <sup>*</sup> | 2009       | 2008       | 2007      | 2006      | 2005 <sup>**</sup> | 2005 <sup>*</sup>        |  |
| Pension Assets   | \$74,567   | \$71,175   | \$67,670           | \$67,670          | \$65,274   | \$63,515           | \$60,461          | \$57,519   | \$55,230   | \$67,067  | \$61,235  | \$54,433           | \$54,433                 |  |
| Accrued Liabilities  | \$89,017   | \$86,407   | \$83,664           | \$86,876          | \$84,325   | \$80,307           | \$79,459          | \$76,407   | \$73,346   | \$69,639  | \$66,089  | \$62,447           | \$61,099                 |  |
| Unfunded Liabilities   | (\$14,450) | (\$15,232) | (\$15,994)         | (\$19,206)        | (\$19,051) | (\$16,792)         | (\$18,998)        | (\$18,888) | (\$18,116) | (\$2,572) | (\$4,854) | (\$8,014)          | (\$6,666)                |  |
| Funded Ratio   | 83.77%     | 82.37%     | 80.88%             | 77.89%            | 77.41%     | 79.09%             | 76.09%            | 75.28%     | 75.30%     | 96.31%    | 92.66%    | 87.17%             | 89.09%                   |  |
| Amortization Years   | 21         | 25         | 26                 | 31                | 30         | 25                 | 30                | 30         | 30         | 14        | 25        | 28                 | 20                       |  |

| Pension Assets vs Pension Liabilities (last 10 fiscal years, \$ in millions) |         |        |                    |                   |        |                    |                   |        |        |        |        |                    | Combined Plan     |  |
|--|---------|--------|--------------------|-------------------|--------|--------------------|-------------------|--------|--------|--------|--------|--------------------|-------------------|--|
| Year   | 2014    | 2013   | 2012 <sup>##</sup> | 2012 <sup>#</sup> | 2011   | 2010 <sup>**</sup> | 2010 <sup>*</sup> | 2009   | 2008   | 2007   | 2006   | 2005 <sup>**</sup> | 2005 <sup>*</sup> |  |
| Pension Assets   | \$289   | \$229  | \$183              | \$183             | \$161  | \$134              | \$138             | \$110  | \$85   | \$84   | \$61   | \$40               | \$40              |  |
| Accrued Liabilities  | \$260   | \$230  | \$212              | \$226             | \$203  | \$177              | \$171             | \$148  | \$120  | \$95   | \$72   | \$51               | \$47              |  |
| Unfunded Liabilities   | \$29    | (\$1)  | (\$29)             | (\$43)            | (\$42) | (\$43)             | (\$33)            | (\$38) | (\$35) | (\$11) | (\$11) | (\$11)             | (\$7)             |  |
| Funded Ratio   | 111.15% | 99.57% | 86.32%             | 80.97%            | 79.31% | 75.71%             | 80.70%            | 74.32% | 70.83% | 88.42% | 84.72% | 78.43%             | 85.11%            |  |
| Amortization Years   | 0       | 0      | 1                  | 0                 | 2      | 3                  | 2                 | 3      | 4      | N/A    | N/A    | 3                  | 1                 |  |

\* Information prior to completion of experience study.

## Valuation revised to reflect benefit changes enacted January 7, 2013.

\*\* Information after completion of the experience study.

# Information prior to benefit changes enacted January 7, 2013.

| Pension Assets vs Pension Liabilities* (last seven fiscal years, \$ in millions) |         |           |           |           |                     |                    |           |           | Member-Directed Annuities |  |
|--|---------|-----------|-----------|-----------|---------------------|--------------------|-----------|-----------|---------------------------|--|
| Year   | 2014    | 2013      | 2012      | 2011      | 2010 <sup>***</sup> | 2010 <sup>**</sup> | 2009      | 2008      |                           |  |
| Pension Assets   | \$8.772 | \$6.826   | \$2.524   | \$1.156   | \$0.454             | \$0.439            | \$0.206   | \$0.148   |                           |  |
| Accrued Liabilities  | \$8.291 | \$6.884   | \$2.666   | \$1.173   | \$0.496             | \$0.490            | \$0.253   | \$0.166   |                           |  |
| Unfunded Liabilities   | \$0.481 | (\$0.058) | (\$0.142) | (\$0.017) | (\$0.042)           | (\$0.051)          | (\$0.047) | (\$0.018) |                           |  |
| Funded Ratio   | 105.80% | 99.16%    | 94.67%    | 98.55%    | 91.54%              | 89.63%             | 81.39%    | 88.95%    |                           |  |

\* The Member-Directed Plan commenced January 1, 2003. Actuarial data for retirement annuities not available prior to 2008.

\*\* Information prior to completion of experience study.

\*\*\* Information after completion of the experience study.

## Statistical Section

| Health Care Assets vs. Liabilities (last nine fiscal years, \$ in millions) |               |               |            |            |            |            | Post-employment Health Care Plan |            |            |            |            |
|---|---------------|---------------|------------|------------|------------|------------|----------------------------------|------------|------------|------------|------------|
| Year  | 2013          | 2012          | 2011       | 2010**     | 2010*      | 2009       | 2008                             | 2007       | 2006       | 2005**     | 2005*      |
| Health Care Assets  | \$12,031      | \$12,193      | \$12,115   | \$12,320   | \$11,267   | \$10,936   | \$10,748                         | \$12,801   | \$12,025   | \$11,070   | \$11,070   |
| Accrued Liabilities   | \$19,784      | \$19,182      | \$31,020   | \$30,531   | \$26,929   | \$31,558   | \$29,623                         | \$29,825   | \$30,748   | \$31,796   | \$31,307   |
| Unfunded Liabilities  | (\$7,753)     | (\$6,989)     | (\$18,905) | (\$18,211) | (\$15,662) | (\$20,622) | (\$18,875)                       | (\$17,024) | (\$18,723) | (\$20,726) | (\$20,237) |
| Funded Ratio  | 60.81%        | 63.56%        | 39.06%     | 40.35%     | 41.84%     | 34.65%     | 36.28%                           | 42.92%     | 39.11%     | 34.82%     | 35.36%     |
| Solvency Period   | Indefinite*** | Indefinite*** | 10         | 11         | 11         | 11         | 11                               | 31         | 27         | 18         | 18         |

\* Information prior to completion of experience study.

\*\* Information after completion of experience study.

\*\*\* Funds expected to be sufficient to fund future health care needs.

| Contribution Rates |                                   |  |               |         |
|--------------------|-----------------------------------|--|---------------|---------|
| Year               | Annual Required Contribution Rate | Employer Contribution Rate Funding Health Care |               | Note    |
|                    | All Plans*                        | Traditional Pension Plan                       | Combined Plan |         |
| 2014               | 5.54%                             | 2.00%  | 2.00%         |         |
| 2013               | 12.96                             | 1.00   | 1.00          | (1)     |
| 2012               | 11.52                             | 4.00   | 6.05          | (1)     |
| 2011               | 14.55                             | 4.00   | 6.05          | (1)     |
| 2010               | 13.34                             | 5.08   | 4.31          | (1) (2) |
| 2009               | 13.26                             | 5.88   | 5.02          | (1) (3) |
| 2008               | 14.57                             | 7.00   | 5.90          | (1)     |
| 2007               | 16.35                             | 5.50   | 5.50          | (4)     |
| 2006               | 16.64                             | 4.50   | 4.50          |         |
| 2005               |                                   | 4.00   | 4.00          |         |

\* Data not available prior to 2006.

(1) From 2008 through 2010, the employer contribution rate allocated to health care by the Combined Plan was less than the Traditional Pension Plan. Payment of the impact of the rate difference commenced in 2011 and continued in 2012. The total repaid to the Health Care Fund exceeded the required amount. As a result, the amount contributed to the Health Care Fund by the Combined Plan in 2013 was less than the contribution rate listed above.

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

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

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


| Health Care Self-Funding Rate* |       |
|--------------------------------|-------|
| Year                           | Rate  |
| 2013                           | 4.10% |
| 2012                           | 3.80  |
| 2011                           | 6.40  |
| 2010                           | 6.70  |
| 2009                           | 8.00  |
| 2008                           | 7.70  |
| 2007                           | 7.40  |
| 2006                           | 8.10  |
| 2005**                         | 9.00  |

\* The self-funding rate is the percentage of contribution required to fund health care indefinitely without regard to repayment of the liability within 30 years.

\*\* Data not available prior to 2005.


## Number of Retirees/Benefit Recipients by Category

The values included in the following tables represent the number of individuals receiving benefit payments. The 2011 through 2014 counts represent retired member accounts only, regardless of the number of recipients designated by the retiree’s plan of payment. These statistics are representative of the OPERS contributing membership. Prior to 2011, the values represent the number of individuals receiving a benefit payment from OPERS, where one retiree’s account may be issued to multiple recipients or beneficiaries. Restated data for years prior to 2011 is not available.

|  <b>Traditional Pension Plan</b> |           |              |           |         |
|---|-----------|--------------|-----------|---------|
| Year End  | Annuities | Disabilities | Survivors | Total   |
| 2014  | 167,608   | 22,532       | 12,649    | 202,789 |
| 2013  | 160,815   | 22,791       | 12,743    | 196,349 |
| 2012  | 155,008   | 22,768       | 12,712    | 190,488 |
| 2011  | 149,598   | 22,476       | 12,802    | 184,876 |
| 2010  | 143,035   | 23,041       | 13,437    | 179,513 |
| 2009  | 135,918   | 22,651       | 13,358    | 171,927 |
| 2008  | 130,734   | 22,515       | 13,250    | 166,499 |
| 2007  | 126,002   | 22,108       | 13,232    | 161,342 |
| 2006  | 122,021   | 21,563       | 13,161    | 156,745 |
| 2005  | 118,099   | 20,732       | 12,927    | 151,758 |

Annuities are comprised of a defined formula benefit paid to contributing members retiring with an age-and-service benefit, as well as benefit annuities paid through the Additional Annuity and Money Purchase plans (refer to the Plan Statement beginning on page 215). Members who retired from other Ohio retirement systems may return to OPERS-covered employment under the OPERS Money Purchase plan. These members receive an annuity in accordance with that program, based on the contributions paid during the re-employment period.

The table below displays the composition of the Traditional Pension Plan Annuities by type for 2011 through 2014. The Other Annuities column represents Money Purchase and Additional Annuity plan benefits. These benefits may accrue to members whose primary retirement is with OPERS or through another Ohio retirement system (ORS retirees).


|  <b>Traditional Pension Plan Annuities</b> |                           |   |                                    |                                |         |
|---|---------------------------|---|------------------------------------|--------------------------------|---------|
| Year  | Age-and-Service Annuities | Age-and-Service Receiving Other Annuities | Subtotal Age-and-Service Annuities | Other Annuities (ORS retirees) | Total   |
| 2014  | 163,313                   | 2,830                                     | 166,143                            | 1,465                          | 167,608 |
| 2013  | 156,755                   | 2,643                                     | 159,398                            | 1,417                          | 160,815 |
| 2012  | 151,765                   | 2,112                                     | 153,877                            | 1,131                          | 155,008 |
| 2011  | 146,687                   | 1,901                                     | 148,588                            | 1,010                          | 149,598 |



## Statistical Section


### Number of Retirees/Benefit Recipients by Category (continued)

The values included in the table below represent the number of retirees receiving benefit payments. Members in the Combined Plan receive an age-and-service defined formula benefit annuity from their employer contribution account, and may not elect a retirement distribution from their defined contribution account until they qualify for a defined benefit retirement. Prior to 2012, members in both the Combined and Member-Directed plans had the option to defer all or a portion of their defined contribution account, elect to purchase an annuity, or elect to receive installment payments from the defined contribution account. Effective April 1, 2012, the installment payment options were eliminated and new retirees may elect to purchase an annuity, transfer their defined contribution account to another financial institution, or refund their account (refer to the Plan Statement beginning on page 215).

|  <b>Combined Plan*</b> |                           |                        |                      |                                      |                    |
|---|---------------------------|------------------------|----------------------|--------------------------------------|--------------------|
| Year End  | Age-and-Service Annuities | Annuitized DC Accounts | Installment Payments | Liquidated or Deferred DC Accounts** | Number of Retirees |
| 2014  | 156                       | 99                     | 7                    |                                      | 156                |
| 2013  | 100                       | 64                     | 7                    | 1                                    | 100                |
| 2012  | 55                        | 37                     | 13                   | 5                                    | 55                 |
| 2011  | 36                        | 22                     | 13                   | 1                                    | 36                 |
| 2010  | 21                        | 13                     | 7                    | 1                                    | 21                 |
| 2009  | 9                         | 6                      | 3                    |                                      | 9                  |
| 2008  | 7                         | 5                      | N/A                  | 2                                    | 7                  |
| 2007  | 2                         | 2                      | N/A                  |                                      | 2                  |
| 2006  | 1                         | N/A                    | N/A                  | 1                                    | 1                  |

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


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

|  <b>Member-Directed Plan*</b> |           |                      |       |
|--|-----------|----------------------|-------|
| Year End   | Annuities | Installment Payments | Total |
| 2014   | 154       | 13                   | 167   |
| 2013   | 131       | 14                   | 145   |
| 2012   | 62        | 16                   | 78    |
| 2011   | 38        | 15                   | 53    |
| 2010   | 18        | 13                   | 31    |
| 2009   | 9         | 10                   | 19    |
| 2008   | 5         | 5                    | 10    |
| 2007   | 2         | 2                    | 4     |
| 2006   | 1         | 1                    | 2     |

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


### Number of Covered Lives by Category

The values included in the tables below represent the number of lives covered by OPERS health care plans. The 2010 through 2014 Post-employment Health Care Plan counts reflect the number of retirees and primary beneficiaries, and the number of additional dependents and other beneficiaries receiving coverage. A primary beneficiary is a survivor of a deceased retiree continuing to receive coverage on the member's account. The values in this column are representative of OPERS contributing membership, while Dependents and Other Beneficiaries are other family members receiving benefits through a member's account. Corresponding data for years prior to 2010 is not available. These counts represent all members, dependents, and beneficiaries receiving post-employment health care coverage.

|  <b>Post-employment Health Care Plan</b> |  |  |                     |
|---|--|--|---------------------|
| Year End  | Number of Retirees and Primary Beneficiaries | Number of Dependents and Other Beneficiaries | Total Covered Lives |
| 2014  | 167,327                                      | 58,692                                       | 226,019             |
| 2013  | 165,967                                      | 61,041                                       | 227,008             |
| 2012  | 163,940                                      | 62,456                                       | 226,396             |
| 2011  | 161,315                                      | 62,507                                       | 223,822             |
| 2010  | 157,269                                      | 60,624                                       | 217,893             |
| 2009  | N/A  | N/A  | 213,220             |
| 2008  | N/A  | N/A  | 208,857             |
| 2007  | N/A  | N/A  | 204,514             |
| 2006  | N/A  | N/A  | 200,494             |
| 2005  | N/A  | N/A  | 194,773             |

The 115 Health Care Trust was established in 2014. This plan will provide health care similar to the 401(h) health care plan above for the benefit of members of the Traditional Pension and Combined plans. As of the end of 2014, no covered lives are in this plan. Open enrollment into this plan will begin in October 2015.


The VEBA Plan is a retiree medical account in the member's name that can be used to pay qualified medical expenses for the Member-Directed retiree and eligible family members. (Refer to the Plan Statement beginning on page 215.)

|  <b>VEBA Plan</b> |                     |
|--|---------------------|
| Year End   | Total Covered Lives |
| 2014   | 3,509               |
| 2013   | 3,112               |
| 2012   | 2,589               |
| 2011   | 2,073               |
| 2010   | 1,577               |
| 2009   | 1,260               |
| 2008   | 365                 |
| 2007   | 176                 |
| 2006   | 293                 |
| 2005   | 185                 |

## Statistical Section


### Schedule of Retirees by Benefit Type and Amount

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


|  <b>Traditional Pension Plan</b> (as of December 2014) |                           |   |                                    |               |               |                                |                |
|---|---------------------------|---|------------------------------------|---------------|---------------|--------------------------------|----------------|
| Amount of Monthly Benefit   | Age-and-Service Annuities | Age-and-Service Receiving Other Annuities | Subtotal Age-and-Service Annuities | Disabilities  | Survivors     | Other Annuities (ORS retirees) | Total Retirees |
| \$1-299   | 12,575                    | 1,664                                     | 14,239                             | 67            | 678           | 597                            | 15,581         |
| \$300-499   | 9,230                     | 450                                       | 9,680                              | 159           | 2,014         | 255                            | 12,108         |
| \$500-999   | 24,003                    | 421                                       | 24,424                             | 1,321         | 4,470         | 350                            | 30,565         |
| \$1,000-1,499   | 21,779                    | 152                                       | 21,931                             | 3,377         | 2,581         | 151                            | 28,040         |
| \$1,500-1,999   | 18,740                    | 72  | 18,812                             | 4,889         | 1,279         | 69                             | 25,049         |
| \$2,000 & Over  | 76,986                    | 71  | 77,057                             | 12,719        | 1,627         | 43                             | 91,446         |
| <b>Totals</b>   | <b>163,313</b>            | <b>2,830</b>                              | <b>166,143</b>                     | <b>22,532</b> | <b>12,649</b> | <b>1,465</b>                   | <b>202,789</b> |

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

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


|  <b>Combined Plan</b> (as of December 2014) |                                    |                        |                         |
|--|------------------------------------|------------------------|-------------------------|
| Amount of Monthly Benefit  | Employer Age-and-Service Annuities | Annuitized DC Accounts | DC Installment Payments |
| \$1-299  | 99                                 | 69                     |                         |
| \$300-499  | 38                                 | 22                     |                         |
| \$500-999  | 19                                 | 6                      |                         |
| \$1,000-1,499  |                                    | 2                      |                         |
| \$1,500-1,999  |                                    |                        |                         |
| \$2,000 & Over   |                                    |                        |                         |
| Various  |                                    |                        | 7                       |
| <b>Totals</b>  | <b>156</b>                         | <b>99</b>              | <b>7</b>                |

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

|  <b>Member-Directed Plan</b> (as of December 2014) |                        |                         |                |
|---|------------------------|-------------------------|----------------|
| Amount of Monthly Benefit   | Annuitized DC Accounts | DC Installment Payments | Total Retirees |
| \$1-299   | 81                     |                         | 81             |
| \$300-499   | 33                     |                         | 33             |
| \$500-999   | 31                     |                         | 31             |
| \$1,000-1,499   | 8                      |                         | 8              |
| \$1,500-1,999   |                        |                         | 0              |
| \$2,000 & Over  | 1                      |                         | 1              |
| Various   |                        | 13                      | 13             |
| <b>Totals</b>   | <b>154</b>             | <b>13</b>               | <b>167</b>     |


## Number of New Pension Retirees

The values included in the following tables represent the number of new benefit recipients each year. The 2011-2014 counts represent retired members only, regardless of the number of recipients designated by the retiree’s plan of payment. These statistics are representative of the contributing membership. Prior to 2011, the values represent the number of new individuals receiving a benefit payment from OPERS where one retiree account may be issued to multiple recipients or beneficiaries. Restated data for years prior to 2011 is not available.

|  <b>Traditional Pension Plan</b> |           |              |           |        |
|---|-----------|--------------|-----------|--------|
| Year  | Annuities | Disabilities | Survivors | Total  |
| 2014  | 11,011    | 702          | 368       | 12,081 |
| 2013  | 9,831     | 971          | 446       | 11,248 |
| 2012  | 9,793     | 1,245        | 358       | 11,396 |
| 2011  | 10,885    | 1,051        | 400       | 12,336 |
| 2010  | 10,503    | 1,327        | 737       | 12,567 |
| 2009  | 9,026     | 1,132        | 723       | 10,881 |
| 2008  | 8,689     | 1,351        | 695       | 10,735 |
| 2007  | 7,701     | 1,429        | 731       | 9,861  |
| 2006  | 7,457     | 1,644        | 707       | 9,808  |
| 2005  | 7,257     | 1,734        | 729       | 9,720  |

Annuities are comprised of a defined formula benefit paid to contributing members retiring with an age-and-service benefit, as well as benefit annuities paid through the Additional Annuity and Money Purchase plans (refer to the Plan Statement beginning on page 215). Members who retired from other Ohio retirement systems may return to OPERS-covered employment under the OPERS Money Purchase plan. These members receive an annuity in accordance with that program based on the contributions paid during the re-employed period.

The table below displays the composition of the 2011 through 2014 Traditional Pension Plan Annuities by type. The Other Annuities column represents Money Purchase and Additional Annuity plan benefits. These benefits may accrue for members whose primary retirement is with OPERS or through another Ohio retirement system (ORS retirees). Comparable data for years prior to 2011 is not available.


|  <b>Traditional Pension Plan Annuities</b> |                           |   |                                    |                                |        |
|---|---------------------------|---|------------------------------------|--------------------------------|--------|
| Year  | Age-and-Service Annuities | Age-and-Service Receiving Other Annuities | Subtotal Age-and-Service Annuities | Other Annuities (ORS retirees) | Total  |
| 2014  | 10,915                    | 16  | 10,931                             | 80                             | 11,011 |
| 2013  | 9,476                     | 53  | 9,529                              | 302                            | 9,831  |
| 2012  | 9,607                     | 53  | 9,660                              | 133                            | 9,793  |
| 2011  | 10,730                    | 54  | 10,784                             | 101                            | 10,885 |

## Statistical Section

### Number of New Pension Retirees (continued)


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

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

|  <b>Combined Plan*</b> |                                    |   |   |  |
|---|------------------------------------|---|---|--|
| Year  | Employer Age-and-Service Annuities | Member Annuitized Defined Contribution Accounts | Defined Contribution Installment Payments | Liquidated or Deferred Defined Contribution Accounts |
| 2014  | 56                                 | 35  |   |  |
| 2013  | 45                                 | 27  |   |  |
| 2012  | 19                                 | 15  | 1   | 3  |
| 2011  | 15                                 | 9   | 7   |  |
| 2010  | 12                                 | 7   | 4   | 1  |
| 2009  | 2                                  | 1   | 1   |  |
| 2008  | 5                                  | 3   | 2   |  |
| 2007  | 1                                  | 1   |   |  |
| 2006  | 1                                  |   |   | 1  |

\* Plan commenced January 1, 2003. The plan had no members eligible to retire prior to 2006.

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

|  <b>Member-Directed Plan*</b> |           |                      |       |
|--|-----------|----------------------|-------|
| Year   | Annuities | Installment Payments | Total |
| 2014   | 24        |                      | 24    |
| 2013   | 69        |                      | 69    |
| 2012   | 24        | 1                    | 25    |
| 2011   | 20        | 6                    | 26    |
| 2010   | 8         | 4                    | 12    |
| 2009   | 6         | 5                    | 11    |
| 2008   | 3         | 4                    | 7     |
| 2007   | 2         | 1                    | 3     |
| 2006   |           | 1                    | 1     |

\* Plan commenced January 1, 2003. The plan had no members eligible to retire prior to 2006.

### Schedule of Average Benefits

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

The 2011–2014 statistics include members with less than five years of service (refer to the Plan Statement beginning on page 215 for benefit eligibility requirements). Comparable data for years prior to 2011 is not available. The Total New Retirees column represents the average monthly benefit and average final average salary for the retiree counts listed in each year.

| Retirement Effective Dates |                               | Years Credited Service |          |          |          |          |          |          | Total New Retirees |
|----------------------------|-------------------------------|------------------------|----------|----------|----------|----------|----------|----------|--------------------|
|                            |                               | 0-4                    | 5-9      | 10-14    | 15-19    | 20-24    | 25-30    | 30+      |                    |
| 2014                       | Average Monthly Benefit       | \$289                  | \$560    | \$832    | \$1,218  | \$1,787  | \$2,370  | \$3,282  | \$1,880            |
|                            | Average Final Average Salary  | \$9,637                | \$31,679 | \$39,122 | \$43,897 | \$49,666 | \$55,301 | \$61,233 | \$48,693           |
|                            | Number of Active Recipients   | 163                    | 926      | 2,341    | 1,964    | 1,451    | 2,044    | 3,112    | 12,001             |
| 2013                       | Average Monthly Benefit       | \$310                  | \$555    | \$879    | \$1,271  | \$1,823  | \$2,362  | \$3,402  | \$2,021            |
|                            | Average Final Average Salary  | \$9,762                | \$30,394 | \$38,438 | \$43,362 | \$48,627 | \$54,957 | \$61,752 | \$48,997           |
|                            | Number of Active Recipients   | 167                    | 1,030    | 1,747    | 1,413    | 1,495    | 1,810    | 3,284    | 10,946             |
| 2012                       | Average Monthly Benefit       | \$236                  | \$668    | \$904    | \$1,323  | \$1,824  | \$2,361  | \$3,309  | \$2,078            |
|                            | Average Final Average Salary  | \$7,385                | \$31,007 | \$37,923 | \$43,991 | \$47,969 | \$54,624 | \$60,927 | \$49,262           |
|                            | Number of Active Recipients   | 146                    | 1,035    | 1,677    | 1,353    | 1,544    | 1,761    | 3,747    | 11,263             |
| 2011                       | Average Monthly Benefit       | \$309                  | \$606    | \$897    | \$1,320  | \$1,857  | \$2,361  | \$3,270  | \$2,186            |
|                            | Average Final Average Salary  | \$10,126               | \$30,676 | \$37,732 | \$43,790 | \$49,365 | \$55,207 | \$60,228 | \$50,406           |
|                            | Number of Active Recipients   | 156                    | 962      | 1,569    | 1,410    | 1,518    | 1,786    | 4,834    | 12,235             |
| 2010                       | Average Monthly Benefit       |                        | \$684    | \$893    | \$1,216  | \$1,623  | \$2,218  | \$3,315  | \$2,190            |
|                            | Average Final Average Salary  |                        | \$30,128 | \$36,592 | \$41,616 | \$45,312 | \$51,264 | \$58,633 | \$48,897           |
|                            | Number of Active Recipients   |                        | 806      | 1,460    | 1,203    | 1,249    | 1,493    | 4,396    | 10,607             |
| 2009                       | Average Monthly Benefit       |                        | \$670    | \$901    | \$1,217  | \$1,608  | \$2,195  | \$3,263  | \$2,228            |
|                            | Average Final Average Salary  |                        | \$30,925 | \$37,211 | \$42,333 | \$45,453 | \$51,770 | \$57,750 | \$49,335           |
|                            | Number of Active Recipients   |                        | 801      | 1,435    | 1,111    | 1,205    | 1,389    | 4,898    | 10,839             |
| 2008                       | Average Monthly Benefit       |                        | \$658    | \$803    | \$1,102  | \$1,491  | \$2,140  | \$3,006  | \$1,980            |
|                            | Average Final Average Salary  |                        | \$28,690 | \$34,193 | \$39,625 | \$43,193 | \$49,965 | \$55,247 | \$46,068           |
|                            | Number of Active Recipients   |                        | 784      | 1,360    | 1,012    | 1,066    | 1,268    | 3,750    | 9,240              |
| 2007***                    | Average Monthly Benefit       |                        | \$767    | \$816    | \$1,099  | \$1,519  | \$2,063  | \$2,977  | \$1,927            |
|                            | Average Final Average Salary  |                        | \$31,477 | \$34,991 | \$40,020 | \$44,015 | \$48,653 | \$54,941 | \$45,837           |
|                            | Number of Active Recipients** |                        | 852      | 1,558    | 1,165    | 1,131    | 1,240    | 3,787    | 9,733              |
| 2006***                    | Average Monthly Benefit       |                        | \$732    | \$688    | \$1,015  | \$1,406  | \$1,994  | \$2,871  | \$1,845            |
|                            | Average Final Average Salary  |                        | \$28,771 | \$30,409 | \$37,248 | \$40,359 | \$46,316 | \$52,998 | \$43,312           |
|                            | Number of Active Recipients** |                        | 606      | 1,349    | 986      | 993      | 1,383    | 3,198    | 8,515              |
| 2005                       | Average Monthly Benefit       |                        | \$766    | \$723    | \$1,013  | \$1,407  | \$1,987  | \$2,891  | \$1,888            |
|                            | Average Final Average Salary  |                        | \$28,702 | \$32,126 | \$36,360 | \$39,854 | \$46,151 | \$52,805 | \$43,555           |
|                            | Number of Active Recipients** |                        | 645      | 1,317    | 987      | 954      | 1,319    | 3,442    | 8,664              |


\* All years begin January 1 and end December 31.

\*\* Number of Active Recipients restated to include retirements initiated in prior years that are finalized in reported year.

\*\*\* Values restated to remove Combined Plan formula benefit information.

## Statistical Section

### Schedule of Average Benefits (continued)

|  <b>Schedule of Average Benefits*</b> (last nine fiscal years) |                              | <b>Combined Plan**</b>     |          |          |          |          |
|---|------------------------------|----------------------------|----------|----------|----------|----------|
|   |                              | Retirement Effective Dates | 5-9      | 10-14    | 15-19    | 20-24    |
| 2014  | Average Monthly Benefit      | \$274                      | \$346    | \$363    | \$270    | \$332    |
|   | Average Final Average Salary | \$45,794                   | \$45,889 | \$48,167 | \$15,897 | \$45,458 |
|   | Number of Active Recipients  | 10                         | 42       | 3        | 1        | 56       |
| 2013  | Average Monthly Benefit      | \$211                      | \$300    |          |          | \$247    |
|   | Average Final Average Salary | \$41,043                   | \$41,121 |          |          | \$41,074 |
|   | Number of Active Recipients  | 27                         | 18       |          |          | 45       |
| 2012  | Average Monthly Benefit      | \$255                      | \$263    |          |          | \$259    |
|   | Average Final Average Salary | \$48,341                   | \$39,064 |          |          | \$43,459 |
|   | Number of Active Recipients  | 9                          | 10       |          |          | 19       |
| 2011  | Average Monthly Benefit      | \$237                      | \$454    |          |          | \$281    |
|   | Average Final Average Salary | \$49,177                   | \$75,127 |          |          | \$54,367 |
|   | Number of Active Recipients  | 12                         | 3        |          |          | 15       |
| 2010  | Average Monthly Benefit      | \$229                      | \$217    |          |          | \$225    |
|   | Average Final Average Salary | \$61,819                   | \$33,958 |          |          | \$51,688 |
|   | Number of Active Recipients  | 7                          | 4        |          |          | 11       |
| 2009  | Average Monthly Benefit      | \$212                      | \$232    |          |          | \$222    |
|   | Average Final Average Salary | \$54,215                   | \$42,062 |          |          | \$48,139 |
|   | Number of Active Recipients  | 1                          | 1        |          |          | 2        |
| 2008  | Average Monthly Benefit      | \$95                       | \$85     |          |          | \$91     |
|   | Average Final Average Salary | \$25,665                   | \$21,305 |          |          | \$23,921 |
|   | Number of Active Recipients  | 3                          | 2        |          |          | 5        |
| 2007  | Average Monthly Benefit      | \$152                      |          |          |          | \$152    |
|   | Average Final Average Salary | \$37,369                   |          |          |          | \$37,369 |
|   | Number of Active Recipients  | 1                          |          |          |          | 1        |
| 2006  | Average Monthly Benefit      | \$118                      |          |          |          | \$118    |
|   | Average Final Average Salary | \$50,116                   |          |          |          | \$50,116 |
|   | Number of Active Recipients  | 1                          |          |          |          | 1        |

\*All years begin January 1 and end December 31.

\*\*Plan commenced on January 1, 2003, first defined benefit retirement 2006. The plan did not have any retirees eligible for retirement benefits with less than five years of service credit.

## Member Counts by Plan

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

The 2011 through 2014 Benefit Recipient counts represent retired members only, regardless of the number of recipients designated by the retiree’s plan of payment. These statistics are representative of the OPERS contributing membership. Prior to 2011, the values represent the number of individuals receiving a benefit payment from OPERS where one retiree account may be issued to multiple recipients or beneficiaries.

| Member Count—Pension Plans |         |          |          | Total All Pension Plans |
|----------------------------|---------|----------|----------|-------------------------|
| Year End                   | Active  | Inactive | Retirees | Total                   |
| 2014                       | 346,509 | 498,610  | 203,112  | 1,048,231               |
| 2013                       | 347,727 | 483,521  | 196,594  | 1,027,842               |
| 2012                       | 348,235 | 467,298  | 190,621  | 1,006,154               |
| 2011                       | 349,189 | 452,718  | 184,965  | 986,872                 |
| 2010                       | 356,734 | 438,434  | 179,565  | 974,733                 |
| 2009                       | 365,229 | 416,548  | 171,955  | 953,732                 |
| 2008                       | 374,002 | 395,445  | 166,516  | 935,963                 |
| 2007                       | 382,177 | 364,823  | 161,348  | 908,348                 |
| 2006                       | 381,464 | 346,697  | 156,748  | 884,909                 |
| 2005                       | 381,413 | 327,864  | 151,758  | 861,035                 |

| Member Count—Pension Plans |         |          |          | Traditional Pension Plan |
|----------------------------|---------|----------|----------|--------------------------|
| Year End                   | Active  | Inactive | Retirees | Total                    |
| 2014                       | 328,341 | 492,548  | 202,789  | 1,023,678                |
| 2013                       | 330,595 | 478,291  | 196,349  | 1,005,235                |
| 2012                       | 331,836 | 462,597  | 190,488  | 984,921                  |
| 2011                       | 333,340 | 448,417  | 184,876  | 966,633                  |
| 2010                       | 341,779 | 434,804  | 179,513  | 956,096                  |
| 2009                       | 351,166 | 413,461  | 171,927  | 936,554                  |
| 2008                       | 360,107 | 392,687  | 166,499  | 919,293                  |
| 2007                       | 368,780 | 362,742  | 161,342  | 892,864                  |
| 2006                       | 369,728 | 345,070  | 156,745  | 871,543                  |
| 2005                       | 371,148 | 326,528  | 151,758  | 849,434                  |



## Statistical Section

### Member Counts by Plan (continued)

| Member Count—Pension Plans |        |          |          | Combined Plan |
|----------------------------|--------|----------|----------|---------------|
| Year End                   | Active | Inactive | Retirees | Total         |
| 2014                       | 7,413  | 1,818    | 156      | 9,387         |
| 2013                       | 7,175  | 1,637    | 100      | 8,912         |
| 2012                       | 6,903  | 1,460    | 55       | 8,418         |
| 2011                       | 6,674  | 1,314    | 36       | 8,024         |
| 2010                       | 6,554  | 1,052    | 21       | 7,627         |
| 2009                       | 6,403  | 942      | 9        | 7,354         |
| 2008                       | 6,376  | 846      | 7        | 7,229         |
| 2007                       | 6,244  | 659      | 2        | 6,905         |
| 2006                       | 5,609  | 519      | 1        | 6,129         |
| 2005                       | 5,026  | 414      |          | 5,440         |

| Member Count—Pension Plans |        |          |          | Member-Directed Plan |
|----------------------------|--------|----------|----------|----------------------|
| Year End                   | Active | Inactive | Retirees | Total                |
| 2014                       | 10,755 | 4,244    | 167      | 15,166               |
| 2013                       | 9,957  | 3,593    | 145      | 13,695               |
| 2012                       | 9,496  | 3,241    | 78       | 12,815               |
| 2011                       | 9,175  | 2,987    | 53       | 12,215               |
| 2010                       | 8,401  | 2,578    | 31       | 11,010               |
| 2009                       | 7,660  | 2,145    | 19       | 9,824                |
| 2008                       | 7,519  | 1,912    | 10       | 9,441                |
| 2007                       | 7,153  | 1,422    | 4        | 8,579                |
| 2006                       | 6,127  | 1,108    | 2        | 7,237                |
| 2005                       | 5,239  | 922      |          | 6,161                |

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

| Member Count—Pension Plans |         |          |          | All Plans |
|----------------------------|---------|----------|----------|-----------|
| Year End                   | Active  | Inactive | Retirees | Total     |
| 2014                       | 346,508 | 497,212  | 203,091  | 1,046,811 |
| 2013                       | 347,727 | 482,156  | 196,575  | 1,026,458 |
| 2012                       | 348,235 | 465,940  | 190,619  | 1,004,794 |
| 2011                       | 349,188 | 451,353  | 184,963  | 985,504   |

continued on page 206

**Member Counts by Plan** (continued from page 205)

The values included in the tables below represent the number of individuals covered by the OPERS health care plans. The 2010 through 2014 Post-employment Health Care Plan counts reflect the number of retirees and primary beneficiaries only. A primary beneficiary is a survivor of a deceased retiree continuing to receive coverage on the member’s account, which is representative of the OPERS contributing membership. Dependents and Other Beneficiaries are shown separately for 2010 through 2014. Corresponding data for years prior to 2010 is not available.

The new 115 Health Care Trust created in 2014 is not included in the tables below as the plan does not have any active or inactive members or retirees associated with the plan as of the end of 2014. Open enrollment for this plan will commence in October 2015.

The VEBA Plan is a retiree medical account for members in the Member-Directed Plan. Contributions are paid into the plan during the member’s career for use at termination or retirement. The account is in the member’s name and can only be used by the member to pay qualified medical expenses for the retiree and eligible family members. (Refer to the Plan Statement beginning on page 215.)


| Member Count—Health Care Plans |        |          |                                  | Total All Health Care Plans      |         |
|--------------------------------|--------|----------|----------------------------------|----------------------------------|---------|
| Year End                       | Active | Inactive | Retirees & Primary Beneficiaries | Dependents & Other Beneficiaries | Total   |
| 2014                           | 10,745 | 4,194    | 170,836                          | 58,692                           | 244,467 |
| 2013                           | 9,962  | 3,543    | 169,079                          | 61,041                           | 243,625 |
| 2012                           | 9,501  | 3,189    | 166,529                          | 62,456                           | 241,675 |
| 2011                           | 9,170  | 2,918    | 163,388                          | 62,507                           | 237,983 |
| 2010                           | 8,392  | 2,574    | 158,846                          | 60,624                           | 230,436 |
| 2009                           | 7,660  | 2,126    | 214,480                          |                                  | 224,266 |
| 2008                           | 7,520  | 1,886    | 209,222                          |                                  | 218,628 |
| 2007                           | 6,942  | 1,440    | 204,690                          |                                  | 213,072 |
| 2006                           | 5,742  | 1,122    | 200,787                          |                                  | 207,651 |
| 2005                           | 5,004  | 858      | 194,958                          |                                  | 200,820 |

| Member Count—Health Care Plans |        |          |                                   | Post-employment Health Care Plan  |         |
|--------------------------------|--------|----------|-----------------------------------|-----------------------------------|---------|
| Year End                       | Active | Inactive | Retirees & Primary Beneficiaries* | Dependents & Other Beneficiaries* | Total   |
| 2014                           | N/A    | N/A      | 167,327                           | 58,692                            | 226,019 |
| 2013                           | N/A    | N/A      | 165,967                           | 61,041                            | 227,008 |
| 2012                           | N/A    | N/A      | 163,940                           | 62,456                            | 226,396 |
| 2011                           | N/A    | N/A      | 161,315                           | 62,507                            | 223,822 |
| 2010                           | N/A    | N/A      | 157,269                           | 60,624                            | 217,893 |
| 2009                           | N/A    | N/A      | 213,220                           |                                   | 213,220 |
| 2008                           | N/A    | N/A      | 208,857                           |                                   | 208,857 |
| 2007                           | N/A    | N/A      | 204,514                           |                                   | 204,514 |
| 2006                           | N/A    | N/A      | 200,494                           |                                   | 200,494 |
| 2005                           | N/A    | N/A      | 194,773                           |                                   | 194,773 |

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

## Statistical Section

### Member Counts by Plan (continued from page 206)

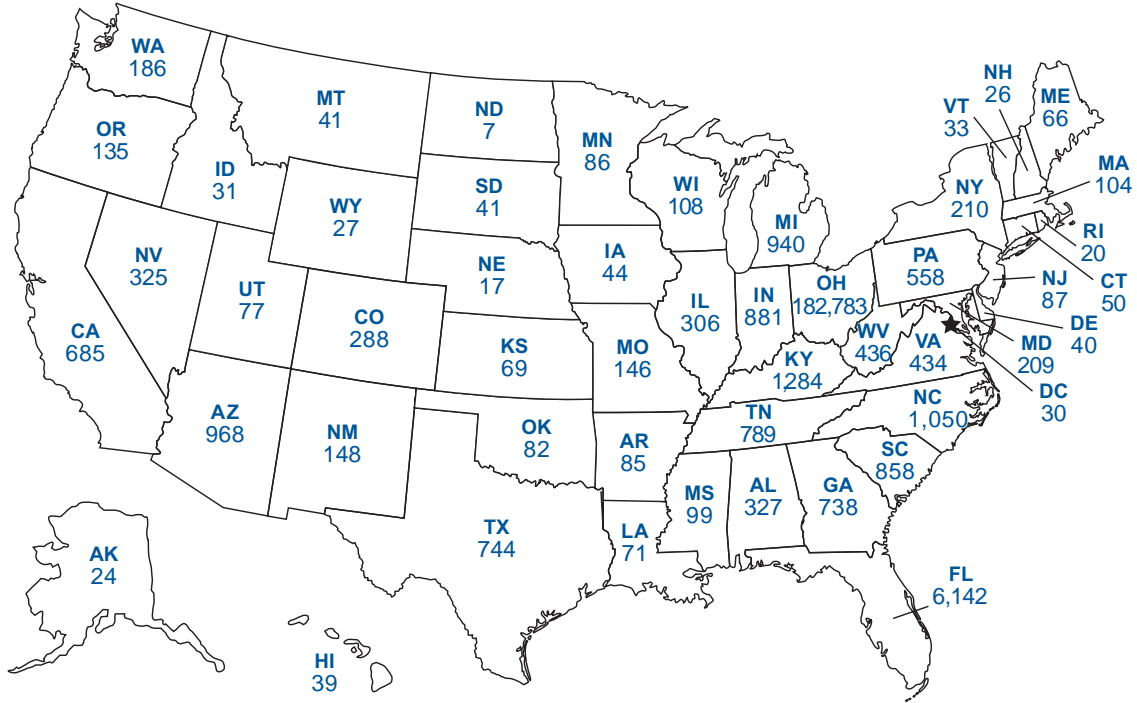
|  Member Count—Health Care Plans |        |          |                    | VEBA Plan |
|--|--------|----------|--------------------|-----------|
| Year End   | Active | Inactive | Retiree Recipients | Total     |
| 2014   | 10,745 | 4,194    | 3,509              | 18,448    |
| 2013   | 9,962  | 3,543    | 3,112              | 16,617    |
| 2012   | 9,501  | 3,189    | 2,589              | 15,279    |
| 2011   | 9,170  | 2,918    | 2,073              | 14,161    |
| 2010   | 8,392  | 2,574    | 1,577              | 12,543    |
| 2009   | 7,660  | 2,126    | 1,260              | 11,046    |
| 2008   | 7,520  | 1,886    | 365                | 9,771     |
| 2007   | 6,942  | 1,440    | 176                | 8,558     |
| 2006   | 5,742  | 1,122    | 293                | 7,157     |
| 2005   | 5,004  | 858      | 185                | 6,047     |



Statistical Section




Retirees by State



Retirees Outside United States

|                           |    |                               |   |                     |    |
|---------------------------|----|-------------------------------|---|---------------------|----|
| Armed Forces—Europe.....  | 4  | Greece.....                   | 2 | Philippines.....    | 2  |
| Armed Forces—Pacific..... | 1  | Ireland.....                  | 3 | Poland.....         | 2  |
| Australia.....            | 3  | Israel.....                   | 5 | Puerto Rico.....    | 17 |
| Austria.....              | 1  | Italy.....                    | 6 | Romania.....        | 1  |
| Bulgaria.....             | 2  | Japan.....                    | 1 | Scotland.....       | 2  |
| Canada.....               | 27 | Jordan.....                   | 1 | Singapore.....      | 1  |
| China (Taiwan).....       | 1  | Latvia.....                   | 1 | Slovakia.....       | 1  |
| Costa Rica.....           | 2  | Lebanon.....                  | 1 | Spain.....          | 4  |
| Czech Republic.....       | 1  | Lithuania.....                | 1 | Thailand.....       | 4  |
| England.....              | 3  | New Zealand.....              | 2 | Turkey.....         | 1  |
| Ethiopia.....             | 1  | Northern Mariana Islands..... | 1 | United Kingdom..... | 2  |
| France.....               | 3  | Norway.....                   | 1 | Virgin Islands..... | 2  |
| Germany.....              | 2  | Peru.....                     | 1 | West Indies.....    | 1  |

|  <b>Contribution Rates</b> at December 31 |         |              | <b>Traditional Pension Plan</b> |                    |        |                      |   |
|--|---------|--------------|---------------------------------|--------------------|--------|----------------------|---|
|  | Year    | Member Rates | Employer Rates                  |                    |        | Total Employer Rates | Total Aggregate Employer and Member Rates |
|  |         |              | Normal Cost                     | Unfunded Liability | Health |                      |   |
| State  | 2014    | 10.00%       | 5.28%                           | 6.72%              | 2.00%  | 14.00%               | 24.00%                                    |
|  | 2013    | 10.00        | 5.39                            | 7.61               | 1.00   | 14.00                | 24.00                                     |
|  | 2012    | 10.00        | 5.36                            | 4.64               | 4.00   | 14.00                | 24.00                                     |
|  | 2011    | 10.00        | 5.34                            | 4.66               | 4.00   | 14.00                | 24.00                                     |
|  | 2010*** | 10.00        | 5.35                            | 3.65               | 5.00   | 14.00                | 24.00                                     |
|  | 2009**  | 10.00        | 4.89                            | 3.61               | 5.50   | 14.00                | 24.00                                     |
|  | 2008    | 10.00        | 4.89                            | 2.11               | 7.00   | 14.00                | 24.00                                     |
|  | 2007*   | 9.50         | 4.21                            | 3.56               | 6.00   | 13.77                | 23.27                                     |
|  | 2006    | 9.00         | 5.67                            | 3.37               | 4.50   | 13.54                | 22.54                                     |
| 2005   | 8.50    | 5.70         | 3.61                            | 4.00               | 13.31  | 21.81                |   |
| Local  | 2014    | 10.00%       | 5.05%                           | 6.95%              | 2.00%  | 14.00%               | 24.00%                                    |
|  | 2013    | 10.00        | 5.05                            | 7.95               | 1.00   | 14.00                | 24.00                                     |
|  | 2012    | 10.00        | 5.05                            | 4.95               | 4.00   | 14.00                | 24.00                                     |
|  | 2011    | 10.00        | 5.04                            | 4.96               | 4.00   | 14.00                | 24.00                                     |
|  | 2010*** | 10.00        | 5.06                            | 3.94               | 5.00   | 14.00                | 24.00                                     |
|  | 2009**  | 10.00        | 4.46                            | 4.04               | 5.50   | 14.00                | 24.00                                     |
|  | 2008    | 10.00        | 4.46                            | 2.54               | 7.00   | 14.00                | 24.00                                     |
|  | 2007*   | 9.50         | 4.10                            | 3.75               | 6.00   | 13.85                | 23.35                                     |
|  | 2006    | 9.00         | 5.57                            | 3.63               | 4.50   | 13.70                | 22.70                                     |
| 2005   | 8.50    | 5.66         | 3.89                            | 4.00               | 13.55  | 22.05                |   |
| Law Enforcement  | 2014    | 13.00%       | 7.18%                           | 8.92%              | 2.00%  | 18.10%               | 31.10%                                    |
|  | 2013    | 12.60        | 7.90                            | 9.20               | 1.00   | 18.10                | 30.70                                     |
|  | 2012    | 12.10        | 8.16                            | 5.94               | 4.00   | 18.10                | 30.20                                     |
|  | 2011    | 11.60        | 8.43                            | 5.67               | 4.00   | 18.10                | 29.70                                     |
|  | 2010*** | 11.10        | 8.95                            | 3.92               | 5.00   | 17.87                | 28.97                                     |
|  | 2009**  | 10.10        | 9.65                            | 2.48               | 5.50   | 17.63                | 27.73                                     |
|  | 2008    | 10.10        | 9.65                            | 0.75               | 7.00   | 17.40                | 27.50                                     |
|  | 2007*   | 10.10        | 7.62                            | 3.55               | 6.00   | 17.17                | 27.27                                     |
|  | 2006    | 10.10        | 8.63                            | 3.80               | 4.50   | 16.93                | 27.03                                     |
| 2005   | 10.10   | 8.65         | 4.05                            | 4.00               | 16.70  | 26.80                |   |
| Public Safety  | 2014    | 12.00%       | 6.12%                           | 9.98%              | 2.00%  | 18.10%               | 30.10%                                    |
|  | 2013    | 12.00        | 7.62                            | 9.48               | 1.00   | 18.10                | 30.10                                     |
|  | 2012    | 11.50        | 7.77                            | 6.33               | 4.00   | 18.10                | 29.60                                     |
|  | 2011    | 11.00        | 8.32                            | 5.78               | 4.00   | 18.10                | 29.10                                     |
|  | 2010*** | 10.50        | 8.55                            | 4.32               | 5.00   | 17.87                | 28.37                                     |
|  | 2009**  | 10.10        | 8.63                            | 3.50               | 5.50   | 17.63                | 27.73                                     |
|  | 2008    | 10.10        | 8.63                            | 1.77               | 7.00   | 17.40                | 27.50                                     |
|  | 2007*   | 9.75         | 7.16                            | 4.01               | 6.00   | 17.17                | 26.92                                     |
|  | 2006    | 9.00         | 9.04                            | 3.39               | 4.50   | 16.93                | 25.93                                     |
| 2005   | 9.00    | 8.65         | 4.05                            | 4.00               | 16.70  | 25.70                |   |

\* The health care contribution rate increased from 5.0% to 6.0% effective July 1, 2007.  
 \*\* The health care contribution rate decreased from 7.0% to 5.5% effective April 1, 2009.  
 \*\*\* The health care contribution rate decreased from 5.5% to 5.0% effective March 1, 2010.

continued on page 211

## Statistical Section

continued from page 210

| Contribution Rates at December 31 |          |              |                |                     |                 |        | Combined Plan        |   |
|-----------------------------------|----------|--------------|----------------|---------------------|-----------------|--------|----------------------|---|
|                                   | Year     | Member Rates | Employer Rates |                     |                 |        | Total Employer Rates | Total Aggregate Employer and Member Rates |
|                                   |          |              | Normal Cost    | Unfunded Liability* | Mitigation Rate | Health |                      |   |
| State                             | 2014     | 10.00%       | 6.99%          | 4.24%               | 0.77%           | 2.00%  | 14.00%               | 24.00%                                    |
|                                   | 2013     | 10.00        | 7.20           | 5.03                | 0.77            | 1.00   | 14.00                | 24.00                                     |
|                                   | 2012     | 10.00        | 7.18           | 0.00                | 0.77            | 6.05   | 14.00                | 24.00                                     |
|                                   | 2011     | 10.00        | 7.18           | 0.00                | 0.77            | 6.05   | 14.00                | 24.00                                     |
|                                   | 2010**** | 10.00        | 7.18           | 1.82                | 0.77            | 4.23   | 14.00                | 24.00                                     |
|                                   | 2009***  | 10.00        | 7.21           | 1.29                | 0.77            | 4.73   | 14.00                | 24.00                                     |
|                                   | 2008     | 10.00        | 7.21           | 0.12                | 0.77            | 5.90   | 14.00                | 24.00                                     |
|                                   | 2007**   | 9.50         | 7.23           | N/A                 | 0.54            | 6.00   | 13.77                | 23.27                                     |
|                                   | 2006     | 9.00         | 8.50           | N/A                 | 0.54            | 4.50   | 13.54                | 22.54                                     |
| 2005                              | 8.50     | 9.31         | N/A            | 0.00                | 4.00            | 13.31  | 21.81                |   |
| Local                             | 2014     | 10.00%       | 6.83%          | 4.40%               | 0.77%           | 2.00%  | 14.00%               | 24.00%                                    |
|                                   | 2013     | 10.00        | 6.87           | 5.36                | 0.77            | 1.00   | 14.00                | 24.00                                     |
|                                   | 2012     | 10.00        | 6.88           | 0.30                | 0.77            | 6.05   | 14.00                | 24.00                                     |
|                                   | 2011     | 10.00        | 6.88           | 0.30                | 0.77            | 6.05   | 14.00                | 24.00                                     |
|                                   | 2010**** | 10.00        | 6.87           | 2.13                | 0.77            | 4.23   | 14.00                | 24.00                                     |
|                                   | 2009***  | 10.00        | 6.88           | 1.62                | 0.77            | 4.73   | 14.00                | 24.00                                     |
|                                   | 2008     | 10.00        | 6.88           | 0.45                | 0.77            | 5.90   | 14.00                | 24.00                                     |
|                                   | 2007**   | 9.50         | 7.15           | N/A                 | 0.70            | 6.00   | 13.85                | 23.35                                     |
|                                   | 2006     | 9.00         | 8.50           | N/A                 | 0.70            | 4.50   | 13.70                | 22.70                                     |
| 2005                              | 8.50     | 9.55         | N/A            | 0.00                | 4.00            | 13.55  | 22.05                |   |

\* Unfunded Liability includes the impact of defined contribution account purchases of defined benefit annuities.

\*\* The health care contribution rate increased from 5.00% to 6.00% effective July 1, 2007.

\*\*\* The health care contribution rate decreased from 5.90% to 4.73% effective April 1, 2009.

\*\*\*\* The health care contribution rate decreased from 4.73% to 4.23% effective March 1, 2010.

| Contribution Rates at December 31 |      |              |                |                    |                 |       | Member-Directed Plan |   |
|-----------------------------------|------|--------------|----------------|--------------------|-----------------|-------|----------------------|---|
|                                   | Year | Member Rates | Employer Rates |                    |                 |       | Total Employer Rates | Total Aggregate Employer and Member Rates |
|                                   |      |              | Normal Cost    | Unfunded Liability | Mitigation Rate | VEBA  |                      |   |
| State                             | 2014 | 10.00%       | 8.73%          | N/A                | 0.77%           | 4.50% | 14.00%               | 24.00%                                    |
|                                   | 2013 | 10.00        | 8.73           | N/A                | 0.77            | 4.50  | 14.00                | 24.00                                     |
|                                   | 2012 | 10.00        | 8.73           | N/A                | 0.77            | 4.50  | 14.00                | 24.00                                     |
|                                   | 2011 | 10.00        | 8.73           | N/A                | 0.77            | 4.50  | 14.00                | 24.00                                     |
|                                   | 2010 | 10.00        | 8.73           | N/A                | 0.77            | 4.50  | 14.00                | 24.00                                     |
|                                   | 2009 | 10.00        | 8.73           | N/A                | 0.77            | 4.50  | 14.00                | 24.00                                     |
|                                   | 2008 | 10.00        | 8.73           | N/A                | 0.77            | 4.50  | 14.00                | 24.00                                     |
|                                   | 2007 | 9.50         | 8.73           | N/A                | 0.54            | 4.50  | 13.77                | 23.27                                     |
|                                   | 2006 | 9.00         | 8.50           | N/A                | 0.54            | 4.50  | 13.54                | 22.54                                     |
| 2005                              | 8.50 | 8.50         | N/A            | 0.00               | 4.81            | 13.31 | 21.81                |   |
| Local                             | 2014 | 10.00%       | 8.73%          | N/A                | 0.77%           | 4.50% | 14.00%               | 24.00%                                    |
|                                   | 2013 | 10.00        | 8.73           | N/A                | 0.77            | 4.50  | 14.00                | 24.00                                     |
|                                   | 2012 | 10.00        | 8.73           | N/A                | 0.77            | 4.50  | 14.00                | 24.00                                     |
|                                   | 2011 | 10.00        | 8.73           | N/A                | 0.77            | 4.50  | 14.00                | 24.00                                     |
|                                   | 2010 | 10.00        | 8.73           | N/A                | 0.77            | 4.50  | 14.00                | 24.00                                     |
|                                   | 2009 | 10.00        | 8.73           | N/A                | 0.77            | 4.50  | 14.00                | 24.00                                     |
|                                   | 2008 | 10.00        | 8.73           | N/A                | 0.77            | 4.50  | 14.00                | 24.00                                     |
|                                   | 2007 | 9.50         | 8.65           | N/A                | 0.70            | 4.50  | 13.85                | 23.35                                     |
|                                   | 2006 | 9.00         | 8.50           | N/A                | 0.70            | 4.50  | 13.70                | 22.70                                     |
| 2005                              | 8.50 | 8.50         | N/A            | 0.00               | 5.05            | 13.55 | 22.05                |   |


| Number of Employer Units |       |          |                 |                |          |               |           |           | All Plans* |
|--------------------------|-------|----------|-----------------|----------------|----------|---------------|-----------|-----------|------------|
| Calendar Year            | State | County** | Law Enforcement | Municipalities | Villages | Miscellaneous | Libraries | Townships | Totals     |
| 2014                     | 264   | 217      | 241             | 245            | 667      | 496           | 253       | 1,309     | 3,692      |
| 2013                     | 282   | 219      | 244             | 245            | 673      | 494           | 253       | 1,308     | 3,718      |
| 2012                     | 271   | 214      | 242             | 245            | 678      | 491           | 253       | 1,308     | 3,702      |
| 2011                     | 271   | 211      | 241             | 246            | 675      | 490           | 253       | 1,308     | 3,695      |
| 2010                     | 269   | 215      | 241             | 247            | 675      | 491           | 253       | 1,308     | 3,699      |
| 2009                     | 270   | 238      | 237             | 248            | 671      | 489           | 253       | 1,308     | 3,714      |
| 2008                     | 269   | 244      | 248             | 251            | 670      | 474           | 254       | 1,314     | 3,724      |
| 2007                     | 273   | 241      | 245             | 251            | 671      | 465           | 254       | 1,314     | 3,714      |
| 2006                     | 276   | 238      | 244             | 253            | 671      | 459           | 254       | 1,312     | 3,707      |
| 2005                     | 277   | 239      | 247             | 255            | 671      | 454           | 257       | 1,312     | 3,712      |


\* The number of employer units exceeds the number of reporting employers as some employers report multiple divisions or agencies. This count also includes private-sector employers that have assumed privatized functions from public employers for indeterminate periods. The number of employers reporting at December 31, 2014 was 3,251.


\*\* Effective January 1, 2010, House Bill 420 transferred authority for managing county law libraries to County Law Library Resource Boards within county governments. This consolidation with county governments resulted in a reduction in the number of individual employer units.



## Statistical Section

|  <b>Principal Participating Employers</b> |                   |            |                            |                   |            |                            |
|--|-------------------|------------|----------------------------|-------------------|------------|----------------------------|
| Employers by Participating Employer Ranking  | 2014              |            |                            | 2005              |            |                            |
|  | Covered Employees | Rank       | Percentage of Total System | Covered Employees | Rank       | Percentage of Total System |
| The Ohio State University  | 37,221            | 1          | 10.75%                     | 23,696            | 1          | 6.21%                      |
| Cuyahoga County  | 7,985             | 2          | 2.31                       | 10,062            | 2          | 2.64                       |
| Franklin County  | 6,722             | 3          | 1.94                       | 6,551             | 4          | 1.72                       |
| MetroHealth Medical Center   | 6,588             | 4          | 1.90                       | 5,988             | 6          | 1.57                       |
| University of Cincinnati   | 6,425             | 5          | 1.86                       | 5,083             | 9          | 1.33                       |
| City of Columbus   | 5,786             | 6          | 1.67                       | 5,864             | 8          | 1.54                       |
| City of Cleveland  | 5,648             | 7          | 1.63                       | 6,569             | 3          | 1.73                       |
| Ohio Department of Transportation  | 5,458             | 8          | 1.58                       | 6,297             | 5          | 1.65                       |
| Kent State University  | 5,347             | 9          | 1.54                       | 3,407             | 17         | 0.89                       |
| Ohio University  | 4,931             | 10         | 1.42                       | 3,934             | 16         | 1.03                       |
| All Other (see table on page 214)  | 254,096           | N/A        | 73.40                      | 303,962           | N/A        | 79.69                      |
| <b>Total</b>   | <b>346,207</b>    | <b>N/A</b> | <b>100.00%</b>             | <b>381,413</b>    | <b>N/A</b> | <b>100.00%</b>             |

|  <b>Employer Units</b> |                   |            |                            |                   |            |                            |
|---|-------------------|------------|----------------------------|-------------------|------------|----------------------------|
| Employers by Employer Units Ranking   | 2014              |            |                            | 2005              |            |                            |
|   | Covered Employees | Rank       | Percentage of Total System | Covered Employees | Rank       | Percentage of Total System |
| The Ohio State University   | 37,170            | 1          | 10.74%                     | 23,696            | 1          | 6.21%                      |
| Cuyahoga County   | 7,814             | 2          | 2.26                       | 10,062            | 2          | 2.64                       |
| MetroHealth Medical Center  | 6,588             | 3          | 1.90                       | 5,988             | 6          | 1.57                       |
| University of Cincinnati  | 6,365             | 4          | 1.84                       | 5,083             | 9          | 1.33                       |
| Franklin County   | 6,202             | 5          | 1.79                       | 6,551             | 4          | 1.72                       |
| City of Cleveland   | 5,648             | 6          | 1.63                       | 6,569             | 3          | 1.73                       |
| Ohio Department of Transportation   | 5,458             | 7          | 1.58                       | 6,297             | 5          | 1.65                       |
| Kent State University   | 5,317             | 8          | 1.54                       | 3,407             | 17         | 0.89                       |
| City of Columbus  | 5,307             | 9          | 1.53                       | 5,864             | 8          | 1.54                       |
| Ohio University   | 4,905             | 10         | 1.42                       | 3,934             | 16         | 1.03                       |
| All Other (see table on page 214)   | 255,433           | N/A        | 73.77                      | 303,962           | N/A        | 79.69                      |
| <b>Total</b>  | <b>346,207</b>    | <b>N/A</b> | <b>100.00%</b>             | <b>381,413</b>    | <b>N/A</b> | <b>100.00%</b>             |

|  <b>Employers-All Other Categories*</b> |                |                |                         |                |                |                |                         |                |
|--|----------------|----------------|-------------------------|----------------|----------------|----------------|-------------------------|----------------|
| Employer Type  | 2014           |                |                         |                | 2005           |                |                         |                |
|  | Employer Units |                | Participating Employers |                | Employer Units |                | Participating Employers |                |
|  | Number         | Employees      | Number                  | Employees      | Number         | Employees      | Number                  | Employees      |
| State  | 259            | 64,698         | 163                     | 65,398         | 272            | 76,910         | 172                     | 85,704         |
| County   | 214            | 74,342         | 128                     | 79,565         | 237            | 83,708         | 136                     | 78,643         |
| Municipalities   | 243            | 48,720         | 234                     | 48,380         | 253            | 55,711         | 251                     | 57,041         |
| Miscellaneous  | 496            | 21,337         | 488                     | 20,950         | 453            | 33,975         | 474                     | 33,623         |
| Libraries  | 253            | 12,785         | 252                     | 12,767         | 257            | 15,405         | 255                     | 15,498         |
| Townships  | 1,309          | 11,512         | 1,308                   | 12,736         | 1,312          | 15,108         | 1,308                   | 16,660         |
| Villages   | 667            | 14,244         | 667                     | 14,257         | 671            | 15,222         | 652                     | 16,660         |
| Law Enforcement/Public   | 241            | 7,795          | 1                       | 43             | 247            | 7,923          | 1                       | 133            |
| <b>Total</b>   | <b>3,682</b>   | <b>255,433</b> | <b>3,241</b>            | <b>254,096</b> | <b>3,702</b>   | <b>303,962</b> | <b>3,249</b>            | <b>303,962</b> |

\* This table displays additional information on the All Other category in the previous two tables on the previous page. To get the total number of employers reported in the table and related footnote on page 212, combine the numbers in this table on this page with those on page 213 for employer units (10 plus 3,682 = 3,692 for 2014) and participating employers (10 plus 3,241 = 3,251 for 2014). GASB requires a 10 year look-back to the year being presented. Therefore, information for 2006-2013 is not relevant.



## The canopy effect

Healthy trees provide safe havens and contribute to the social and economic well-being of communities and residents. So, too, does OPERS serve to provide a secure financial retirement for the public employees of Ohio. It takes time for a tree to grow large enough to provide significant shade—similarly, an OPERS member account is invested over the working years of our members to provide the benefits earned.

Shown here, in its entirety, is the OPERS Plan Statement, clearly detailing the financial canopy that spreads over each member in retirement. However, the OPERS canopy also provides significant benefit to the community. How does that enhance the community? Take a look:

- Solid retirement benefits help public employers attract and retain the very best employees. These employees provide important infrastructure services to all Ohio residents—including transportation (bus, air, road and bridge services), public health, libraries and orderly administration of colleges and universities, just to name a few.
- After retirement, more than 90% of all OPERS retirees remain in the state. OPERS retirees are a powerful economic engine for the state.



### Plan Statement

The Ohio Public Employees Retirement System (OPERS or System) was created by the Ohio General Assembly to provide retirement, disability, and survivor benefit programs for the public employees of Ohio. This summary outlines the plan features; however, it is not a substitute for the state and federal laws that govern OPERS.

All public employees, except those covered by another state retirement system in Ohio or by the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded.

The law provides for optional membership for elected public officials who did not contribute on prior elective service. Students, not already members, working for the public school, college, or university that they are attending may be exempt from contributing to OPERS by filing a request for exemption within the first month of employment.

OPERS provides special retirement coverage for certain law enforcement officers whose primary duties are to preserve the peace, to protect life and property, and to enforce the laws of Ohio. These individuals, who must have a Peace Officer's Training School Certificate, are covered if they were hired on or after the dates of the enabling legislation. If they were employed before the legislation was enacted, coverage was optional. If they did not elect law enforcement coverage, they remained under the regular OPERS schedule of benefits.

### Pension Legislation

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

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

### Health Care Plan Design Changes

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

### Plan Types

For 80 years, OPERS has provided members with retirement benefits under a defined benefit plan, known as the Traditional Pension Plan.

In 2000, legislation required OPERS to establish one or more defined contribution plans to be offered to members in addition to the existing Traditional Pension Plan. OPERS began offering three retirement plans to its members on January 1, 2003. The plans include the Traditional Pension Plan, the Member-Directed Plan, and the Combined Plan. A brief overview of each plan is provided on the next page.

## Plan Statement

- **The Traditional Pension Plan**

The Traditional Pension Plan is a defined benefit plan under which a member's retirement benefit is based on a formula. The formula is determined by the years of service credit and the average of the three or five (based on transition group) highest years of earnable salary, referred to as final average salary (FAS). OPERS investment professionals manage the investment of employee and employer contributions to ensure that funds are available to pay the formula benefit.

- **The Member-Directed Plan**

The Member-Directed Plan is a defined contribution plan under which employee and employer contributions are deposited into a member's individual account and the member directs the investment by selecting from professionally managed OPERS investment options. The investment options include six core funds comprised of a series of fixed income and equity funds, 10 target date funds, and a self-directed brokerage account. Members become vested in the employer contributions at a rate of 20% for each year of participation until the member is fully vested at the end of five years. The account value available at retirement is based on employee and vested employer contributions and the investment gains and losses on those contributions.

- **The Combined Plan**

The Combined Plan is a retirement plan with both a defined benefit and a defined contribution component. The employer contributions fund the defined benefit portion of the Combined Plan. The member's defined benefit retirement component is determined by a formula similar to, but lower than, the Traditional Pension Plan formula. OPERS investment professionals manage the investment of the employer contributions to ensure that funds are available to pay the reduced-formula benefit. Under the defined contribution portion of the Combined Plan, employee contributions are deposited into the member's individual account and the member directs the investment by selecting from professionally managed OPERS investment options. The investment options include six core funds comprised of a series of fixed income and equity funds, 10 target date funds, and a self-directed brokerage account. The defined contribution account value available at retirement is based on employee contributions and the investment gains and losses on those contributions.

## Contributions

Employers are required to make contributions to the System on the basis of a percentage of eligible salary and at a rate based upon the recommendations of the OPERS actuary, subject to the statutory limitations. Penalties and interest are assessed for late payments. The contribution rate for State and Local employers in 2014 was 14.0%. Employers in the Law Enforcement and Public Safety divisions contributed 18.1%.

The 2014 employee contribution rate for State and Local members was 10.0% of earnable salary. Members in the Public Safety division contributed 12.0% of earnable salary, while members in the Law Enforcement division contributed 13.0%. Individual accounts for each member of OPERS are maintained and funds contributed by members of the Traditional Pension Plan are fully refundable at service termination or death. The refund value of contributions made by members of the Combined Plan and the Member-Directed Plan are subject to changes (gains or losses) that occur as a result of the member's selected investment options.

## Additional Voluntary Contributions

- **The Traditional Pension Plan**

A member or a re-employed retiree who is contributing to a money purchase annuity may deposit additional money or rollover funds into the Additional Annuity Program. Voluntary after-tax additional annuity deposits are limited by federal tax law to 100% of a member's annual income from all public employers contributing to OPERS or to the current annual IRS limitation, whichever is less. Additional Annuity deposits are invested in the OPERS Stable Value Fund where they are subject to daily investment gains and losses. Earnings are tax-deferred until the time of distribution.

Upon termination of employment or retirement, the member may either elect to receive a refund of the account value or an annuity. The annuity program offers the same payment options as those offered for an age-and-service retirement under the Traditional Pension Plan.

- **The Member-Directed and Combined Plans**

Members participating in the Member-Directed or Combined Plan may deposit additional money or rollover funds into their individual defined contribution account. Voluntary after-tax deposits are limited by federal tax law to 100% of a member's annual income from all public employers contributing to OPERS or to the current annual IRS limitation, whichever is less. The additional contributions are invested in the same investment options the member selected for their individual defined contribution account, and are subject to investment gains and losses.

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

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

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

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

## Plan Statement

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

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

### Age-and-Service Retirement

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

Retirement benefits are specific to each plan and members must meet the eligibility requirements based on their age and years of service within the plan. Retirement eligibility also varies by division and transition group. The chart on the next page shows the retirement eligibility requirements for all divisions and transition groups. The requirements for the State and Local divisions apply to members who participate in either the Traditional Pension Plan or the Combined Plan. The Law Enforcement and Public Safety divisions are only applicable to the Traditional Pension Plan.

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

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

Benefit payments vary in amount depending on years of service credit, FAS, age, and plan of payment selection. FAS is the average of the three highest years of earnable salary for Groups A and B; and the average of the five highest years of earnable salary for members in Group C. The age-and-service formula benefit cannot exceed 100% of the FAS (Law Enforcement is 90%) or the limits under Internal Revenue Code Section 415 and may be subject to the contribution-based benefit cap. The base benefit amount calculated by the formula will be reduced if a member begins receiving a retirement benefit before he/she reaches the age-and-service requirements for an unreduced benefit.

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

In the Traditional Pension Plan, the benefit formula for members in the Public Safety and Law Enforcement divisions applies a factor of 2.5% to member's FAS for the first 25 years of service as a Public Safety or Law Enforcement member. A factor of 2.1% is applied to years of service in excess of 25.

In the Combined Plan, the benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. In the defined contribution component of the Combined Plan, the current value of the individual account is available at retirement. The balance can



## Plan Statement

be rolled over to another eligible retirement plan, made payable to the member with taxes withheld, or converted to a lifetime annuity through OPERS, or a combination of the three options.

Effective January 7, 2013, the CBBC was introduced to reduce the impact of inflating earnable salary. For purposes of determining the CBBC, the member's accumulated contributions (less any contributions attributed to a non-law annuity) are combined with a portion of employer-paid delinquent contributions, a portion of early retirement incentive plan funding and member contributions used to fund a disability under the original plan, if applicable. The total accumulated member contributions (as calculated in the previous sentence) are multiplied by the Board-established CBBC factor. The CBBC factor in effect for 2014 was 6.0. The member is eligible for the lesser of an annuity calculated on FAS and years of service credit or the calculated CBBC value. The CBBC applies to all new retirees, with an exception for certain members in Group A. The reduction caused by the CBBC for transition Group A members may not exceed 5% of the retirement allowance the member would have otherwise received unless, for any full month of service after January 1, 1987, the member's monthly eligible salary was less than \$1,000.

Service credit allowed under Chapter 145 of the Ohio Revised Code for retirement eligibility and calculation of a formula benefit includes:

- 1) Service for the state of Ohio or an Ohio political subdivision for which contributions have been paid;
- 2) Certain military service which interrupted contributing public service;
- 3) Any out-of-public service period of three years or less during which the member was receiving an award under the Ohio Bureau of Workers' Compensation;
- 4) Previously unreported service in Ohio;
- 5) Service purchased by the member for:
  - a) Military service that pre-dates public employment;
  - b) Prisoner-of-war service;
  - c) An authorized leave of absence which did not exceed one year;
  - d) Comparable public service that is not being used for other retirement programs except Social Security, performed outside Ohio or with the federal government, or for which contributions were made to an Ohio municipal retirement system;
  - e) Restoration of previously refunded service;
  - f) Restoration of previously refunded service from the Ohio Police and Fire, Ohio State Highway Patrol, or City of Cincinnati Retirement System, not being used for any other retirement benefit;
  - g) Service which was previously covered by a valid exemption under OPERS;
  - h) The amount of 35% additional credit on completed terms of full-time contributing elected official service, or board, commission, or other public body service by members who are appointed by the governor with the advice and consent of the Senate;
  - i) Service purchased in the Combined Plan or the Traditional Pension Plan representing contributing service earned in the Member-Directed Plan or Combined Plan; and
  - j) Restoration of contributing service earned in the Traditional Pension Plan prior to January 1, 2003 that was transferred to the Member-Directed Plan or the Combined Plan at initial plan selection.
- 6) Service purchased by an employer under a retirement incentive plan.

A choice of several benefit payment plans is available. The choices include benefits payable throughout the member's lifetime (Single Life Plan) or in a lesser amount during the individual's life but continuing after the member's death to one or more survivors (the Joint Life Plan or the Multiple Life Plan).

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

The Multiple Life Plan is an option available to members whose retirement is effective on or after November 1, 2006. The payment plan is a multiple joint survivorship annuity providing benefits to the member throughout his/her lifetime, with payments continuing to the member's surviving beneficiaries after the member's death. The member may designate two to four beneficiaries, with each receiving at least 10% of the benefit (exceptions are court ordered spousal benefits). Total allocations to all beneficiaries may not exceed 100% of the benefit.

Effective January 1, 2004, OPERS established a Partial Lump-Sum Option Payment (PLOP) for certain retirees and benefit recipients. The PLOP is an option at retirement that allows a recipient to receive a lump-sum benefit payment along with a reduced monthly retirement allowance. The PLOP cannot be less than six times or more than 36 times the monthly amount that would be payable to the member under the plan of payment selected, and cannot result in a monthly allowance that is less than 50% of that monthly amount. The total amount paid as a lump sum and a monthly benefit is the actuarial equivalent of the amount that would have been paid had the lump sum not been selected.

### **Disability Benefits**

OPERS members are eligible for one of two disability programs: the original plan or the revised plan. Employees who had contributions on deposit with OPERS on July 29, 1992, had a one-time opportunity to select coverage under one of these programs. Employees hired after July 29, 1992, are covered only under the revised plan. There are a number of features common to both plans.

A member who has at least 60 contributing months of service credit in either the Traditional Pension Plan or the Combined Plan and who becomes permanently disabled due to a mentally or physically disabling condition for the performance of duty may apply to OPERS for monthly disability benefits. Members in the Law Enforcement or Public Safety divisions may apply for disability at any time if the disabling condition was the result of an on-duty illness or injury. Coverage is limited to illness or injury that occurs before the member's contributing service terminates or, in the case of illness or injury that results from the member's employment, becomes evident no later than two years after the date the contributing service ends. The coverage does not extend to disability resulting from elective cosmetic surgery other than reconstructive surgery.

Application must be made within two years from the date the member's contributing service ended, unless the Board determines that the member was physically or mentally incapacitated for duty and unable to make an application. The member must not be receiving an age-and-service retirement benefit or have received a refund of their accumulated contributions. If the Board approves the disability benefit application and the member is otherwise eligible, the benefit is effective the first day of the month following the member's service termination. A disability benefit recipient may be required to undergo a medical examination at least once a year. A disability benefit terminates under either disability plan if the member is no longer disabled, returns to public service (except for certain volunteer services), chooses to begin receiving an age-and-service benefit, or dies.

A new disability standard will be applied to non-Law Enforcement and Public Safety division disability recipients whose application for disability was received by the retirement system on or after January 7, 2013. Under the new legislation, disability benefit recipients will be reevaluated under an "own occupation" standard (incapable of performing the duties of the member's last public position) for the first three years of disability. This time period may be extended from three years to five

## Plan Statement

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

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

Members covered under the original plan must apply for disability benefits prior to turning age 60 (or age 62 for members in transition Group C). Under the original plan, the amount of the disability allowance is based on the member’s FAS and total service credit, plus the length of time between the effective date of disability and age 60 (or 62). The disability benefit cannot exceed 75%, nor be less than 30% of the member’s FAS. For disability benefit applications received before January 7, 2013, the disability benefit continues for the member’s lifetime as long as the qualifying disability persists. For disability benefit applications received on or after January 7, 2013, the new disability standard outlined above is applicable. The benefit is funded by the employee’s accumulated contributions and reserves accumulated from employer contributions. The benefit is fully taxable until age 60 (or 62), after which a specified dollar amount each month, representing the return of previously taxed contributions, is tax-free. For a law enforcement member disabled due to an on-duty injury or illness, 30% of the benefit payment is excludable from taxable income.

Under the revised plan, the disability allowance is based on the member’s FAS and service credit. The disability benefit cannot be less than 45% or exceed 60% of the member’s FAS. The benefit is funded by reserves accumulated from employer contributions, and is fully taxable. For a law enforcement member disabled due to an on-duty injury or illness, 45% of the benefit payment is excludable from taxable income.

For disability benefit applications received before January 7, 2013, benefits under the revised plan are payable until age 65 (or age 67 for members in transition Group C) or for a definite period, whichever comes first. For disability applications received on or after January 7, 2013, the new disability standard outlined above is applicable. When the disability benefit ends, the member may apply for a service retirement benefit or a refund of their account. The service retirement benefit amount is the greater of: a) 2.2% of FAS multiplied by the years of service (contributing and disability) not to exceed 45% of FAS; or b) the regular or law enforcement benefit calculation using only the member’s years of contributing service.

Members participating in the Combined Plan who elect to receive disability benefits must transfer to the Traditional Pension Plan. The disability benefit is calculated using the same formulas and criteria described above, and the member is required to transfer their individual defined contribution account to the Traditional Pension Plan to fund the benefit.

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

### Survivor Benefits

A member's beneficiary is determined by statutory automatic succession unless a specific designation is made in writing on a form provided by OPERS. Listed below is the order of automatic succession under Ohio law:

- 1) Spouse,
- 2) Children,
- 3) Dependent parents,
- 4) If none of the above, parents share equally in a refund of the account, and
- 5) If none of the foregoing, a refund of the account is paid to the estate.

Qualified beneficiaries will be eligible to receive monthly survivor benefits if, at the time of the member's death, at least one of the following qualifications was met:

- 1) The member had 18 months of Ohio service credit with three of those months within the two and one-half years immediately before death; or
- 2) The member was receiving a disability benefit from OPERS; or
- 3) The member was eligible for retirement but did not retire.

If none of these qualifications were met at the member's death, a refund of the member's OPERS account value as defined by the Ohio Revised Code may be made. The member's beneficiary may choose a refund of the member's account only if there are no children eligible for monthly benefits. If the member dies while receiving a disability benefit under the original plan and eligible survivors select a cash refund of the account, the amount is reduced by the amount of disability benefits that had already been paid. There is no reduction in amount if the member dies while receiving a benefit under the revised disability plan or while still working.

Qualified surviving spouses (with no children eligible for monthly benefits) may receive a benefit representing the greater of \$250 a month or an annual benefit equal to 25% of the decedent's FAS. If the decedent had 20 or more years of service, the percent of FAS increases with each year of service over 20 up to a maximum of 60%. Benefits begin when a qualified surviving spouse reaches age 62, or at any age if the decedent had 10 or more years of Ohio service credit, qualifying children, or the spouse is adjudged physically or mentally incompetent. Benefits to a qualified survivor terminate when the survivor ceases to meet eligibility requirements.

If a deceased member was eligible for a service retirement benefit at time of death, a surviving spouse or other sole dependent beneficiary may elect to receive a monthly benefit calculated as though the member had retired and elected the Joint Life Plan with 100% to the survivor. This joint survivor option provides a monthly allowance that continues through the beneficiary's lifetime. The beneficiary also has the option of electing a PLOP.

A child of a deceased member may qualify for monthly benefits if the child has never been married and is under age 18, or 22, if a qualified student attending an accredited school. A child who is adjudged physically or mentally incompetent at the time of the member's death is eligible for benefits regardless of age. Benefits terminate upon the child's first marriage, adoption by someone other than a step-parent, abandonment, death, or during active military service.

A dependent parent is one who received at least one-half support from the member during the 12 months preceding the member's death. A dependent parent may receive survivor benefits if age 65 or older, or at any age if adjudged physically or mentally incompetent at the time of the member's death. Survivor benefit payments terminate upon the parent's death or remarriage.

## Plan Statement

The eligible survivors of Combined Plan members may elect to receive monthly survivor benefits. The survivor benefit is calculated using the same formulas and criteria described above, and the member's defined contribution account is transferred to the Traditional Pension Plan to fund the benefit.

### Additional Benefits

#### Cost-of-Living Adjustment

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

#### Death Benefit

Upon the death of an age-and-service or disability benefit recipient, a lump-sum death benefit is paid to the qualified beneficiary. The benefit ranges from \$500 to \$2,500 based on the recipient's years of service credit.

#### Qualified Excess Benefit Arrangement

Total benefit payments to an individual are subject to the limitations identified in Section 415(b) of the Internal Revenue Code. In 2003, OPERS implemented a Qualified Excess Benefit Arrangement (QEBA) that allows OPERS recipients to receive the amount of their benefit that is subject to the IRS limits.

#### Refunds

A refund may be issued after three months have elapsed since the member terminated public service. For members of the Traditional Pension Plan, the refund value is equal to their member contributions plus interest. Members of the Combined Plan may refund their defined contribution account balance comprised of member contributions and investment gains or losses on those contributions, and any member contributions plus interest in the defined benefit portion of the plan arising from the purchase of eligible service. Members of the Traditional Pension Plan and the Combined Plan may also qualify for an additional amount calculated on their eligible contributions. If the member has at least five but less than 10 years of qualified service credit in the plan, the additional amount is 33% of the member's eligible contributions. Members with at least 10 years of qualified service credit in the plan may receive an additional amount equal to 67% of eligible contributions.

Under the Traditional Pension Plan, full recovery of all employee contributions to OPERS is guaranteed. If the Traditional Pension Plan member is also a member of the State Teachers Retirement System of Ohio (STRS) Defined Benefit Plan or the School Employees Retirement System of Ohio (SERS), an application for refund must be filed with all system(s) in order to receive a refund from OPERS. If the employee is eligible for a monthly retirement benefit and is legally married at the time the refund is filed, spousal consent is required. Legislation enacted in 2014 will enable Traditional Pension Plan members to refund their OPERS account balance independent of refunding from STRS or SERS. The effective date of the legislation is March 19, 2015.

Refunded service credit may be restored in the Traditional Pension Plan and the Combined Plan if the member returns to OPERS-covered employment for at least 18 months in the plan from which the refund was issued. The amount refunded, including interest and the additional amount (if applicable), must be repaid for service credit to be restored. The member must also pay interest (compounded annually) at a rate determined by the Board for the period from the date of refund to the date the refunded amount is repaid.

## Benefits under the Member-Directed Plan

### Retirement

Members participating in the Member-Directed Plan are eligible to retire after they reach age 55. The current vested value of the individual account is available at retirement. The balance can be converted to a lifetime annuity through OPERS; or a portion of the balance can be converted to an annuity through OPERS and the remainder can be rolled over to another eligible retirement plan or made payable to the member with taxes withheld.

### Disability and Survivor Benefits

Participants in the Member-Directed Plan are not eligible for disability or survivor benefits. In the event of disability or death, the vested portion of the member's individual account is available for refund to the member or qualified beneficiaries.

### Refunds

A refund may be issued after three months have elapsed since the member terminated public employment. Members participating in the Member-Directed Plan may receive employee contributions and investment gains or losses on those contributions. Depending on length of participation in the Member-Directed Plan, a member may also receive a portion of the employer contributions, plus any investment gains or losses on those contributions, based on the following schedule:

| Years of Participation | Percent Vested |
|------------------------|----------------|
| Less than 1 year       | 0%             |
| 1 year                 | 20%            |
| 2 years                | 40%            |
| 3 years                | 60%            |
| 4 years                | 80%            |
| 5 or more years        | 100%           |

## Coverage and Benefits for Re-employed Retirees

After a member retires, re-employment in an OPERS-covered job, including service in an elected position, is permitted but may affect continuing receipt of an age-and-service retirement benefit. Contributions must begin from the first day of re-employment, however members who are re-employed anytime within the first two months after their effective retirement benefit date will forfeit their retirement allowance during this two-month period. This prohibition applies even if salary is waived for the two-month forfeiture period. OPERS health care coverage is also not available during any period of pension forfeiture, and contributions remitted during the two-month forfeiture period will not be included in the calculation of a Money Purchase Plan benefit.

An OPERS retiree who returns to work in an OPERS-covered position must enroll in the employer's health care plan if the employer offers a plan to other employees in similar positions. After the two-month forfeiture period, the retiree may continue his/her participation in the OPERS health care plan. However the coverage provided by the employer plan is primary and the OPERS plan provides secondary coverage. Federal law prohibits retirees from being covered by the OPERS health plan as secondary coverage if the retiree is enrolled in a high-deductible health plan and a health savings account.

## Plan Statement

Retirees cannot continue to receive benefits and work as an independent contractor under a contract for any period of time for the employer from which they retired. This prohibition is applicable regardless of the number of hours or days actually worked. A retiree may be compensated under a contract for services as an independent contractor for another public employer. If this occurs within the first two months of retirement, he or she will forfeit their pension benefits for the entire period of service as an independent contractor.

During re-employment, the retiree participates in the Money Purchase Plan. Upon termination of re-employment, retirees under age 65 may receive a refund of their Money Purchase account consisting of their employee contributions made during the period of re-employment, plus interest. Retirees age 65 and older may receive an annuity benefit that is based on the amount of their employee contributions during the period of re-employment plus interest, and an amount from the employer's contributions established by the Board. The additional amount paid from employer contributions is currently set at 67% of the employee contributions and interest. Payment options are the same as those described under the Age-and-Service Retirement Section.

### Health Care Coverage for Traditional Pension and Combined Plans

- **Health Care Coverage**—With one exception, OPERS-provided health care coverage is neither a guaranteed nor statutorily required benefit. Medicare Part A equivalent coverage for eligible retirees and their eligible dependents is provided by statute. Members that applied for age-and-service retirement with effective dates of December 1, 2014 or earlier and who had 10 or more years of Ohio service credit had access to OPERS-provided health care coverage on a subsidized basis. Eligibility for retirees beginning in January 2015 is outlined later in this document. Beginning in 2014, the following types of service credit will apply to health care eligibility: contributing service, other Ohio retirement system service transfers, interrupted military (USERRA), unreported time, and restored (refunded) service. Access to health care coverage is also available for disability recipients and primary survivor recipients. Dependents of eligible recipients, as defined by the Post-employment Health Care Plan, may be covered through additional premiums.

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

Currently, OPERS offers medical and pharmacy plans for recipients yet to enroll in Medicare and those already enrolled in Medicare, typically at age 65. Monthly allowances are used to offset the monthly premium for the coverage provided. The plan for participants who are enrolled in Medicare is a fully insured group Medicare Advantage plan and includes pharmacy coverage through a Medicare Part D prescription drug plan. OPERS is self-insured for participants who are not eligible for Medicare. Beginning in 2016, OPERS will cease offering the group plan to Medicare eligible retirees and instead they will use their allowance to select their plan using the OPERS Medicare Connector.

Recipients with household income below 150% of the poverty level may apply for a 30% reduction in the cost of medical and pharmacy premiums. Recipients also have access to dental and vision coverage. These are fully insured products with the retiree paying the total cost of coverage, including premiums, plan deductibles, and out of pocket expenses. Income level and eligibility requirements for this program will change in 2015.

- **Medicare Part B**—Recipients and their covered dependents who are enrolled in the OPERS Health Care Plan must enroll in Medicare Part B (medical) when they become eligible, even if they are covered by health care through their current employer. If the retiree and/or their dependents are eligible for Medicare Part B and do not enroll in the plan, or terminate their Medicare Part B coverage, the OPERS plan will estimate the amount Medicare Part B would have paid and deduct this amount from the OPERS-covered payment.
- **Medicare Part B Reimbursement**—OPERS provides for reimbursement of eligible retiree Medicare Part B premiums at an amount approved by the Board. The Board has the authority to set the Medicare B premium reimbursement amount annually. For calendar year 2014, the reimbursement was set at \$96.40 per month. Eligible retirees may receive reimbursement of the actual premiums paid up to a maximum of the Board-approved rate for as long as the retiree is enrolled in the program. (OPERS does not provide this reimbursement benefit to retiree spouses.) Proof of enrollment in Medicare Part B and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit. This reimbursement will be phased out beginning in 2015 and completely eliminated by 2017.


The table on the following page provides a summary of the key changes to the health care plan as of the current date. More complete detailed information is available through OPERS.


Revised health care eligibility requirements became effective January 1, 2015. Members with retirement effective dates of January 1, 2015 or later must have 20 years of qualifying service and be age 60 or have 30 or more years of qualifying service at any age to qualify for health care coverage in Group A. The same criteria apply to members of Groups B and C, but members of Group B must have 31 years of service to be eligible at any age and members of Group C must have 32 years. See Age and Service Retirement section beginning on page 219 for a description of Groups A, B and C.

Service credit criteria changes became effective January 1, 2014 and are described under the Health Care Coverage section on page 227. These changes also apply to prior purchases of service credit (made before January 1, 2014) if the member's effective retirement date occurs on or after January 1, 2014.



## Plan Statement

|  <b>Key Changes in Health Care Plan Design</b>                             |   |
|---|---|
| Component   | 2014 Changes  |
| <b>Recipient Medicare B Premium Reimbursement</b>   | For those eligible, Medicare Part B premium reimbursement will transition to \$0 reimbursement in 2017 with the first reduction occurring in 2015. <ul style="list-style-type: none"> <li>• 2014 reimbursement: \$96.40</li> <li>• 2015 reimbursement: \$63.62</li> <li>• 2016 reimbursement: \$31.81</li> <li>• 2017 and after: \$0</li> </ul>   |
| <b>Service Credit</b><br><i>(Excludes those with a retirement effective date of December 1, 2013 or before)</i>   | Only the following types of service credit will apply to health care eligibility on or after January 1, 2014: Contributing service, other Ohio retirement system transfers, interrupted military (USERRA), unreported time and restored (refunded) service.   |
| <b>Disability Recipients</b>  | <p>Members receiving a disability benefit prior to January 1, 2014 have continued access to health care coverage based on the annual review and approval of their disabled status and will not be subject to the five year rule described below. The allowance will be determined in the same way as an age-and-service retiree. If the recipient does not meet minimum age-and-service requirements, the minimum allowance will be used.</p> <p>Members with an initial disability effective date on or after January 1, 2014 will have coverage during the first five years of disability benefits. After five years, the recipient must meet minimum age-and-service health care requirements or be enrolled in Medicare due to disability status to remain enrolled in the OPERS plan. If enrolled, the allowance will be determined in the same way as an age-and-service retiree.</p> |
| <b>Voluntary Termination</b>  | As of January 1, 2014, retirees who voluntarily elect to terminate their OPERS health care plan coverage may re-enroll, but only if they provide proof of creditable coverage in another health care plan.  |
| <b>Minimum Earnings</b><br><i>(Excludes those with a retirement effective date of December 1, 2013 or before)</i>   | Beginning January 1, 2014, contributing service credit for health care will be accumulated only if the member earns at least \$1,000 per month. Partial health care credit will not be granted for months in which less than \$1,000 is earned. Credit earned prior to January 2014 will not be affected by this change.  |
| Component   | 2015 Changes  |
| <b>Age and Qualifying Service Member Eligibility Requirements</b><br><i>(Excludes those with a retirement effective date of December 1, 2014 or before)</i> | <p>Minimum eligibility for allowance: Age 60 with 20 years of qualifying service. Members retiring at any age with 30 or more years of qualifying service are eligible for coverage.</p> <p>Members must have retired with an effective date of December 1, 2014 or earlier (off their employers' payroll no later than November 30, 2014), in order to qualify for OPERS retiree health care with 10 years of qualifying service.</p>  |
| <b>New Age and Qualifying Service Retiree Monthly Allowance Table</b><br><i>(Applies to all retirees)</i>   | <p>Monthly allowances will range between 51% and 90% of the full monthly premium. The same allowance table will be used for current and future retirees.</p> <p>Members retiring prior to January 1, 2015 with an allowance at or above 75% will not have an allowance below 75%. Members retiring at any age with 30 or more years of qualifying service will have at least a 71% allowance.</p>   |
| <b>Deferred Enrollment</b><br><i>(Applies to all retirees)</i>  | Retirees may defer entry into the OPERS health plan. As of January 1, 2015, a retiree's allowance will be determined based on years of service at retirement and age at enrollment.   |

|  |   |
|---|---|
| Component   | 2015 Changes (continued)  |
| <b>Spouse Coverage</b><br><i>(Applies to all retirees)</i>                        | <p>Spouses will transition to \$0 allowance over three years (2015-2017).</p> <p><b>Spouses under age 65</b> will have access to OPERS coverage at full cost through at least 2020.</p> <p><b>Spouses over age 65</b> will have access to the OPERS Medicare Connector beginning in 2016.</p> <p><b>Spouses of recipients who die before or after retirement</b> will no longer assume the retiree's health care allowance.</p>   |
| <b>Child Coverage</b><br><i>(Applies to all retirees)</i>                         | <p>If the retiree has at least 20 years of qualifying service and is enrolled in the Health Care Plan: Children (up to age 26) will receive half of the retiree's allowance percentage.</p> <p>If the recipient has less than 20 years of qualifying service: Children (up to age 26) will transition to \$0 allowance over three years (2015-2017) and then have access to OPERS coverage at the full cost through at least 2020.</p>  |
| Component   | 2016 Changes  |
| <b>Health Care Plans</b>  | <p><b>Medicare-eligible retirees:</b> OPERS will continue offering a medical plan and prescription drug plan for Medicare retirees through 2015.</p> <p>In 2016, OPERS will introduce the OPERS Medicare Connector for retirees enrolled in Medicare Parts A and B. Retirees and their spouses will have access to a licensed Benefit Advisor to help them select a plan on the individual market to supplement Medicare coverage. Eligible retirees will receive an allowance to purchase coverage through the OPERS Medicare Connector. Eligible spouses will receive an allowance through 2017.</p> <p><b>Non-Medicare retirees:</b> OPERS will continue offering a medical plan and prescription drug plan for non-Medicare participants.</p> |
| <b>Coverage for Retirees without Premium-Free Medicare Part A</b>                 | <p>OPERS will reimburse retirees without premium-free Medicare Part A for their Part A premiums as well as any applicable surcharges (also called late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical and prescription drug coverage through the OPERS Medicare Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses.</p>  |

## Plan Statement

### Health Care for Member-Directed Plan

Members participating in the Member-Directed Plan have a portion of the employer contribution credited to a retiree medical account in a Voluntary Employees' Beneficiary Association (VEBA) in the member's name. Currently the account earns a fixed annual interest rate established by the Board and members become vested in the account at a rate of 20% for each year of participation until the member is fully vested at the end of five years. Upon a refund or retirement, distribution of the vested balance in the VEBA Plan may be used for the payment of qualified health, dental, and vision care expenses. The Board approved changes to the vesting schedule of the VEBA effective July 1, 2015. Beginning on that date, members entering the Member-Directed Plan for the first time will have the following vesting schedule:

| Years of Participation | Percent Vested |
|------------------------|----------------|
| 0-5 years              | 0%             |
| 6 years                | 10%            |
| 7 years                | 10%            |
| 8 years                | 10%            |
| 9 years                | 10%            |
| 10 years               | 10%            |
| 11 years               | 10%            |
| 12 years               | 10%            |
| 13 years               | 10%            |
| 14 years               | 10%            |
| 15 years               | 10%            |

The Board also approved, beginning January 1, 2016, interest on the VEBA Plan accounts accruing only if the investment fund containing the VEBA Plan assets earns a return greater than zero.

Note: The information contained in this section is intended to be a summary only. More complete details can be obtained through OPERS. This document reflects information as of the date listed and approved changes. All plans are subject to change. Health care is not a statutorily guaranteed benefit and as such the Board has the discretion to review, rescind or modify the Health Care Plan at any time. There is no promise, guarantee, contract, or vested right to health care coverage or a premium allowance.

This page intentionally left blank



## CliftonLarsonAllen

### **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ohio Public Employees Retirement System (OPERS), which comprise the combining statement of fiduciary net position as of December 31, 2014, and the related combining statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2015.

We have also audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedules of employer allocations of OPERS Traditional Pension Plan and Combined Plan, as of and for the year ended December 31, 2014, and the columns titled net pension liability (asset), total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense (revenue) as of and for the year ended December 31, 2014 and net pension liability (asset) as of and for the year ended December 31, 2013 (specified column totals), included in the schedules of collective pension amounts of the Traditional Pension Plan and Combined Plan, and the related notes, and have issued our report thereon dated June 24, 2015.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, the schedules of employer allocations and the specified column totals included in the schedules of collective pension amounts, we considered the OPERS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, the schedules of employer allocations and the specified column totals included in the schedules of collective pension amounts, but not for the purpose of expressing an opinion on the effectiveness of the OPERS internal control. Accordingly, we do not express an opinion on the effectiveness of the OPERS internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of OPERS' financial statements, the schedules of employer allocations and the specified column totals included in the schedules of collective pension amounts will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of OPERS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OPERS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Toledo, Ohio  
June 24, 2015



# Dave Yost • Auditor of State

## OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

### FRANKLIN COUNTY

#### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 5, 2015