

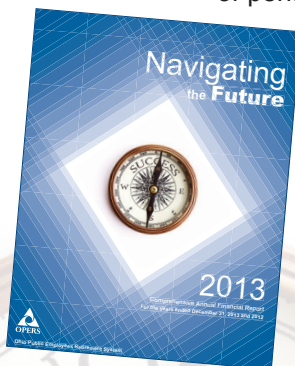


OPERS RELEASES LATEST ANNUAL FINANCIAL REPORTS

The Ohio Public Employees Retirement System has published updated versions of its key financial reports.

The 2013 *Comprehensive Annual Financial Report* (CAFR), and a condensed version called the *2013 Summary Annual Financial Report* (PAFR), are available on the OPERS website, www.opers.org. They contain vital financial, investment, actuarial and statistical information about our retirement system as of the end of 2013. To signify OPERS' commitment to long-term solvency, this year's CAFR theme is, "Navigating the

Future." It reflects the beginning of our implementation of pension redesign and the ongoing progress of other initiatives, including the health care preservation plan and updated Governmental Accounting Standards Board rules.



For the 30th consecutive year, OPERS has received the Government Finance Officers Association of the United States and Canada Certificate of Achievement for Excellence in Financial Reporting to OPERS for the quality of our CAFR. Similarly, the PAFR has received industry recognition every year since it was first published in 2010.

HIGHLIGHTS CONTAINED IN THE 2013 FINANCIAL REPORTS

OPERS' funded status, which measures the progress of accumulating the funds necessary to meet our future obligations, increased to 82 percent, up from 81 percent in 2012.

Our amortization period, the time within which we can pay our unfunded liabilities, stands at 24 years - well within the 30-year window required by Ohio law and down from 26 years in 2012.

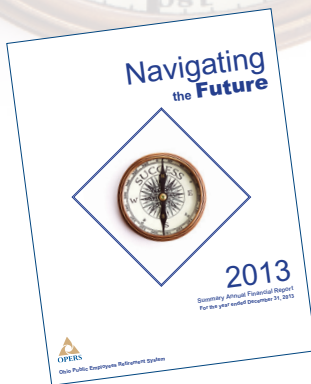
The OPERS health care plan is funded at 64 percent, with an expected solvency period to cover costs well into the future. We are one of the best funded health care plans in the country.

The OPERS investment portfolio returned 14 percent in 2013.

OPERS continues to assume an eight percent net investment return, compounded annually. The OPERS Defined Benefit and Health Care funds combined posted a rolling 30-year return of 8.71 percent over the past 30 years.

OPERS' net position reached a record-breaking \$89 billion as of Dec. 31, exceeding the previous high of \$84 billion in 2007. The net position is the money held in trust for pension benefits and post-employment health care.

For every dollar received from employers in 2013, \$3.67 is returned to the economy through pension and health care payments made to retirees.



The average annual benefit paid to all OPERS retirees as of Dec. 31, 2013, was \$24,475. OPERS had 194,932 retirees at year end.

Traditional pension plan retirees had an average final average salary of \$38,798 at the end of 2013.

We have 347,727 active members, and 95 percent are enrolled in the Traditional Pension Plan.

Total OPERS membership as of Dec. 31, 2013, was 1,027,828.

OPERS HOLDS JUNE INVESTMENT FORUM

OPERS is a multi-billion dollar pension fund. The OPERS Board of Trustees has entrusted those funds to a highly qualified internal Investments team, responsible for managing the System's assets. Recently, the Investments team shed some light into the inner workings of how they operate at its second Investment Forum of 2014. From asset allocation to risk management, the team provided insight into how we manage such a large portfolio.

Of course, we use contributions and investments to pay benefits and expenses. But how is OPERS' money invested?

Over the years, OPERS has transitioned from a traditional 60/40 split between stocks and bonds to a more diversified portfolio. Currently, around 40 percent of OPERS' assets are invested in equities and 25 percent in bonds, with most of the remainder in real estate and alternatives (hedge funds and private equity). This recipe is important since asset allocation accounts for 90 percent of our returns, dwarfing the impact of market timing and the actual selection of securities.

OPERS Chief Investment Officer John Lane described "pension math" using this simple formula:

Contributions + Investments = Benefits + Expenses



This is how that formula worked positively for OPERS in 2013:

\$2.7 billion (total contributions) + \$9.4 billion (net income from investing) > \$4.9 billion (total benefits paid + \$.05 billion (administrative expenses)).

Among other interesting discussions about risk, projections, and asset allocations, Mr. Lane highlighted the importance of protecting assets from large market losses

through a balanced approach. While a large percentage of retirement systems have held to a more traditional 60/40 (equities/fixed income) approach, OPERS has introduced a Risk Parity portfolio. Such an approach entails investing in fewer equities while leveraging less risky assets at the Plan level. Under a risk parity model, OPERS investment returns in bullish markets might be slightly lower than the return levels of other more traditional plans. However, in economic down times, OPERS' risk parity portfolio will limit losses that might otherwise be devastating.

Investment Risk Officer Dan German gave a primer on risk management. He defined risk as the possibility of a bad outcome, and his job is to see that we take the appropriate amount of risk necessary to achieve our investment return objectives.

OPERS addresses risk with a four-prong approach:

- 1** management/mitigation; **2** avoidance; **3** transfer; and **4** retention.

We manage risk through:

People:

People manage risk through a team approach. Our philosophy is, "Everyone is a risk manager."

Process:

Risk analysis and assessment, procedures, monitoring and reporting. We have 20 operating procedures.

Structure:

Governance and systems.

Events like the 2014 Investment Forum are valuable opportunities to learn about OPERS. OPERS uses these events to educate key audiences about the operations of the retirement system while maintaining a straightforward process for our members.

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With assets of \$80.3 billion, as of Dec. 31, 2012, OPERS is the largest public pension fund in Ohio and the 11th largest public pension fund in the U.S. In operation since 1935, OPERS provides retirement, disability and survivor benefits for public employees throughout the state and serves more than one million members, including more than 190,000 retirees and beneficiaries.