

Ohio Public Employees Retirement System

Popular Annual Financial Report

For the year ended December 31, 2016



Dedicated





Popular Annual Financial Report

(for the year ended December 31, 2016)

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DEDICATED TO: TRANSPARENT COMMUNICATION

OPERSNEWS
Second Quarter 2017
News and information for active members in the OPERS Traditional Pension Plan

Legislative Changes to Impact Members
The recent enactment of Amended Sub. House Bill 520 includes changes to survivor benefits, refunds and the OPERS Law Enforcement and Public Safety division.

Law Enforcement and Public Safety Division
Five new qualifications have been established for the OPERS Law Enforcement and Public Safety division:

- Special police officer for a municipal airport
- Special police officer for a port authority
- Bureau of Criminal Identification and Investigation investigators
- Ohio Department of Taxation investigators
- Ohio Casino Control Commission gaming agents

Survivor benefits
OPERS no longer requires a child, ages 18 to 22, to be attending an institution of learning or training in order to receive survivor benefits. If certain conditions are met, OPERS will resume paying survivor benefits to qualifying children under age 22 whose benefits were terminated because they were not in school. Qualified survivors must contact OPERS to obtain and complete the Survivor Benefit Application for Child Over 18 (SB-18 RFP) form by April 6, 2018. The benefits will be effective on the first of the month following OPERS' receipt of the application and will continue until the survivor reaches age 22 or the end of eligibility. Benefits will not be paid retroactively.

Refunds
The period of time that must elapse before an OPERS member may apply for a refund has been reduced from three months to two months.

Additional changes
A new method of calculating the mitigating rate for the Alternative Retirement Plan, which some OPERS members who work at state universities and colleges can select instead of one of our retirement plans, was established in the law. The new rate is 2.44 percent and takes effect July 1, 2017.

Certain members with service in OPERS and the Ohio Police & Fire Pension Fund will be able to combine service and retire from OPERS even if they have more service credit at OP&F. Special criteria must be met by the member in order to qualify for the transfer.

To read more about these changes, visit the Publications page of opers.org to view one of our informational newsletters.

Only through ongoing, easy-to-understand outreach can our members be confident about their financial security in retirement. We are committed to providing information in a manner that allows all individuals a high level of comprehension. Throughout 2016, we worked to provide just the right information for each audience.

- We issued multiple specialized newsletters created for target audiences—the member audience was segmented by plan choice and by timeline to retirement decision.
- We know some members prefer video formats. Approximately 51 video presentations were created on multiple topics resulting in 104,750 views.

Targeted outreach is the single most important element we have to assure all stakeholders that OPERS has and will continue to deliver on our promise of a secure retirement.



Letter of Transmittal

From OPERS Leadership

Dear Fellow Members:

On behalf of the Ohio Public Employees Retirement System (OPERS or System) Board of Trustees, management and staff, it is our pleasure to present this *2016 Popular Annual Financial Report* for the fiscal year ended December 31, 2016. Our theme of *Dedicated* captures the efforts and diligence we display every year. We are dedicated to our mission of providing a secure retirement for our members. The key activities of 2016 are summarized below:

EXPERIENCE STUDY

The OPERS funding plan is based on actuarial assumptions representing long-term expectations of demographic and economic activity impacting the System. In 2016, the Board's actuarial consultant conducted an experience study for the period 2011 through 2015, comparing assumptions to actual experience. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. As a result, OPERS modified some of the assumptions used in pension plan funding. Most significantly, the Board approved a reduction in the assumption used to estimate future investment earnings from 8.0% to 7.5%.

CONNECTOR FULLY DEPLOYED

The System adopted major changes to the health care program in 2012. One significant change was the implementation of the OPERS Medicare Connector (Connector), completed in 2016. Using the Connector, Medicare-eligible retirees are provided more choice and can select a plan meeting their specific needs. This and other changes to the health care program reduced health care costs from \$1.8 billion in 2015 to \$1.2 billion in 2016.

HEALTH CARE FUND TRANSFER

Prior to July 1, 2016, OPERS maintained three health care trusts: the 401(h) Health Care Trust, the 115 Health Care Trust and the Voluntary Employees' Beneficiary Association Trust. The 115 Health Care Trust was established in 2014 to provide an allowable vehicle to fund the Connector as there were Internal Revenue Service (IRS) rules limiting the use of the other trusts. After receiving IRS approval, OPERS closed two of the trusts and transferred all health care assets to the 115 Health Care Trust effective July 1, 2016.

INTERNAL PROCESSES

The Our Way Forward initiative, our internal technology and business process redesign project, continued in 2016 with two major deployments designed to improve internal systems and provide for faster, more responsive features to keep pace with the service levels our members require and expect.

As the largest public pension system in Ohio, and the 12th largest in the United States, OPERS remains strong. The past year was a good year for the System with positive results, as reported, and progress toward our long-term goals. We are dedicated to continue building financial stability, maximizing operational efficiency, maintaining a responsible investment policy, providing transparent communication and strong educational opportunities for members and stakeholders and continuing to anticipate and prepare for the future.



Karen E. Carraher and Jennifer H. Starr

Karen E. Carraher, CPA
Executive Director

Jennifer H. Starr, CPA
Chief Financial Officer

2016 Financial Highlights

PENSION FUNDING

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. We are dedicated to maintaining and enhancing the stability of this System. As a result, OPERS has remained in compliance within the 30-year funding window required by law.

The December 31, 2016 valuation shows a funded status of 80.1%, with the unfunded liability expected to be funded within 19 years. These results reflect the changes in assumptions from the experience study completed in 2016 which reduced the actuarial assumed rate of return, or discount rate, from 8.0% to 7.5%.

INVESTMENT RESULTS

Our dedication to providing members with a secure retirement is especially important as investment markets have become increasingly complex. The 2016 investment results were favorable and showed consistent, steady growth. The OPERS pension return for 2016 was 8.23%, better than the anticipated 7.5% return projected for our funding plan, but lower than the benchmark return of 8.53%. OPERS' total portfolio is made up of underlying portfolios that fund pension benefits and the health care program.

Periodically, the System engages in an asset liability study—a comprehensive study that examines the


Pension liabilities are
→ **80% funded**
We have remained in compliance
with the 30-year funding
window required by law

nature of the pension liability we will ultimately pay and the characteristics of the asset allocation projections, including the associated risks. In 2016, OPERS, in conjunction with its investment consultant, completed such a study and modified the asset allocation slightly but not substantively. The study was a good reinforcement that our current strategy remains appropriate for the long-term results we want to achieve.

A complete discussion of OPERS' investment returns, activities, asset allocation strategy, and policies governing those activities can be found in the Investment Section of the 2016 Comprehensive Annual Financial Report available at opers.org.

HEALTH CARE FUNDING

OPERS is not required by law or the Governmental Accounting Standards Board (GASB) to provide health care coverage or to pre-fund these expenses. However, as responsible administrators, we have historically pre-funded these expenses. Our commitment to the conservative approach of pre-funding and the refining of our health care options continues to yield favorable results. As of the December 31, 2015 health care actuarial valuation (the most recent), OPERS was 64.5% funded, (pre-experience study results) with funds expected to be sufficient for future health care needs.

 Health care costs are
65% funded ←

Assets and Liabilities

(Summary Comparative Statements of Fiduciary Net Position for all Plans and Trusts)

This statement shows the assets and liabilities for the years ended December 31, 2016 and 2015. The net position represents the funds OPERS has accumulated thus far to pay pension benefits for retirees, active and

inactive members, as well as health care costs for current and future retirees. Current retirees' benefits are 100% funded, while active members' future pensions are still being funded.

	2016	2015	Amount Increase/(Decrease) from 2015 to 2016	Percent Increase/ (Decrease) from 2015 to 2016
Assets				
Cash and Short-Term Investments	\$4,586,305,505	\$3,064,065,686	\$1,522,239,819	49.7%
Receivables	1,112,083,698	954,980,282	157,103,416	16.5
Investments	85,449,650,603	83,819,475,118	1,630,175,485	1.9
Collateral on Loaned Securities	8,288,355,523	8,270,812,672	17,542,851	0.2
Net Capital Assets	132,961,073	132,811,651	149,422	0.1
Prepaid Expenses and Other Assets	764,515	1,217,369	(452,854)	(37.2)
Total Assets	99,570,120,917	96,243,362,778	3,326,758,139	3.5
Liabilities				
Benefits Payable	110,396,253	93,550,718	16,845,535	18.0
Investment Commitments Payable	539,826,060	475,568,951	64,257,109	13.5
Obligations Under Securities Lending	8,285,285,181	8,271,338,789	13,946,392	0.2
Other Liabilities	23,789,198	111,502,502	(87,713,304)	(78.7)
Total Liabilities	8,959,296,692	8,951,960,960	7,335,732	0.1
Net Position Held in Trust for Pension Benefits and Post-employment Health Care	\$90,610,824,225	\$87,291,401,818	\$3,319,422,407	3.8%

Income and Expenses

(Summary Comparative Statements of Changes in Fiduciary Net Position for all Plans and Trusts)

This statement shows the annual additions (income) and deductions (expenses) for the System. Investment earnings and contributions made up the majority of the income in 2016. Investment results provided net investment income of \$6.9 billion in 2016 compared with \$9.4 billion in 2015. The deductions largely

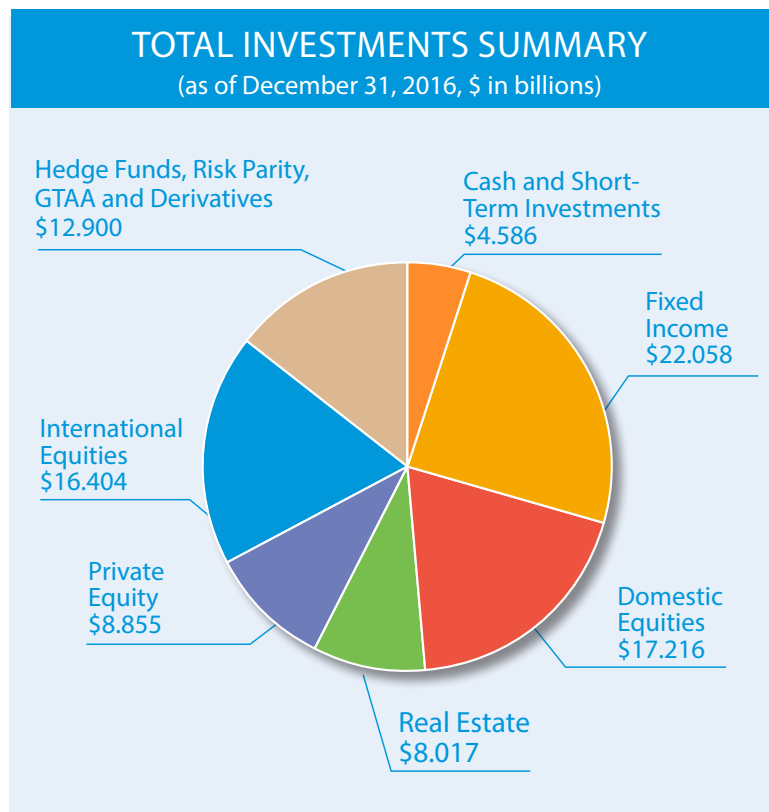
represent pension benefits, health care expenses and refunds of contributions. The decrease in this activity mainly reflects the results of the 2012 health care changes, with health care expenses decreasing \$0.6 billion from 2015 to 2016.

	2016	2015	Amount Increase/(Decrease) from 2015 to 2016	Percent Increase/(Decrease) from 2015 to 2016
Additions				
Member Contributions	\$1,387,215,220	\$1,332,308,994	\$54,906,226	4.1%
Employer Contributions	1,941,632,324	1,864,823,741	76,808,583	4.1
Contracts and Other Receipts	172,338,832	172,067,637	271,195	0.2
Retiree-Paid Health Care Premiums	184,368,783	248,601,375	(64,232,592)	(25.8)
Federal Subsidy	4,065,058	175,930,875	(171,865,817)	(97.7)
Net Income from Investing Activity	6,926,572,065	9,415,961	6,917,156,104	>1,000.0
Other Income/(Expense), net	(2,544,366)	(4,887,359)	2,342,993	47.9
Interplan Activity	17,205,339	19,759,373	(2,554,034)	(12.9)
Total Additions	10,630,853,255	3,818,020,597	6,812,832,658	178.4
Deductions				
Pension Benefits	5,588,000,966	5,401,880,992	186,119,974	3.4
Health Care Expenses	1,197,374,344	1,822,571,428	(625,197,084)	(34.3)
Refunds of Contributions	429,791,141	449,265,410	(19,474,269)	(4.3)
Administrative Expenses	79,059,058	77,036,684	2,022,374	2.6
Interplan Activity	17,205,339	19,759,373	(2,554,034)	(12.9)
Total Deductions	7,311,430,848	7,770,513,887	(459,083,039)	(5.9)
Net Increase/(Decrease)	3,319,422,407	(3,952,493,290)	7,271,915,697	184.0
Net Position Held in Trust, Beginning of Year	87,291,401,818	91,243,895,108	(3,952,493,290)	(4.3)
Net Position Held in Trust, End of Year	\$90,610,824,225	\$87,291,401,818	\$3,319,422,407	3.8%

Investments Summary

Investment markets have become increasingly complex and market volatility can be remarkable. Investment returns provide approximately two-thirds of pension funding, so we must be diligent in our adherence to the principles of asset allocation and diversification to produce solid results. For the past decade, OPERS has been repositioning the investment portfolio to protect against volatility. Specifically, this involved a reduction in the allocation to public global equities to a more diversified portfolio with improved risk balance. The departure from a portfolio heavy in global equities reduced some of the high results that we might have earned when the equity market was favorable. However, more importantly, the rebalancing reduced portfolio risk since this asset class also tends to be a key contributor to market volatility.

The Total Investments Summary relates to the System-wide investments and includes the assets of all three portfolios (after the consolidation of health care assets discussed on page 1). The past 10 years of returns by portfolio and in total are included in the table below.



HISTORICAL INVESTMENT RETURNS (net of fees)

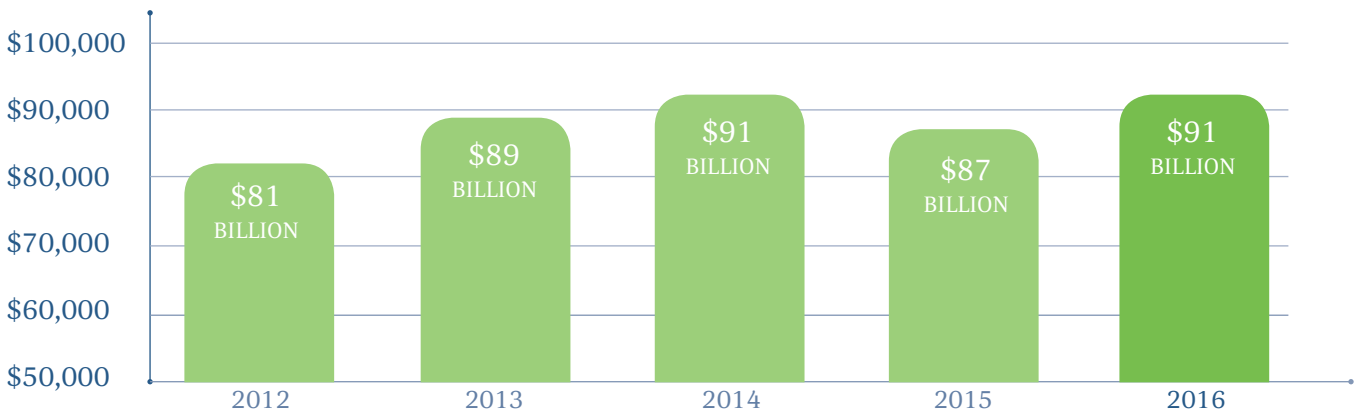
Year	Total Portfolio Return	Total Defined Benefit Return	Total 401(h) Health Care Trust Return	Total 115 Health Care Trust Return	Total Defined Contribution Return
2016	8.23%	8.31%*	4.73%*	5.11%*	9.51%
2015	(0.03)	0.33	(2.18)	(3.23)	(1.71)
2014	6.70	6.96	5.28	(0.03)**	4.83
2013	14.00	14.38	11.36		20.45
2012	14.40	14.54	13.72		13.37
2011	0.20	0.36	(0.38)		(2.59)
2010	13.90	13.98	13.93		13.74
2009	20.06	19.09	24.80		26.44
2008	(26.92)	(27.15)	(25.77)		(28.00)
2007	8.52	8.89	6.87		5.80

* Returns are six-month cumulative returns as of June 30, 2016 in the 401(h) Health Care Trust. The 401(h) Health Care Trust and the Voluntary Employees' Beneficiary Association (VEBA) Trust were closed as of June 30, 2016. Prior to July 1, 2016, the VEBA Trust assets were included in the Defined Benefit portfolio. On July 1, 2016, the 401(h) Health Care Trust and VEBA Trust assets were transferred to the 115 Health Care Trust portfolio. The combined return on total health care assets for the year ended December 31, 2016 is 7.55%. The number disclosed in the 115 Health Care Trust Return column, 5.11%, represents the return for the 115 Health Care Trust portfolio assets.

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

OPERS' Net Position

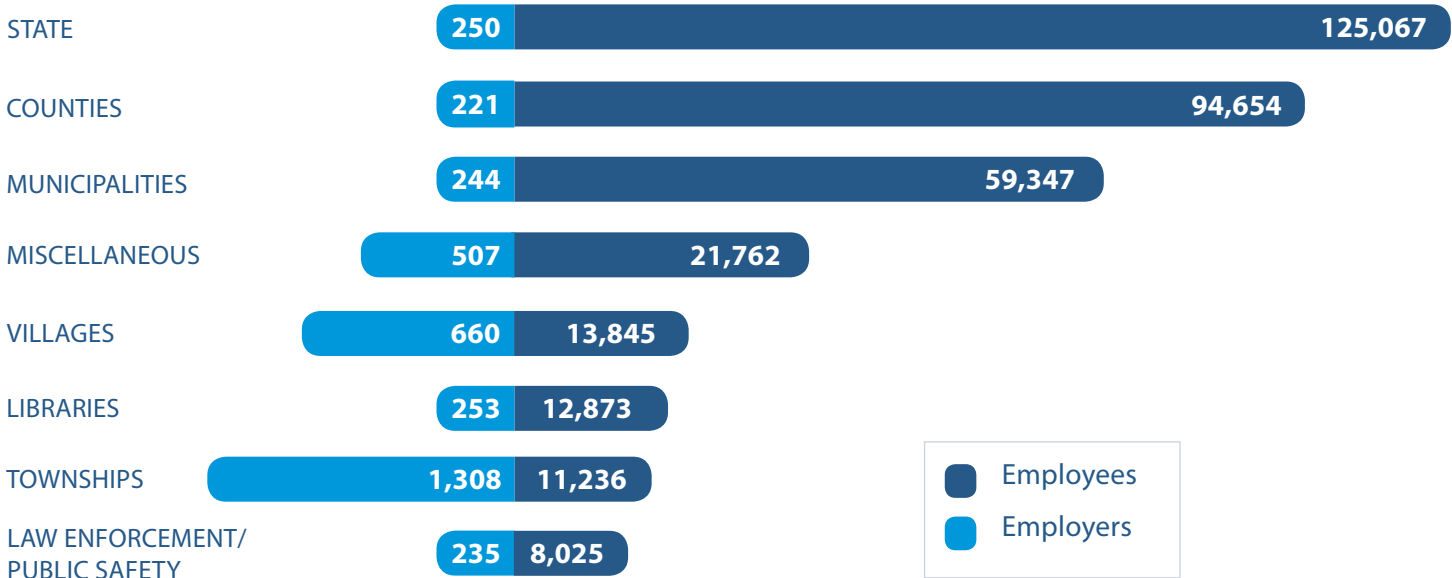
Here's the history of OPERS' total net position (or net assets) for the last five years. As of December 31, 2016, net position was approximately \$91 billion.



Ohio's Public Employees by Employer Type

OPERS serves more than 346,000 actively contributing members and nearly 3,700 employers who provide services to Ohio residents. This chart displays the number

of active members who work in each of the primary employer groups, providing services that touch the lives of every Ohioan.



Funding Retiree Pension Benefits

(Pension Funding Status)

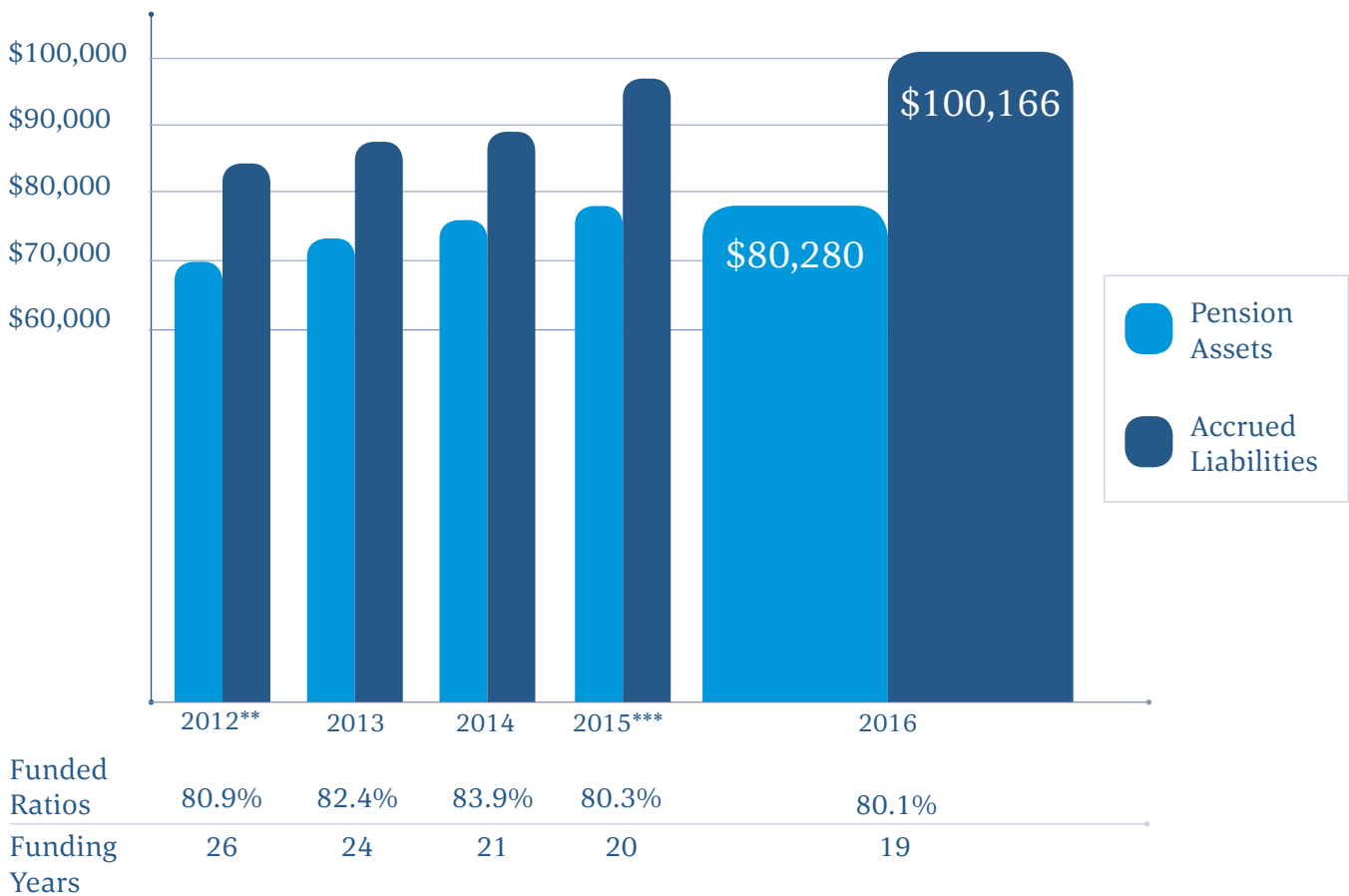
Retiree pension benefits are funded by contributions from members and employers and income earned from investing these funds over the member’s career. Retiree pensions are 100% funded at the time of retirement. Funded status measures the progress of accumulating the funds necessary to meet future obligations.

By law, OPERS must remain within a 30-year funding window, meaning the System will pay all liabilities within 30 years.

As of the December 31, 2016 actuarial valuation, OPERS has a funded status of 80.1%, with the unfunded liability expected to be funded within 19 years.

PENSION VALUATION ASSETS VS. ACCRUED LIABILITIES – FUNDING BASIS * (ALL PLANS)

(\$ in millions)



*This table includes the funded ratio and funding years based on actuarial assumptions and includes the smoothing of investment gains and losses over a closed four-year period. Information shown on this funding basis is used to monitor the funding status of OPERS.

** Results reflecting the provisions of Senate Bill 343.

*** Information after completion of the experience study.

Funding Retiree Pension Benefits

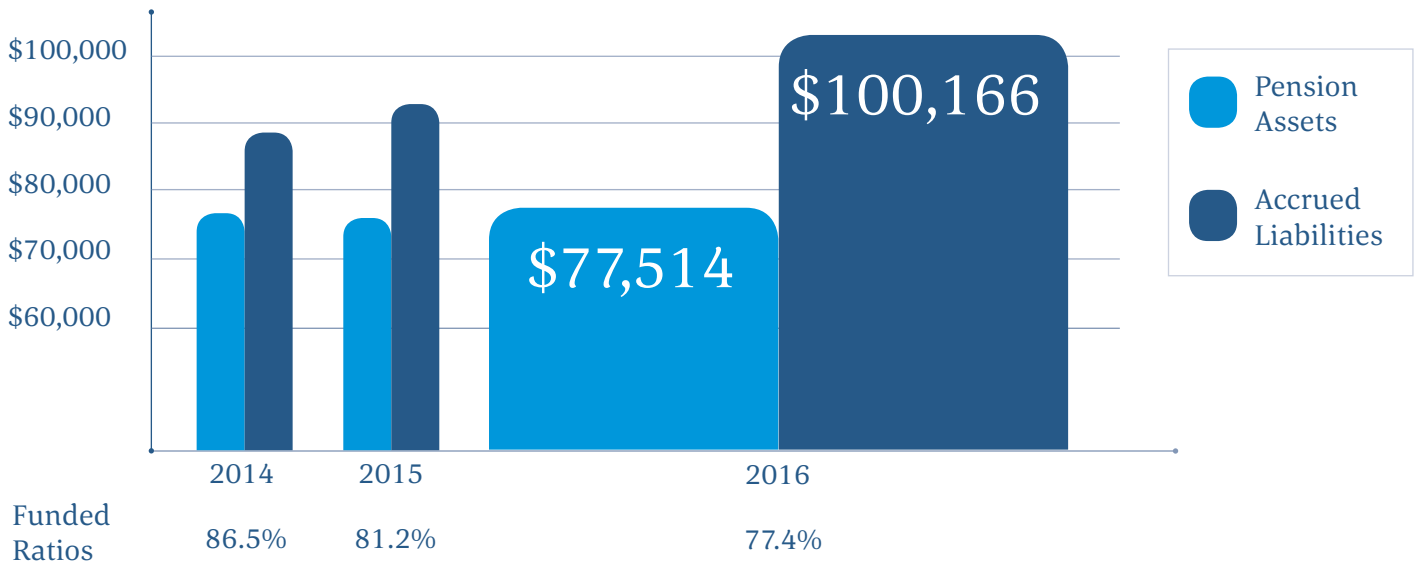
(Pension Funding Status—continued)

Accounting requirements mandate the System’s valuation for financial reporting to be calculated using market values of assets (rather than the smoothed assets used for funding purposes). The information shown here is not used by OPERS to monitor funding and is for accounting and financial reporting purposes only, also

referred to as the Accounting Basis. GASB 67 was initially implemented in 2014. Data for years prior to 2014 is not available. The funding ratio reported throughout the rest of this document is reported on a funding basis and is used for funding purposes.

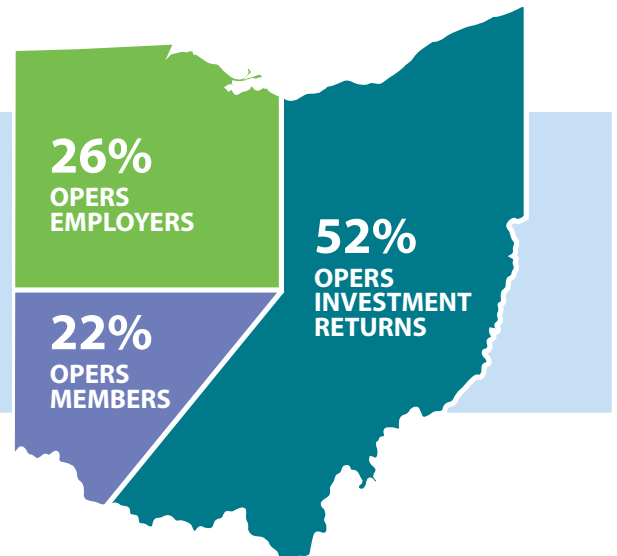
PENSION VALUATION ASSETS VS. ACCRUED LIABILITIES—ACCOUNTING BASIS (ALL PLANS)

(\$ in millions)



OPERS PENSIONS

For those retiring in 2016, 74% of the lifetime pension is funded by employee payroll deductions and investment income. The remaining 26% is funded by employer contributions. For every dollar paid by employers, the Ohio economy realized a direct return of \$3.49.



Average Retiree Pension Benefits

The graphic below shows the average benefits paid to retirees receiving a benefit under the Traditional Pension Plan. The cost of retirements will continue to increase as

new retirees with higher final average salaries replace long-time retirees with lower final average salaries and as members continue to work longer.

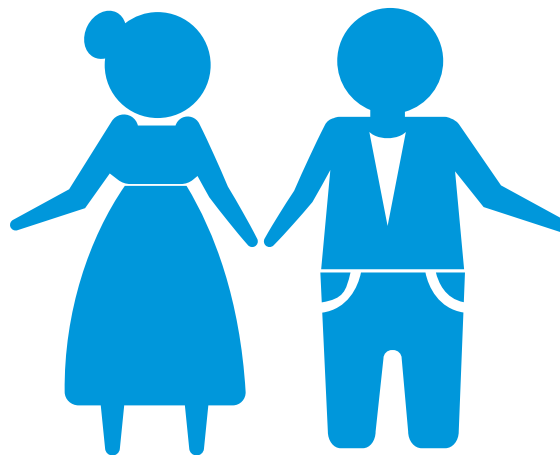
AVERAGE DEFINED BENEFITS PAID OPERS RETIREES, TRADITIONAL PENSION PLAN

December 31, 2016

Average age
at retirement
57.6 years

Average service
at retirement
23.0 years

Average
Final Average
Salary
\$41,519



Average pension
at retirement
\$20,545

Average age on
valuation date
70.2 years

Average pension
on valuation date
\$26,396

DEDICATED TO: LEADERSHIP



In 2016, Tonya Brown was nominated by her peers and received the highest OPERS associate honor, the Neil V. Toth Leadership Award. Since beginning her career at OPERS more than 20 years ago, Tonya has been instrumental in a number of significant OPERS projects. Her nominators cited cost savings, increased customer satisfaction, improved processes and increased consistency as typical results of initiatives lead by Tonya. One nominator said, "Tonya is always willing to assist with a project. She makes time to help others and empowers them to make decisions."

Tonya Brown – Interim Director of Member Operations – Member since 1996

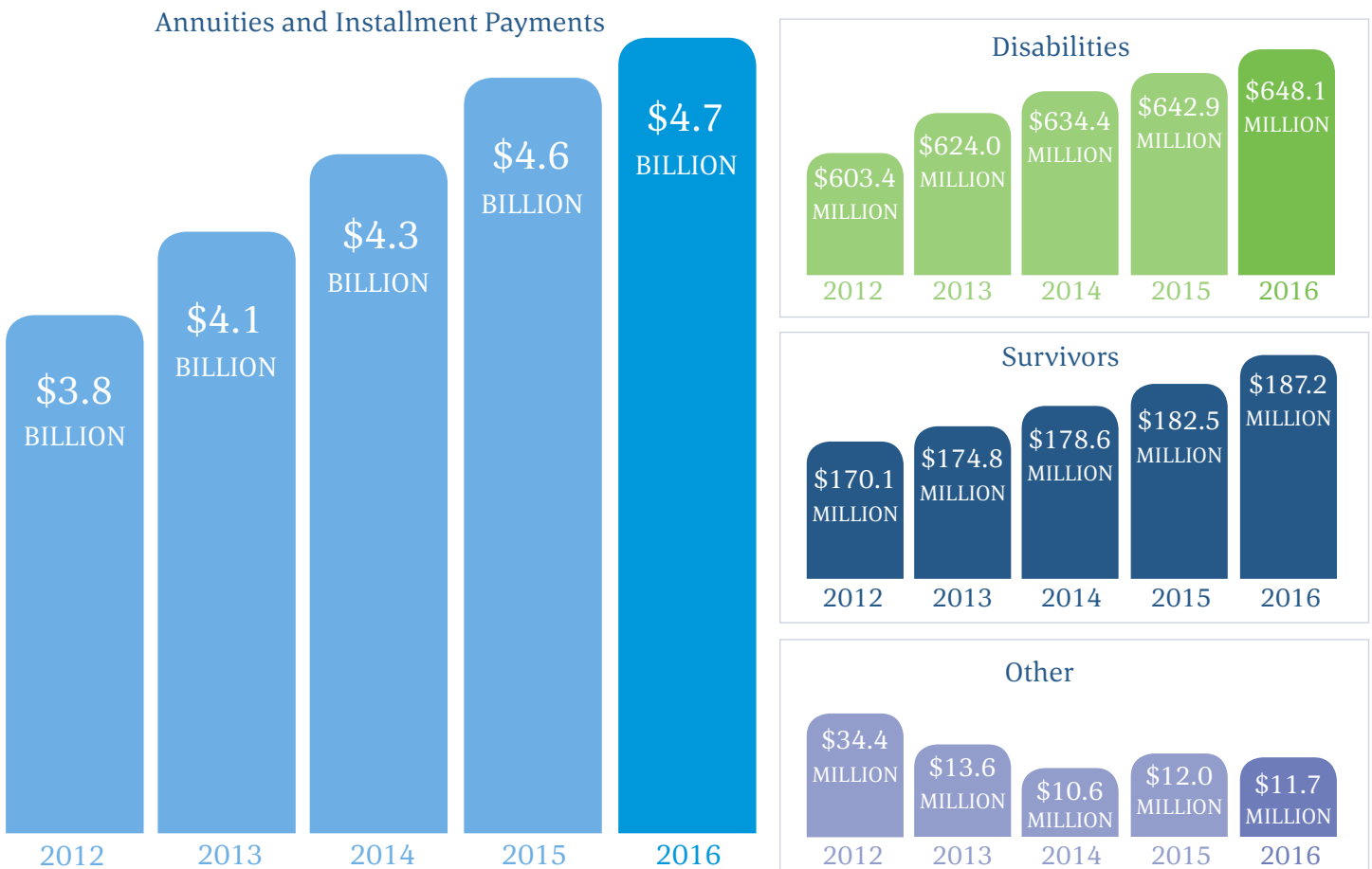
Pension Benefits by Type

OPERS' mission is to provide financial security for our members in retirement. We do that by accepting contributions throughout an individual's working career. These contributions are then carefully and systematically invested to maximize earnings and the compounding effect of long-term contributions. OPERS Board, management and staff remain dedicated to the fulfillment of this mission.

OPERS provides retirement benefits that include pension payments, disability benefits and survivor benefits. Retirees meeting specific requirements may also receive health care coverage. See page 14 for health care costs by type.

In general, defined benefit pensions (Traditional Pension and Combined plans) are determined by a formula based on the number of years of service and the highest years of salary, multiplied by a factor determined by statute.

The information below shows the trend in retiree pension benefits for the past five years. The graph tracks upward, and will continue to do so, as the number of retirees increases. In addition, as members continue to work longer, the value of their retirement benefit will continue to grow through wage increases—making the final average salary and service years higher.



Funding Retiree Health Care Coverage

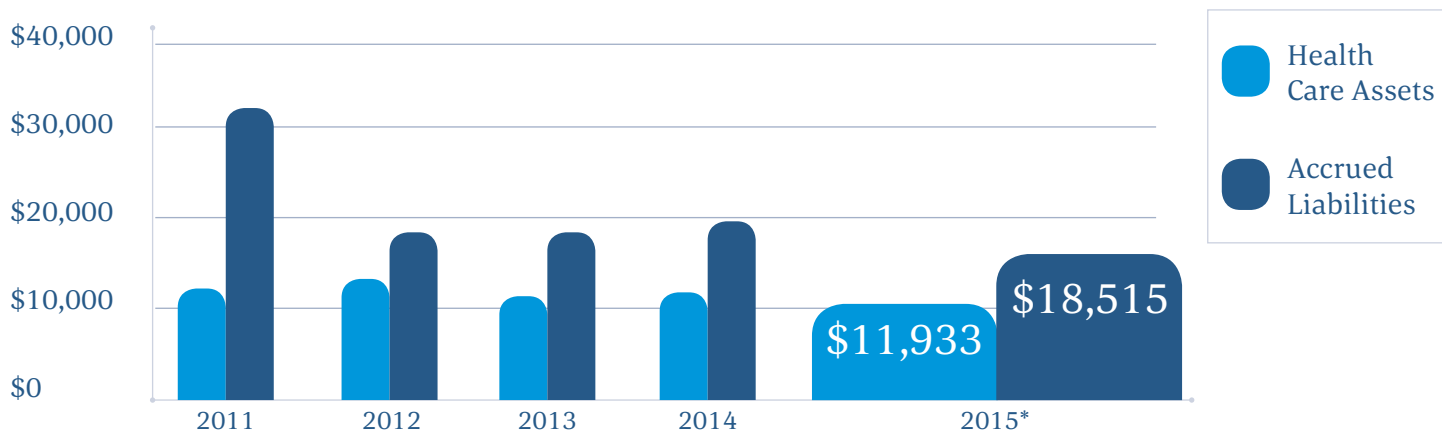
(Health Care Funding Status)

OPERS is not required by law to provide health care coverage to retirees. That said, the Board, management and staff, recognize the importance to our members of providing access to meaningful health care. We are dedicated to the principle of intergenerational equity and work to maintain a viable health care program for both current retirees and future retirees.

OPERS has consistently pre-funded these expenses. Our commitment to the conservative approach of pre-funding and the refining of our health care options continues to yield favorable results. As of the December 31, 2015 health care actuarial valuation (the most recent), OPERS was 64.5% funded, (pre-experience study results) with funds expected to be sufficient for future health care needs.

HEALTH CARE RATIOS – VALUATION ASSETS VS. ACCRUED LIABILITIES

(\$ in millions)



Funded Ratios	39.1%	63.6%	60.8%	62.2%	64.5%
Solvency Years	10	Indefinite**	Indefinite**	Indefinite**	Indefinite**

*Information prior to completion of experience study.

**Solvency years represent an estimate of the number of years the fund will be able to provide health care under the intermediate actuarial assumptions. Indefinite indicates funds are expected to be sufficient to fund future health care needs.

DEDICATED TO: INVESTING RESPONSIBLY

OPERS investments traditionally generate between 50-75% of the pension benefit. That's an important responsibility—one that has been achieved for more than 80 years. At OPERS, the idea of investing responsibly includes generating strong, long-term returns in adherence to our asset allocation and remaining agile to maximize opportunities.

Funding Retiree Health Care Coverage *(continued)*

OPERS MEDICARE CONNECTOR FULLY DEPLOYED

OPERS is not required by law to provide health care coverage to retirees. However, we recognize the importance, to our members, of providing access to meaningful health care. Continuing to provide meaningful access to health care has become increasingly expensive as OPERS retirees, similar to national trends, have increased in number, have longer life expectancies, and the costs of health care continue to increase significantly faster than inflation. We are dedicated to the principle of intergenerational equity and work to maintain a viable health care program for both current and future retirees. We know the health care program must balance long-term sustainability with consistent access to coverage between generations.

To continue offering access to health care coverage, OPERS adopted significant changes to the health care program in 2012. These changes were designed to be phased in, with complete implementation by 2018. In January 2016, after extensive outreach, one significant component of the changes, the OPERS Medicare Connector (Connector) was fully deployed. The Connector provides more than 143,000 Medicare-eligible OPERS retirees and dependents with access to an individual Medicare Advantage or Medigap plan and a prescription drug plan. Thus, making 2016 the first year OPERS did not sponsor a plan for the Medicare-eligible retirees. Instead, these retirees were able to select a plan from the open market with the assistance of a specialist provided through the Connector. Also, in conjunction with the Connector, OPERS provides financial assistance to eligible members in the form of a health reimbursement arrangement (HRA). OPERS retains a vendor to administer the HRA.

As with any significant change, OPERS carefully planned and communicated with all stakeholders to prepare them for this change. However, we recognize that a fundamental shift from sponsoring a plan to assisting our retirees in selecting a plan is a substantial change

for our retirees. We appreciate the diligence of our members in working through these changes with us. In 2016, all necessary members of OPERS staff—call centers, health care, benefits, communications, finance, government relations, legal and IT—were committed to resolving outstanding member conversion issues and to implementing processes to help improve the member experience.

The results from the health care changes, including the implementation of the Connector, are evident in our financial results for 2016. Overall, health care costs significantly reduced from approximately \$1.8 billion in 2015 to approximately \$1.2 billion in 2016.

HEALTH CARE TRUST TRANSFER

The 115 Health Care Trust was established in 2014 to provide an allowable vehicle to fund the HRA. Prior to the establishment of the 115 Trust, OPERS had two health care-related trusts. The 401(h) Health Care Trust had been in existence since OPERS began funding health care in the mid-1970s. This trust, established under Internal Revenue Service (IRS) rules, had limitations that necessitated the establishment of the 115 Health Care Trust. OPERS also had the Voluntary Employees' Beneficiary Association (VEBA) Trust that provided health care funding for members of the Member-Directed Plan.

With the establishment of the 115 Health Care Trust, OPERS sought IRS approval to consolidate the 401(h) Health Care Trust and the VEBA Trust assets into the new 115 Health Care Trust. As a result, effective July 1, 2016, OPERS closed these two health care trusts and transferred the assets to the 115 Health Care Trust.

The 115 Health Care Trust now provides funding for all the OPERS health care plans, including non-Medicare self-insured health care plans, re-employed retiree plans, Member-Directed retiree medical accounts, wellness retiree medical accounts and Connector HRAs.

Health Care Covered Lives

The values included in the table below represent the number of lives covered by the OPERS health care plans funded through the 115 Health Care Trust as of December 31, 2016. The counts for the table reflect the number of retirees and primary beneficiaries as well as the number of additional dependents and other beneficiaries receiving coverage. In addition to a retiree, a primary beneficiary could be the survivor of a deceased retiree continuing to receive coverage on the member's account.

The count in the Retirees & Primary Beneficiaries row is representative of OPERS' contributing membership. The count in the Dependents & Other Beneficiaries row represents family members receiving primarily dental and vision coverage through a member's account. The counts in these two rows represent all Traditional Pension Plan and Combined Plan retirees, dependents and beneficiaries receiving post-employment health care coverage.

HEALTH CARE COVERED LIVES	
Traditional Pension Plan and Combined Plan Covered Lives:	
Retirees & Primary Beneficiaries	170,590
Dependents & Other Beneficiaries	42,938
Member-Directed Plan Retiree Medical Accounts:	
Active Members	11,469
Inactive Members	3,976
Retiree Recipients	5,605
Total	234,578

DEDICATED TO: DELIVERING BENEFITS



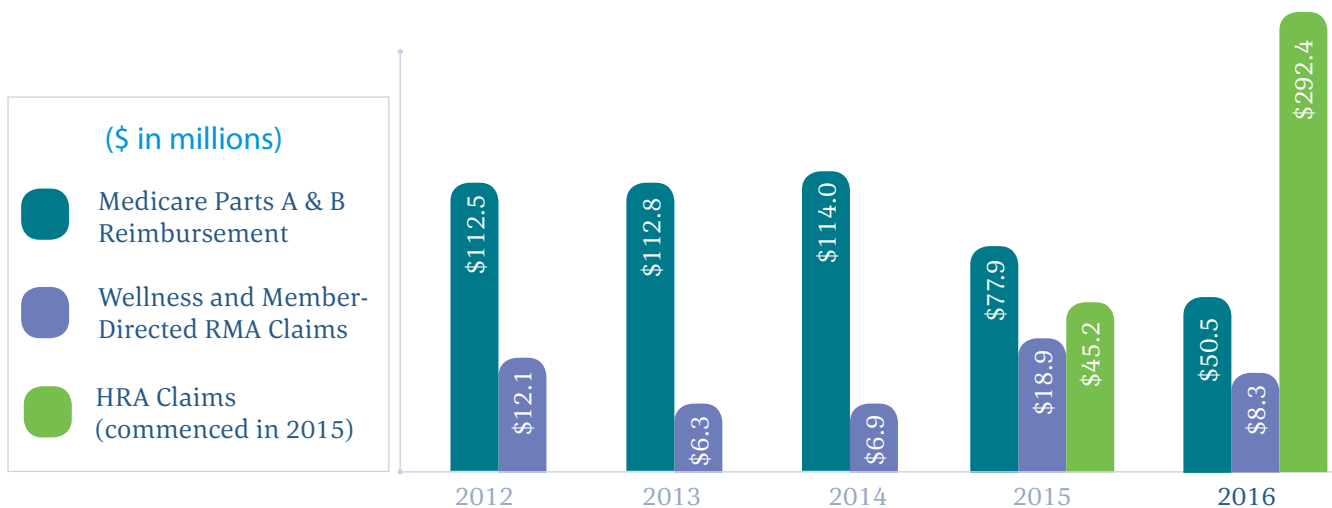
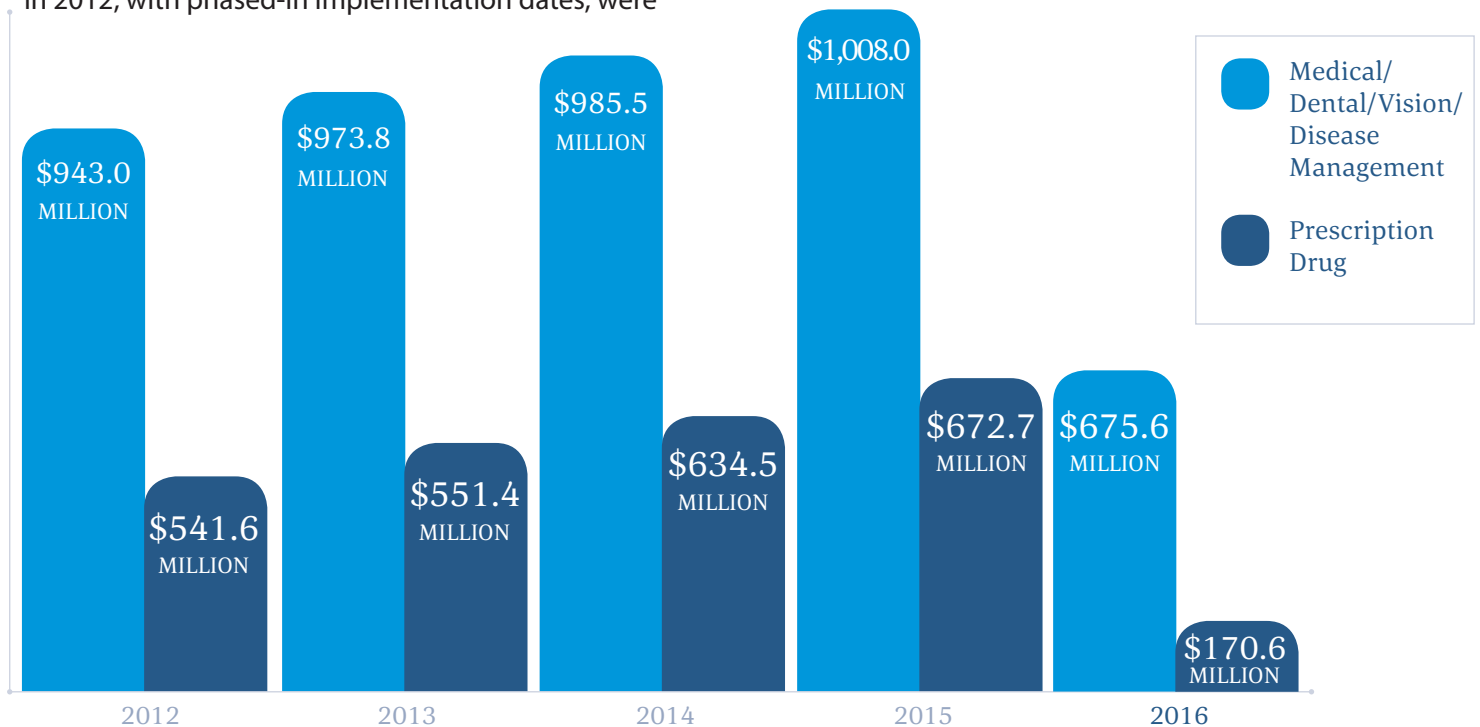
Kathy Dalton is a disability benefit recipient who participates in the OPERS Rehabilitative Services program. "When I was injured at work, OPERS stepped up and helped me in my recovery and in my search for a new job. They turned a bad experience into something positive," said Kathy about her experience with OPERS Rehabilitative Services. See more about Kathy's story by watching the OPERS Rehabilitative Services – Return to Wellness video available on the OPERS YouTube channel.

Kathy Dalton – OPERS member since 1989

Health Care by Cost Type

Although not required, health care coverage remains available to defined benefit retirees and their dependents. On average, disability recipients comprise 11% of the retiree population but represent 24-27% of health care expenses. OPERS periodically reviews and modifies the health care program, which the OPERS Board of Trustees has the authority to change, to maintain the solvency of health care for current and future retirees. Plan design changes implemented in 2012, with phased-in implementation dates, were

designed to strengthen the health care program to preserve access to, and provide affordable, meaningful health care coverage to all our members—both current and future. Changes, such as the 2015 change requiring new retirees to have 20 years of qualifying service credit to receive health care coverage, and the 2016 Connector implementation, help OPERS to maintain a sustainable health care program. The following charts show health care costs by type for the past five years.



OPERS Members

OPERS offers its members three different retirement plans – the Traditional Pension Plan, the Member-Directed Plan and the Combined Plan. Each offers

different features and allows members to select the option that best fits their needs and retirement goals.

THE TRADITIONAL PENSION PLAN

A defined benefit plan under which a member's retirement benefit is based on a formula set by law and determined by the member's years of contributing service and final average salary.

THE MEMBER-DIRECTED PLAN

A defined contribution plan in which both the member and employer contributions are invested at the direction of the member. The member's retirement benefit is based on member contributions, vested employer contributions and the gains and losses on those contributions.

THE COMBINED PLAN

A retirement plan with both a defined benefit and a defined contribution component. Member contributions are deposited into a defined contribution account and employer contributions are deposited into a defined benefit plan.

The chart below displays the number of active, inactive and retired members in each plan as of December 31, 2016. Inactive members are no longer contributing to

OPERS, but have not refunded their account and may be eligible to receive a retirement benefit.

	Traditional Pension Plan	Combined Plan	Member-Directed Plan	Total
Active Members	327,705	7,777	11,477	346,959
Average Age	42.4	43.5	42.9	
Average Service Credit (Years)	9.5	7.7	5.0	
Average Salary (FAS)	\$34,715	\$46,552	\$43,817	
Inactive Members	531,533	1,754	4,022	537,309
Average Age	39.2	42.1	38.5	
Average Service Credit (Years)	1.3	4.4	2.8	
Average Salary (FAS)	\$5,853	\$33,522	\$30,317	
Retired Members	207,917	238	226	208,381
Average Age	69.0	67.3	68.1	
Average Service Credit (Years)	22.2	10.0	N/A	
Average Annual Benefit	\$26,555	\$6,273	\$4,593	
Total Members	1,067,155	9,769	15,725	1,092,649

Good for Ohio

As the largest public pension system in Ohio, and the 12th largest in the U.S., OPERS is a significant economic driver for the state. The majority of our one million members and retirees live and work in Ohio, providing economic stability throughout the state.

90% of OPERS retirees live in Ohio



\$3.49

For every dollar received, \$3.49 is returned to the Ohio economy

For every dollar received by OPERS from public employers in 2016, \$3.49 is returned to the economy through pension and health care payments made to retirees—retirees who spend the majority of retirement proceeds on goods and services within the state.

DEDICATED TO: MEMBER EDUCATION



In 2016, more than 389 in-person seminars were offered to OPERS members and retirees throughout the state.

Kevin Blann, OPERS educator, said this about helping members achieve a secure retirement, "It's a group effort; wherever our members are located in Ohio, OPERS' educators are there explaining changes to pension benefits and health care. We know our members rely on the information we provided to make confident decisions about their retirement future."

Kevin Blann – OPERS Educator – Member since 2007

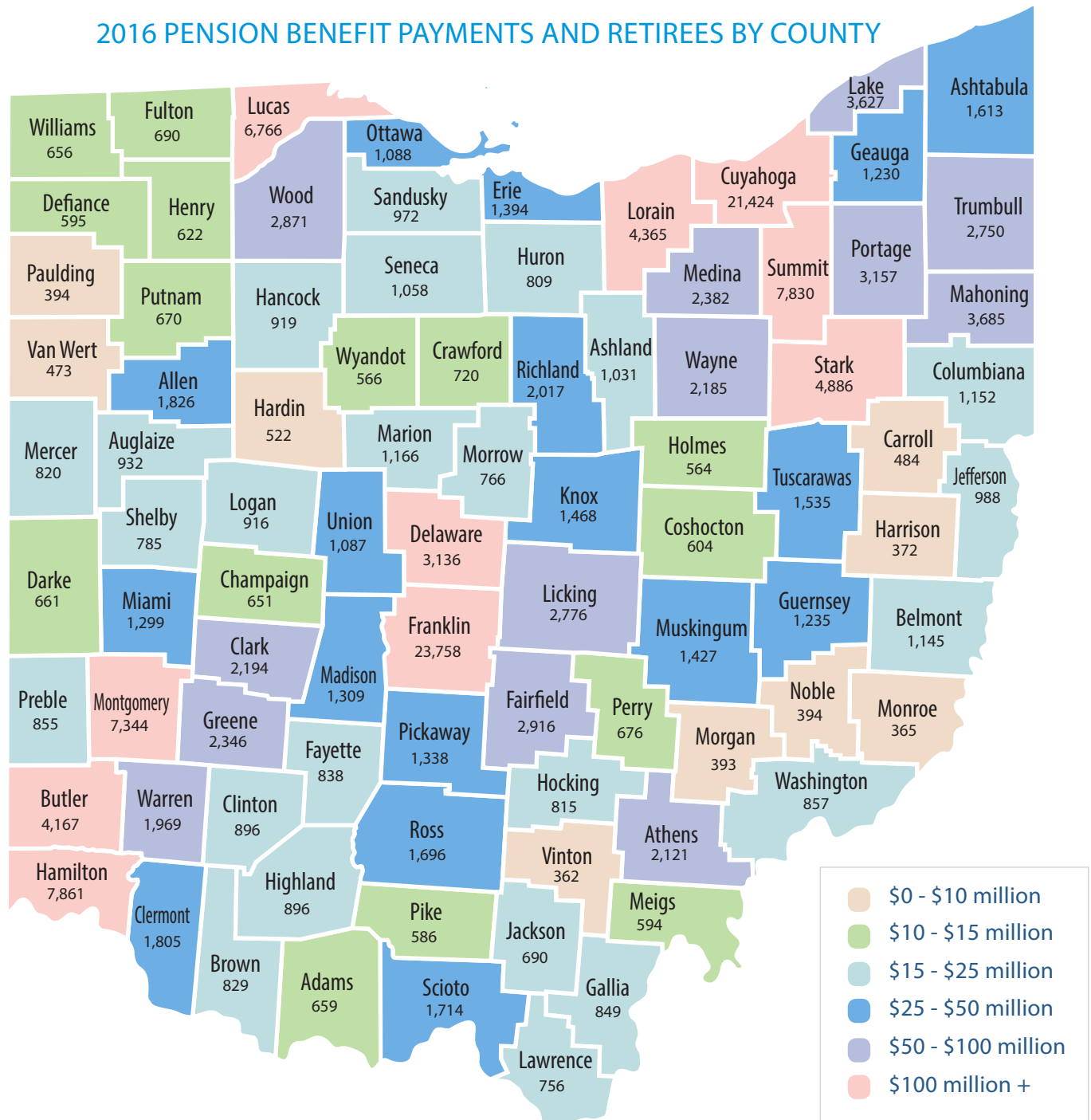
Good for Ohio *(continued)*

OPERS' ECONOMIC IMPACT IN OHIO

Of the 208,361 retirees in OPERS, 186,610, or 89.6%, remain Ohio residents as of December 31, 2016. Pension benefit payments exceeding \$5.0 billion this

year were distributed throughout Ohio to retirees and their beneficiaries, representing OPERS' impact on the state's economy.

2016 PENSION BENEFIT PAYMENTS AND RETIREES BY COUNTY



Good for Ohio *(continued)*



OPERS' 2016 pension benefit payments to Ohio residents
(90% of OPERS participants live in Ohio) **\$5.0 billion**



OPERS' 2016 health care costs on behalf of retirees and their beneficiaries
\$1.2 billion



Assets invested with Ohio-based companies **\$1.3 billion** as of
December 31, 2016



Assets under management with Ohio-qualified investment managers
\$1.5 billion as of December 31, 2016



Fees paid in 2016 to in-state custodian and to Ohio-qualified investment
managers **\$9.2 million**



Assets under management by in-state custodian **\$89.0 billion**
as of December 31, 2016

Board of Trustees members as of January 2017

OPERS management and staff work closely with the members of the OPERS Board of Trustees—the governing body of OPERS that is ultimately responsible for the administration and management of all OPERS

activities. This dedicated Board meets monthly and receives no compensation, but is reimbursed for necessary expenses.



Front row (left to right): Cinthia Sledz, Representative for Miscellaneous Employees; Charles Latsa, Representative for Non-teaching College/University Employees; Robert C. Smith, Treasurer-Appointed Investment Expert

Standing: Sean Loftus, Representative for County Employees; Patrick Smith, Designee for Robert Blair, Director of the Ohio Department of Administrative Services (Statutory Member); James Tilling, General Assembly Appointed Investment Expert; Ken Thomas, Representative for Municipal Employees and Board Chair; John W. Maurer, Representative for Retirees; Christopher Mabe, Representative for State Employees and Board Vice Chair; Steve Toth, Representative for Retirees

Not Shown in Photo: Governor's Appointee—Vacant

Mission

To provide secure retirement benefits for our members.

Vision

To be your trusted retirement partner delivering responsive high-quality service.

This *Popular Annual Financial Report* is derived from information contained in the *OPERS Comprehensive Annual Financial Report (CAFR)* for the year ended December 31, 2016, but does not contain detailed financial information by plan, nor is it presented in a manner to conform to Generally Accepted Accounting Principles (GAAP). For a complete set of financial definitions included in this summary report please refer to the *OPERS CAFR*, which is prepared in conformity with GAAP and may be obtained by visiting our website, opers.org, or by contacting OPERS to request a copy.

Additionally, those interested in learning more about the OPERS health care program are invited to obtain a copy of the *OPERS 2016 Health Care Report*. That report is also available at opers.org as of June 30, 2017.

More information is always available.



By Phone:

Member Services Center
1-800-222-PERS (7377)
8 a.m. - 4:30 p.m. Monday-Friday



By Mail:

Ohio Public Employees Retirement System
277 E. Town St.
Columbus, OH 43215



Online:

www.opers.org



Online Accounts:

<https://member.opers.org>



Facebook:

facebook.com/ohiopers



Twitter:

twitter.com/ohiopers

