

Ohio PERS NEWS

YOUR BENEFIT CONNECTION

News and information for active members of the Ohio Public Employees Retirement System

The benefits of membership OPERS to launch new Web site and e-newsletter

OPERS is excited to announce the launch of a new and more robust Web site in late July. The new site can be accessed at our current web address, www.opers.org. On your first visit, you'll immediately notice the inviting new look, but that's just the beginning of what the site has to offer. We have added a number of features designed to help you to find information quickly and easily.

Navigate our new site any way you like – The site features multiple navigation channels. This means that you can find information in the way that is most intuitive to you. We offer numerous popular links directly from the home page for those who quickly scan for information and want to access it with just one click. Information is also logically organized by audience type (members, retirees and employers) and subject. Pull down menus, an enhanced search engine and site maps also serve to help you find exactly the information you need.

What's new? – Another enhancement is a chronological listing of recent site changes located right on the home page. This feature allows you to

quickly identify recent changes to site content and newly added items.

Easy, one-step MBS log-in – Each page of the new site offers a one-step Member Benefits System (MBS) log-in button. Your secure, personal retirement

account information is always just a click away.

What you need to know is front and center – By analyzing our site's usage trends for the past several years, we've identified the most commonly viewed information and made it easily accessible from the home page. In addition, the home page features a

prominent news section containing the most current OPERS news and information.

Search less, find more – Our new site features an enhanced search engine which allows you to search not only by keyword but also within specific sections of the site and for a particular document type.



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Ohio PERS NEWS – Your Benefit Connection is a quarterly newsletter providing news and information to more than 381,000 active members of the Ohio Public Employees Retirement System. An active member is anyone currently contributing toward an Ohio PERS retirement benefit. This publication allows us to communicate vital information concerning retirement benefits to our active members and also educate them on the services we provide.

CONTACT INFORMATION:

www.opers.org
1-800-222-7377

This newsletter is written in plain language for use by members of the Ohio Public Employees Retirement System. It is not intended as a substitute for the federal or state law, namely the Ohio Revised Code, the Ohio Administrative Code, or the Internal Revenue Code, nor will its interpretation prevail should a conflict arise between it and the Ohio Revised Code, Ohio Administrative Code, or Internal Revenue Code. Rules governing the retirement system are subject to change periodically either by statute of the Ohio General Assembly, regulation of the Ohio Public Employees Retirement Board, or regulation of the Internal Revenue Code. If you have questions about this material, please contact our office or seek legal advice from your attorney.

OPERS Board responds to public pension critics

In recent months, several Ohio newspapers have printed articles comparing the pension benefits of public employees to those of workers in the private sector. The stories have been critical of public pensions, claiming that public employees are retiring younger with larger pensions at taxpayer expense. These articles have drawn conclusions based on misinformation and confused readers by over-simplifying what is very complex subject matter.



Ken Thomas

In an effort to clarify the misconceptions perpetuated by these articles and educate readers about how public pension programs actually support the state economy, Ken Thomas, municipal employees representative and chair of the OPERS Board and Cinthia Sledz, miscellaneous employees representative and vice chair, have written an editorial letter that we distributed widely to Ohio newspapers.



Cinthia Sledz

The letter is available in its entirety on our Web site at www.opers.org.

The benefits of membership

(continued from page 1)

OPERS introduces e-newsletter - Beginning with this issue, members who have opted not to receive a printed newsletter will receive an e-newsletter via e-mail. Since late last year, members have been able to request e-mail newsletter notifications in lieu of receiving paper copies. Until now these notifications have simply included a link to the newsletter in PDF format on our Web site. With the introduction of our e-newsletter, members can read headlines and the beginning of articles simply by opening the e-mail. Each headline will feature a “Read More” button that takes them directly to a web page containing the full text of the article and any graphics.

To begin receiving the e-newsletter, you must be registered for MBS and opt-out of receiving the print version by mail. If you have opted-out, please be sure and advise us of any changes to your e-mail address so you continue to receive important OPERS news and information.

“Can I borrow against my OPERS account?”

To protect your future benefits, loans are not allowed by law

“Can I take out a loan against my OPERS account?” “Is it possible to make a withdrawal from my retirement account?” Periodically, we receive these questions, and others like them, from OPERS members.

The simple answer is no, but there are reasons. State retirement law provides that OPERS contributions, along with interest and an employer match, if applicable, may be refunded only after you terminate all public employment and three months pass from the date you terminated. Also, federal tax law prohibits OPERS members from receiving distributions from their accounts while remaining employed in the public sector.

Since you contribute to OPERS on your public salary and not to Social Security, your OPERS benefits can yield a substantial portion of your

income as a retiree. State retirement law does not permit loans from OPERS as loans issued against your retirement account could compromise your retirement savings and pose a significant financial burden at retirement.

If you decide to terminate public employment, you may choose to leave your account on deposit with OPERS. By doing so, your membership continues in OPERS until you take a refund of your account, receive a retirement benefit or until your death. In addition, under the Traditional Pension Plan your employee contributions continue to earn interest at a rate set by the OPERS board. Under the Member-Directed Plan and the defined contribution component of the Combined Plan, your employee

contributions continue to earn investment gains or losses based on the performance of the OPERS Investment Options you select.

Once you terminate public employment, consider very carefully what you want to do with your OPERS account. Depending on your years of service credit and which retirement plan you participate in, leaving your account on deposit may qualify you to receive valuable benefits upon reaching an eligible age. **We highly recommend that you talk with an OPERS benefit counselor before you take a refund of your account. A counselor can explain the benefits you have earned and what you may be forfeiting by refunding your account.**

Take it or leave it?

Leaving your account on deposit with OPERS after termination of public employment could yield the following benefits

Traditional Pension Plan or Combined Plan (defined benefit portion):

- With at least five years or 60 contributing months of service credit in the plan, you have earned a right to a retirement benefit payable, upon application, at age 60.
- With 18 months of contributing service credit in the plan and with three of those months occurring two-and-a-half years immediately before death, you have earned survivor benefit protection for qualified survivors.
- If you become permanently disabled within two years of termination of plan participation and you have at least five years of service credit in the plan, you may apply for disability benefits.

Member-Directed Plan or Combined Plan (defined contribution portion):*

- You can continue to direct your individual defined contribution account in the OPERS Investment Options you select.
- You continue to earn investment earnings or losses on your individual account.
- At retirement, you may select from the following payment options for your individual account:
 - Installment payments
 - Annuity
 - Partial distributions
 - Deferment

**Members who participate in the Member-Directed and Combined Plans who are no longer contributing to the plan are charged a monthly administrative fee of \$2 to \$6 for individual defined contribution account balances under \$5,000.*

Legislative update

OPERS opposes legislation that calls for divestiture of investments in Iran and Sudan

Introduced earlier this spring, House Bill 151 seeks to mandate the Ohio retirement systems to divest from companies doing business in Iran. The bill was later amended to include companies doing business in Sudan. Although we are deeply concerned about the issue of terrorism and genocide and do not question that the bill is well intentioned, we oppose HB 151 as it was originally introduced and as subsequently amended. As fiduciaries, we are legally bound by both state and federal law to act in the best interest of the members of our system. Our concern is that an unintended consequence of HB 151 would be to mandate investment decisions that may not be in the exclusive best interest of our members.

As fiduciaries, we are legally bound by both state and federal law to act in the best interests of the members of our system.

OPERS executive director, Chris DeRose, and our government relations staff have worked hard in recent weeks to focus attention on

problem areas of the bill that could negatively impact your pension and access to retiree health care. As a result, the current bill is narrowed in scope and several amendments have limited the potentially negative fiscal impact of the bill without compromising its original intent. Our main concern continues to be the potential impact of mandatory divestment on the systems' fiduciary responsibility to invest retirement contributions in a fashion that achieves the best rate of return.

The Ohio House was expected to vote on Substitute HB 151 on June 5, 2007. Instead, the Speaker of the House issued a request to the Ohio retirement systems asking them to consider voluntarily divesting from companies doing business in Iran and Sudan. OPERS, along with the other four Ohio retirement systems, recently responded by letter to this request.

Although we have agreed to work with our Board of Trustees to develop a policy with the intent to voluntarily divest from companies doing business in Iran and Sudan, we remain steadfast in our position that our responsibility as fiduciaries must take precedence over any other issues, including foreign policy. We have made clear the fact that we intend to divest to the extent that we are able to do so and in a manner that is consistent with our fiduciary duty.

Although HB 151 may still be scheduled for a floor vote at any time, as of press time, HB 151 has been re-referred to the House Rules Committee and will not be voted on prior to the recess scheduled to begin June 30. Over the next several months, the Ohio retirement systems will be reporting to the Ohio Retirement Study Council on their

We remain steadfast in our position that our responsibility as fiduciaries must take precedence over any other issues, including foreign policy.

progress with voluntary divestiture.

Please visit www.opers.org where we will be posting the most recent developments.

It is our privilege to present to you this summary of the OPERS *Comprehensive Annual Financial Report* (Annual Report) for the fiscal years ending December 31, 2006 and 2005. OPERS was established and exists solely for the purpose of providing retirement, disability and survivor benefits to Ohio's public employees. Additionally, although neither mandated nor guaranteed, OPERS is committed to providing access to and financial assistance with affordable, meaningful health care.

As always, the responsibility for the accuracy of the data presented here, as well as the completeness and fairness of the presentation, rests with OPERS management.

Currently, OPERS serves more than 728,000 members, and provides more than 156,000 retirees and surviving beneficiaries with monthly benefits. In addition, the System works with more than 3,200 public employers. As of December 31, 2006, OPERS managed an asset base of almost \$78.4 billion, an increase of \$8.7 billion, or 12.5%, from the \$69.7 billion asset base reported at year-end 2005.

2006 Accomplishments and Initiatives

Under the direction of the Retirement Board, the specific 2006 goals that guided the System were:

- ▶ Improving the System's funded status for pensions,
- ▶ Extending the solvency period of the Health Care Fund, and
- ▶ Enhancing member services and options.

A review of the accomplishments of 2006 indicates that significant progress was made in attaining these goals.

Funded Status

The goal of preserving benefits can only be accomplished if the funded status of the System is preserved and strengthened. Simply put, the funded status measures OPERS' progress toward accumulating the funds necessary to meet future pension obligations. As of the date of OPERS' most current valuation (December 31, 2005), OPERS' funded status was 89.1%—a significant improvement over the prior year's funded status (December 31, 2004), which was 87.6%. Additionally, preliminary estimates indicate the funded status, after the December 31, 2006 valuation is completed, will increase to 93%.

The System's funded status is enhanced by generating investment income and by controlling expenses. In 2006, OPERS experienced significant success in both areas.

Specifically, OPERS experienced its fourth consecutive year of positive investment returns. The Pension Fund had a 15.1% return, while the Health Care Fund had a 12.8% return. In total, the OPERS total investment portfolio returned 14.7% for the year. Investment income added \$10 billion to assets in 2006.

With respect to expense control, OPERS consistently seeks opportunities to improve its funded status, as incremental improvements can increase exponentially over the System's infinite time horizon. The bulk of OPERS' expense control occurs on several fronts—controlling the administrative budget used to administer the plan, controlling health care expense, and ensuring that the cost of pension service credit is appropriately priced so that no group is subsidizing another group.

Health Care

Historically, OPERS has taken a proactive approach to funding health care benefits. Since 1974, when OPERS first offered health care benefits, the System has conscientiously worked to pre-fund the benefit and is one of only a handful of systems that has funds set aside to pay for this intended benefit.

Continuing to provide health care benefits, and generating the funding necessary for those benefits, was a major initiative in 2006. Similar to managing pensions, OPERS' plan to manage the Health Care Fund so that the benefit can be preserved into the future involves a multi-faceted approach aimed at controlling expenditures through active management, evaluating plan design to preserve intergenerational equity, implementing a wellness program, and maximizing revenue through investment returns and System funding. Interdepartmental efforts, proactive planning, active management of the health care program and strong investment returns have yielded a net increase of \$992 million to the \$12.8 billion retiree Health Care Fund.

OPERS evaluates the progress of the health care plan using a measure referred to as the solvency period. The solvency period measures how long the current health care funds will last given the expected level of expenditures. In 2005, the health care fund had an expected solvency period of 17 years. In 2006, the solvency period improved to 18 years. Preliminary estimates for 2007 indicate the solvency period is likely to increase to 22 years.

As of December 31, 2005 (the date of the last actuarial valuation), the OPERS Health Care Fund had assets of \$11.1 billion. While OPERS may not strive to be 100% funded, our strategy is to make incremental changes in the health care plan that are not too dramatic, and implement these changes in a manner designed to allow individuals time to plan and make decisions accordingly. OPERS' goal is to make these changes in a manner such that we will always have 15-25 years of health care liabilities pre-funded.

As with any organization, the accomplishments OPERS reports are possible only through the ongoing efforts of management, staff and the Retirement Board's oversight.

The preparation of this report reflects the combined efforts of the System's staff under the direction of the Retirement Board. Our sincere appreciation is extended to all who assisted in and contributed toward the completion of this document.

Respectfully submitted,



CHRISTOPHER M. DEROSE*
Executive Director



BLAKE W. SHERRY
Chief Operating Officer



KAREN E. CARRAHER, CPA
Director—Finance



* This Annual Report reflects the activities of 2006, a year when three individuals led OPERS: Laurie Fiori Hacking, executive director from January–February; Blake W. Sherry, interim executive director, March–October and, effective October 31, 2006, Christopher M. DeRose became executive director. Both Mr. DeRose and Mr. Sherry have reviewed and approved this document.

KAREN E. CARRAHER, CPA (left)
Director—Finance

CHRISTOPHER M. DEROSE (middle)
Executive Director

BLAKE W. SHERRY (right)
Chief Operating Officer

FINANCIAL SECTION HIGHLIGHTS

This summary highlights the significant financial information for OPERS for the year ended December 31, 2006 and offers, for comparison purposes, information for the year ended December 31, 2005. The financial statements in the complete Annual Report disclose important financial data for each of the benefit plans; of course, all members may review that information via the Web site at www.opers.org.

Fiscal year 2006 marked the first year of reporting OPERS' long-term health care obligation and the corresponding assets set aside to pay that obligation in accordance with the new accounting standard, GASB 43. Although the funded ratio was only 35%, OPERS is one of only a handful of retirement systems around the country that pre-funds any portion of health care, as the accounting requirements do not mandate pre-funding health care benefits.

OPERS' net assets increased by \$8.7 billion in 2006, or 12.5% over 2005 values, primarily due to investment returns. The OPERS investment portfolio reported a total return of 14.7% for the year.

Revenues (additions to plan net assets) for the year 2006 were \$13.2 billion, which include member and employer contributions of \$2.9 billion, net gains from investment activities of \$10.0 billion and other income totaling nearly \$275.0 million. Revenues for 2006 increased by \$4.6 billion, or 54.4%, from the prior year, primarily due to the higher investment returns in 2006. Member and employer contributions for 2006 increased by nearly \$193 million over 2005, or 7.3%.

Expenses (deductions to plan net assets) increased from \$4.1 billion during 2005 to \$4.4 billion in 2006, or about 8.0%. The increase relates primarily to pension benefits and health care payments which comprise \$4.1 billion of the 2006 expenditures. Refunds of member contributions, including interest and additional payments on withdrawal where required by statute, increased by \$14.9 million or 6.8% from 2005 to 2006. Administrative expenses increased by 5.7% over the prior year, but represent less than 1.5% of the total expenses. The remaining expenses are comprised of inter-plan activity transactions representing deductions to plan assets.



NET ASSETS (as of December 31, 2005, 2004 and 2003)

	2006	2005	2004	Amount Increase/ (Decrease) from 2005 to 2006	Percent Increase/ (Decrease) from 2005 to 2006
Current and other assets	\$1,427,899,707	\$840,574,773	\$769,538,137	\$587,324,934	69.9%
Cash and investments at fair value	90,592,897,799	80,279,862,945	73,568,348,371	10,313,034,854	12.8
Capital assets	120,156,097	120,588,673	120,989,855	(432,576)	(0.4)
Total assets	92,140,953,603	81,241,026,391	74,458,876,363	10,899,927,212	13.4
Total liabilities	13,779,685,826	11,590,719,815	9,210,425,507	2,188,966,011	18.9
Net assets, end of year	\$78,361,267,777	\$69,650,306,576	\$65,248,450,856	\$8,710,961,201	12.5%
Net assets, beginning of year	69,650,306,576	65,248,450,856	59,097,674,984	4,401,855,720	6.7
Net increase in net assets	8,710,961,201	4,401,855,720	6,150,775,872	4,309,105,481	97.9

FINANCIAL SECTION HIGHLIGHTS (CONTINUED)



ADDITIONS TO FIDUCIARY NET ASSETS (REVENUES) (for the years ended December 31, 2006, 2005 and 2004)

	2006	2005	2004	Amount Increase/ (Decrease) from 2005 to 2006	Percent Increase/ (Decrease) from 2005 to 2006
Member contributions	\$1,171,079,333	\$1,055,269,202	\$1,038,288,958	\$115,810,131	11.0%
Employer contributions	1,680,656,436	1,603,068,520	1,551,642,001	77,587,916	4.8
Contract and other receipts	209,213,722	116,390,325	135,096,875	92,823,397	79.8
Medicare Part D reimbursements	58,987,181	0	0	58,987,181	100.0
Other miscellaneous income	1,528,452	980,539	(107,798)	547,913	55.9
Interplan activity	5,286,335	2,457,816	3,510,475	2,828,519	115.1
Net income from investing activities	10,028,554,662	5,740,076,574	7,192,406,571	4,288,478,088	74.7
Total additions	\$13,155,306,121	\$8,518,242,976	\$9,920,837,082	\$4,637,063,145	54.4%



DEDUCTIONS IN FIDUCIARY NET ASSETS (EXPENSES) (for the years ended December 31, 2006, 2005 and 2004)

	2006	2005	2004	Amount Increase/ (Decrease) from 2005 to 2006	Percent Increase/ (Decrease) from 2005 to 2006
Benefits	\$4,138,742,001	\$3,832,028,461	\$3,495,081,502	\$306,713,540	8.0%
Refunds	235,163,810	220,236,000	209,777,972	14,927,810	6.8
Administrative expenses	65,152,774	61,664,979	61,691,260	3,487,795	5.7
Interplan activity	5,286,335	2,457,816	3,510,475	2,828,519	115.1
Total deductions	\$4,444,344,920	\$4,116,387,256	\$3,770,061,209	\$327,957,664	8.0%



SCHEDULE OF FUNDING PROGRESS* (\$ in millions)

TRADITIONAL AND COMBINED 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 a % of Active Member Payroll
2005	\$61,146	\$54,473	\$6,673	89%	\$11,807	57%
2004	57,604	50,452	7,152	88	11,454	62
2003	54,774	46,746	8,028	85	11,165	72

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



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 to AAL	Active Member Payroll	UAAL as a % of Active Member Payroll
2005***	\$31,307	\$11,070	\$20,237	35%	\$11,806	171%

***GASB 43 was implemented in 2006.

INVESTMENT SECTION HIGHLIGHTS

The Retirement Board has recommended, implemented and directs adherence to an asset allocation strategy that has helped OPERS weather market downturns and positively position the System to take advantage of strong markets.

Because OPERS is an institutional investor with a long time horizon, the Investment Division's goal is to consistently and proactively position OPERS to take advantage of market opportunities, while managing the risks inherent with all investment activities.

Here are the highlights of 2006 that benchmarked the steady progress toward that overriding goal:

- ▶ The total fund (comprised of pension fund (defined benefit), a health care fund, and a defined contribution fund) investment return for 2006 was 14.7%, compared to the 9.0% garnered in 2005. This marked the fourth consecutive year of positive returns for OPERS. The 2006 actual return slightly exceeded the benchmark return of 14.6%.
- ▶ The total fund ended the year with assets totaling \$77.8 billion, an \$8.6 billion increase over the previous year's total assets of \$69.2 billion.
- ▶ The Defined Benefit Fund, which is comprised of the defined benefit portions of the Traditional and Combined Plans and the VEBA assets, had an overall investment return for 2006 of 15.1%.
- ▶ The OPERS Health Care Fund had a return of 12.8% for 2006, exceeding both the actuarial investments earnings assumption of 6.5% and the benchmark return of 12.6%. The assets in this fund support the health care benefits for members of the Traditional and Combined Plans.

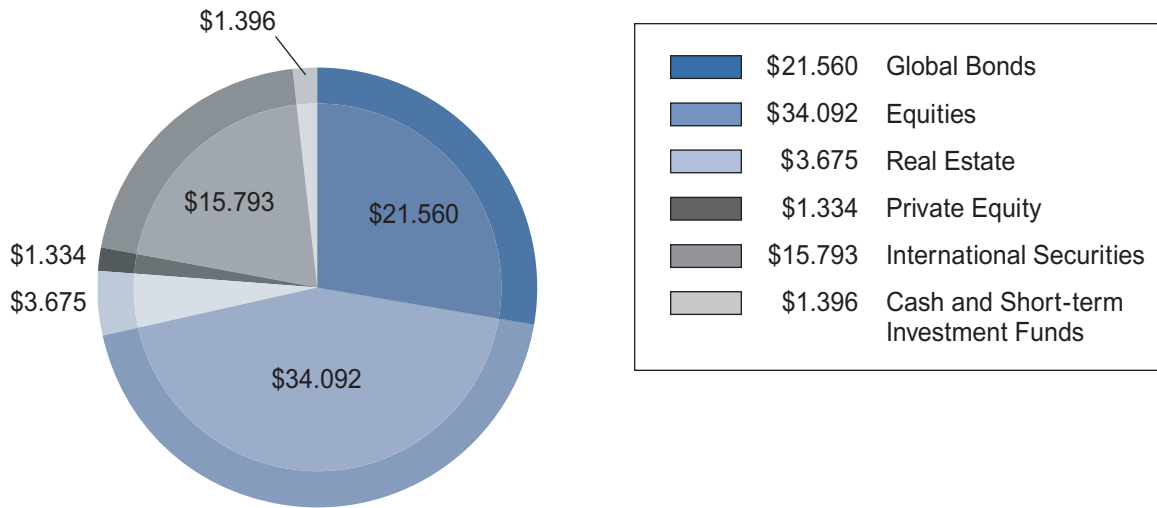


TOTAL INVESTMENTS SUMMARY (as of December 31, 2006 and 2005)

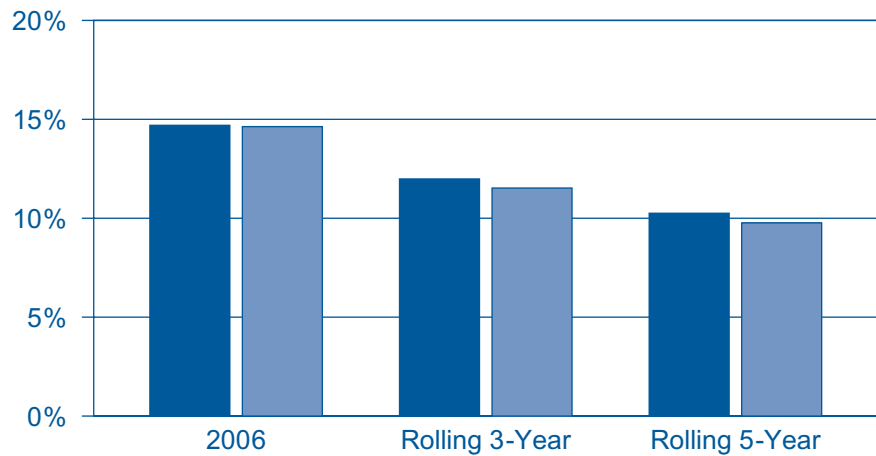
	2006		2005	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
Global Bonds:				
Government and Agencies	\$6,520,570,781	8.38%	\$4,951,260,534	7.16%
Non-U.S. Fixed Income	1,534,070,833	1.97	739,533,422	1.07
Corporate Bonds	5,963,781,951	7.66	5,795,257,289	8.38
Mortgage Backed	7,541,565,474	9.69	6,877,339,556	9.94
Total Global Bonds	\$21,559,989,039	27.70%	\$18,363,390,801	26.54%
Equities	34,091,505,439	43.79	30,486,097,151	44.06
Real Estate	3,674,622,803	4.72	4,636,087,423	6.70
Private Equity	1,333,638,551	1.71	738,008,316	1.07
International Securities	15,793,080,611	20.29	14,002,316,402	20.24
Total Long-term Investments	\$76,452,836,443	98.21%	\$68,225,900,093	98.60%
Cash and Short-term Investments:				
Cash	37,448,520	0.04	24,935,192	0.04
Commercial Paper	128,715,745	0.17	167,901,582	0.24
U.S. Treasury Bills	15,044,581	0.02	99,032	0.00
Agency Discount Notes	274,116	0.00	395,178	0.00
Short-term Investment Funds	289,352,411	0.37	182,622,180	0.26
Short-term Corporate Bonds	149,983,237	0.19	140,029,077	0.20
Repurchase Agreements	775,000,000	1.00	450,000,000	0.65
Total Cash and Short-term Investments	\$1,395,818,610	1.79%	\$965,982,241	1.40%
Total Cash and Investments	\$77,848,655,053	100.00%	\$69,191,882,334	100.00%



TOTAL INVESTMENT PORTFOLIO ASSET ALLOCATION (as of December 31, 2006) (\$ in billions)



TOTAL INVESTMENT PORTFOLIO RETURNS—ANNUAL RATES OF RETURN*



OPERS Return
 Policy Benchmark Return

14.7%	12.1%	10.2%
14.6%	11.7%	9.8%

* Annual rates of return—The OPERS return is the combined result of the returns generated by defined benefit, health care and defined contribution investments based on a combination of time-weighted calculations and market-value-weighted combinations. The policy benchmark is derived by a market-value-weighted combination of the defined benefit, health care and defined contribution investments policy benchmarks.

STATISTICAL SECTION HIGHLIGHTS



MEMBER COUNT—PENSION PLANS

TOTAL ALL PENSION PLANS*

Year End	Active	Inactive	Benefit Recipients	Total
2006	381,464	346,697	156,747	884,908
2005	381,413	327,864	151,758	861,035
2004	375,076	313,248	146,966	835,290
2003	368,996	302,546	143,643	815,185

*Prior to 2003, includes Traditional Pension Plan only. Effective 2003, includes the Traditional Pension Plan, the Combined Plan, and the Member-Directed Plan.



NUMBER OF BENEFIT RECIPIENTS BY CATEGORY (last ten years)

TRADITIONAL PLAN

Year End	Annuities	Disabilities	Survivors	Total
2006	122,021	21,563	13,161	156,745
2005	118,099	20,732	12,927	151,758
2004	114,698	19,758	12,510	146,966
2003	112,247	18,859	12,537	143,643



NUMBER OF EMPLOYER UNITS

ALL PLANS*

Year	State	County	Law Enforcement	Municipalities	Villages	Miscellaneous	Libraries	Townships	Totals
2006	276	238	244	253	671	459	254	1,312	3,707
2005	277	239	247	255	671	454	257	1,312	3,712
2004	268	240	241	255	672	456	256	1,314	3,702
2003	268	239	247	255	673	450	257	1,313	3,702

*The number of employer units exceeds the number of reporting employers as some employers report multiple divisions or agencies. The number of employers reporting at December 31, 2006 was 3,263.

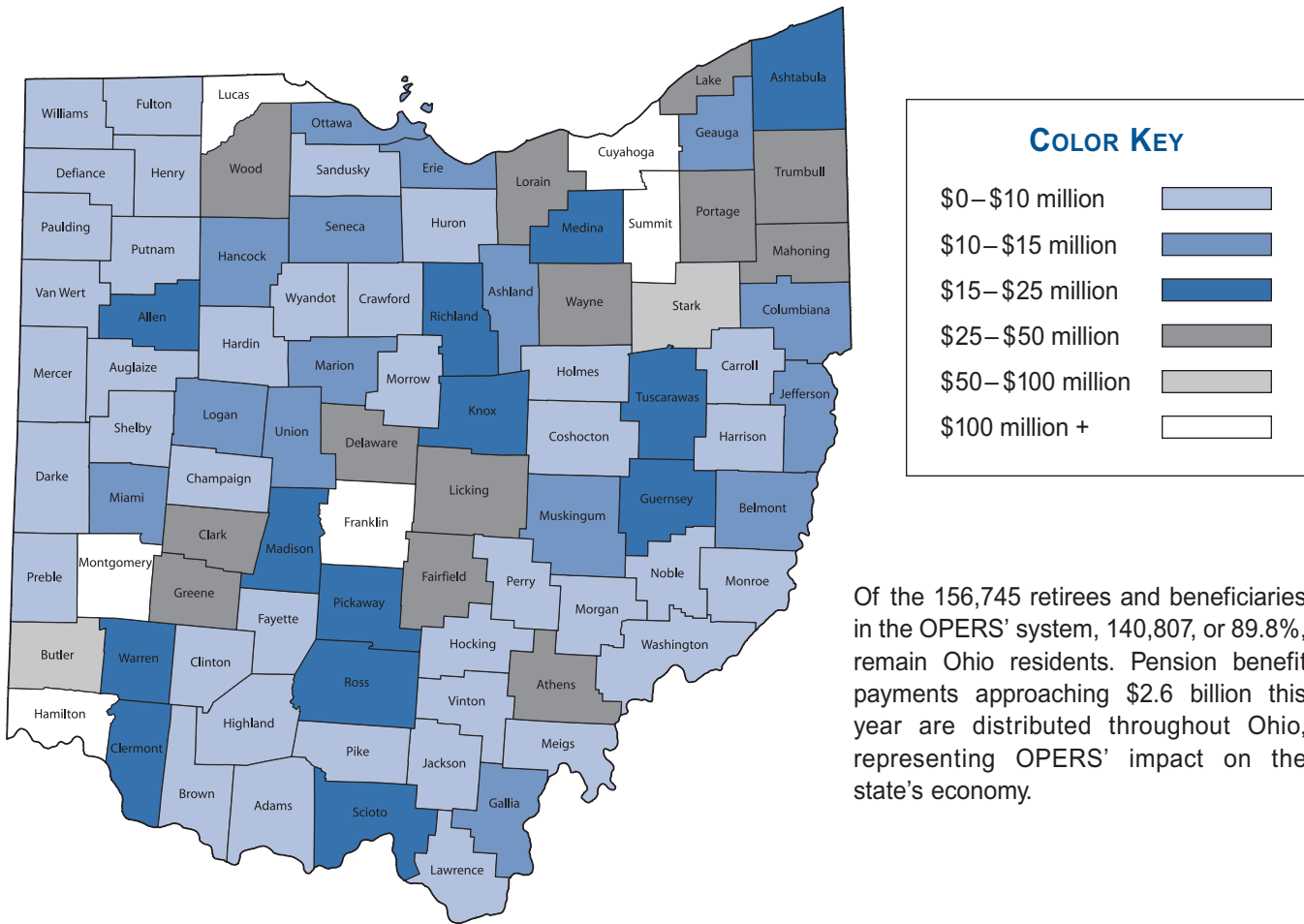


HEALTH CARE SOLVENCY PERIOD

Year	Estimated Years of Solvency
2005	18
2004	17
2003	18



OPERS' FINANCIAL IMPACT, BY COUNTY



Of the 156,745 retirees and beneficiaries in the OPERS' system, 140,807, or 89.8%, remain Ohio residents. Pension benefit payments approaching \$2.6 billion this year are distributed throughout Ohio, representing OPERS' impact on the state's economy.



REQUESTS FOR INFORMATION



OPERS' *Comprehensive Annual Financial Report* is designed to provide the Retirement Board, our membership, taxpayers, investment managers and creditors with an overview of OPERS' finances and accountability for the funds received. A complete Annual Report can be accessed online at www.opers.org.

Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to:

OPERS, Director of Finance
 277 East Town Street
 Columbus, Ohio 43215-4642

OPERS health care plan seminars help members plan for retirement

The OPERS health care team is out on the road this year presenting OPERS health care plan seminars for active Traditional Pension and Combined Plan members. If you are planning your retirement and want to know more about our health plan, we invite you to attend one of these seminars.

Our health care benefit counselors, Michael Mussell and



Michael Mussell



Jason Davis

Jason Davis, will discuss the health care coverage available to you as an eligible retiree, explain Medicare Part B reimbursement, and provide

insight into how health care premiums are determined for each of the three retiree groups under our plan. Also covered during the seminars is information pertaining to our medical/pharmacy plan and the optional vision and dental plans we offer.

Finally, the counselors will explain how to enroll qualified dependents and tell you about our plans for the future, including the new OPERS wellness program. All seminars begin at 10 a.m. and are free of charge. We still have openings at the locations listed below in 2007. More seminars will be scheduled for 2008. Please watch future newsletters and the Web site (www.opers.org) for future dates and locations. Contact the OPERS member services center at 1-800-222-7377 to register.

2007 health care plan seminar schedule

August

Cincinnati
August 20

October

Miamisburg
October 29

December

Cincinnati
December 10

September

Columbus (OPERS)
September 17

OPERS Investment news

The following are summaries of press releases distributed recently to local, national and financial media. You can access the complete releases at www.opers.org.

OPERS announces selection of investment consultant

The OPERS Board of Trustees recently announced the selection of Mercer Investment Consulting for general investment consulting services. Mercer will begin providing consulting services July 1 pending successful completion of contract negotiations.

Ken Thomas, chairman of the OPERS board, said that Chicago-based Mercer and Ennis Knupp & Associates, OPERS' current

investment consultant, are both excellent investment consulting firms with strong track records and extensive investment expertise.

"While either firm would have served the board well, it is Mercer's global presence and deep resources that will support OPERS' goal of achieving the best risk-adjusted performance," Thomas said.

OPERS selects two firms to manage minority mandate

OPERS recently announced that it has selected two firms to manage its minority manager mandate within its U.S. Equity asset class of investments.

Investment news continued on page 8

2007 - 2008 calendar of educational seminars

We offer a wide variety of educational seminars. Contact us at 1-800-222-7377 to register.

How to Select your Ohio PERS Retirement Plan – a seminar for new Ohio PERS members who are trying to select the Ohio PERS retirement plan that is best for them. The *How To Select Your Ohio PERS Retirement Plan* seminar provides details about the benefits and features of the three plans and a summary of basic investment education.

Providing Long-term Awareness Now (PLAN) – a seminar for members who have at least five years of service credit and are generally mid-career public employees. Topics discussed include Ohio PERS benefits, Social Security, financial and estate planning and other issues. A total cost of \$5 covers the one-day seminar, a non-member guest, lunch and reference materials.

Law Enforcement – a seminar for members of Ohio PERS' law enforcement (LE) division. Topics covered include Ohio PERS law enforcement benefits, Social Security, estate planning, and other issues. A total cost of \$5 will cover this one-day seminar, a non-member guest, lunch and reference materials.

Retirement Awareness Program (RAP) – a seminar for members who are within five years of retirement and have at least five years of service credit. Topics discussed include Ohio PERS benefits, financial planning, deferred compensation, Social Security, estate planning, and more. A total cost of \$5 covers the one-day seminar, one non-member guest, lunch and reference materials.

Retirement Readiness – a seminar for members who are within 12 to 18 months of retirement. Your Ohio PERS benefits are discussed, along with the various documentation and paperwork needed for processing your pension benefits. This seminar lasts three and one-half hours and there is no charge.

Counseling sessions – personalized retirement counseling is available at the OPERS office in Columbus, over the phone or in the cities listed here. Call 1-800-222-7377 to make an appointment.

HOW TO SELECT YOUR Ohio PERS RETIREMENT PLAN

Athens August 23	Delaware August 16	Medina August 1
Batavia July 11	Elyria July 20	Newark August 3
Bowling Green July 26	Findlay September 7	Painesville August 9
Canton August 1	Hamilton July 11	Port Clinton August 15
Centerville July 24	Kent State campuses August 2	Sandusky August 7
Cincinnati September 20	Lancaster August 1 October 3	Toledo October 3
Chillicothe October 17	Lebanon August 8	Woodsfield September 12
Columbus July 18 September 12 October 4	Mansfield August 15	Wooster August 13
Coshocton September 12	Marion September 19	Zanesville September 20
Dayton July 12 September 18 October 11	Massillon September 12	

PROVIDING LONG-TERM AWARENESS NOW

2007	Portsmouth September 28	Strongsville October 11
Independence December 5		
2008	Independence April 17, 2008	Strongsville June 18, 2008
Columbus (OPERS) March 12, 2008	Cincinnati East June 4, 2008	

2007 REMOTE COUNSELING SESSIONS

Chillicothe December 10 - 14	New Philadelphia September 24 - 28	Wickliffe July 23 - 27
Cincinnati (East) November 26 - 30	Elyria/Lorain August 6 - 10	Youngstown September 10 - 14
Cuyahoga Falls October 1 - 5	Perrysburg October 22 - 26	
Dayton (North) August 20 - 24	Strongsville November 5 - 9	

(calendar of seminars continued on page 7)

2007 calendar of educational seminars

(continued from page 6)

RETIREMENT AWARENESS PROGRAM

2007

Cincinnati (North) October 18	Cuyahoga Falls November 15	Mansfield October 25
Columbus (North) November 30	Independence December 6	Richfield September 6

2008

Athens May 1, 2008	Cincinnati (North) April 9, 2008	Dayton January 24, 2008
Canton May 15, 2008	Columbus (OPERS) February 13, 2008 March 13, 2008	Perrysburg March 27, 2008
Cincinnati (East) February 20, 2008 June 5, 2008	April 23, 2008 June 5, 2008	Strongsville January 16, 2008 June 19, 2008

RETIREMENT READINESS

2007

Cincinnati (North) October 19	Richfield September 7	Fremont* (Sandusky) November 9
Cuyahoga Falls November 16		

2008

Athens May 2, 2008	Cincinnati East February 21, 2008	Independence April 18, 2008
Canton May 16, 2008	Cincinnati North April 10, 2008	Perrysburg March 28, 2008
Columbus (OPERS) February 14, 2008 April 24, 2008 May 30, 2008	Dayton January 25, 2008 May 29, 2008	Strongsville January 17, 2008 June 20, 2008

*Due to venue renovations, originally planned to take place in Sandusky, this seminar will be held in nearby Fremont.

LAW ENFORCEMENT

2007

Independence August 30	Columbus (OPERS) September 13
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Ohio PERS retirement board

The 11-member Ohio PERS Retirement Board is responsible for the administration and management of Ohio PERS. Seven of the 11 members are elected by the groups that they represent (i.e., college and university non-teaching employees, state, county, municipal, and miscellaneous employees, and retired members); the Director of the Department of Administrative Services for the state of Ohio is a statutory member, and three members are investment experts appointed by the Governor, the Treasurer of State, and jointly by the Speaker of the Ohio House of Representatives and the President of the Ohio Senate.

Elected Board Members

Ronald C. Alexander
State Employees

Sharon M. Downs
Retired members

John W. Maurer
Retired members

Kimberly Russell
State College and University Employees

Cynthia Sledz
Vice Chair
Miscellaneous Employees

Ken Thomas
Chair
Municipal Employees

Helen Youngblood
County Employees

Statutory Board Member

Hugh Quill
Director, Department of Administrative Services

Appointed Board Members

Robert C. Smith
Investment Expert
Governor Appointee

Warren W. Tyler
Investment Expert
Treasurer of State
Appointee

James R. Tilling
Investment Expert
General Assembly
Appointee

Chris DeRose
Executive Director

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OPERS Investment news *(continued from page 5)*

Leading Edge Investment Advisors and Progress Investment Management Company, both of San Francisco, were selected from nine applicant firms to manage mandates of \$75 million and \$50 million, respectively, subject to successful negotiation of investment guidelines, terms and conditions.

When fully funded, OPERS' investments in minority-owned firms will total almost 1 percent of its externally managed public market assets.

Leading Edge, founded in 2005, specializes in the development and implementation of emerging manager programs across all asset classes.

Progress, founded in 1990, provides management of emerging manager programs in publicly and privately traded securities.

Ohio-Midwest Fund invests final \$5 Million in SFW Capital Partners

Credit Suisse and OPERS announced that the final \$5 million of the \$51 million regional program — the Ohio PERS/Credit Suisse Ohio-Midwest Fund — has been committed to SFW Capital Partners, which has offices in Rye, New York and Hudson, Ohio.

OPERS and Credit Suisse established the Ohio-Midwest Fund in 2005. It invests in high quality, private equity funds that focus, in whole or in part, on making investments in the Ohio and Midwest regions. Ohio PERS contributed \$50 million, with the remaining \$1 million contributed by Credit Suisse.

For more information about the Ohio-Midwest Fund, visit www.ohioinvestmentfund.com.