

# Ohio PERS NEWS

## YOUR BENEFIT CONNECTION

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

### Special health care section enclosed

### FOR YOUR BENEFIT:

**Enhancements to Member Benefits System (MBS) add security and convenience**

OPERS has recently made a number of changes to our Member Benefits System (MBS). These enhancements are designed to protect your personal information by increasing the security measures we already have in place and to provide a more user-friendly experience.

**User ID and e-mail address:** If you are an existing MBS user, you will be prompted to change your User ID (which

is currently your Social Security number) when you sign-in. If you are registering as a new user, you will be asked to create your own User ID, and six character personal identification number (PIN). New users will also be asked to provide an e-mail address as part of the registration process.

**Problems logging in:** If you forget your User ID or PIN, you will have a much more user-friendly experience after this enhancement. The security question you originally selected will be displayed so you will not have to remember which question you chose when you registered.

#### MBS allows you to securely and conveniently:

- Check your eligibility date for your next COLA increase
- View your current gross pension amount
- Change your beneficiary information
- Request your benefit payment history
- And this fall, you'll be able to utilize MBS for online health care open enrollment

Once you have answered the question you will be given the option to have your PIN sent to the e-mail address you provided during registration or by regular mail. For existing users who have not provided an e-mail address, the PIN will only be sent through regular mail.

**Masking of Social Security numbers:** All Social Security numbers will be masked in any place they are shown within MBS. For example: on the Personal Information, Family Information page, if you have supplied a spouse's or relative's Social Security number, we will display it as XXX-XX-1234 (only the last four digits of the number will be displayed).

**Member contact info:** The current "Web Profile" tab has been replaced with "My Contact Info." The My Contact Info tab is where you can update your address, phone numbers, and e-mail address.



MBS more secure and convenient

○ ○ ○ 1

Retirees to elect Board member

○ ○ ○ 2

ORSC receives health care report/  
HB 272 awaits vote

○ ○ ○ 2

### Special health care section

Health improvement program unveiled

○ ○ ○ 3

Disease management program announced

○ ○ ○ 4

2007 Open enrollment information

○ ○ ○ 5

Plan coverage changes for 2007

○ ○ ○ 5

Calendar of seminars

○ ○ ○ 7



*Ohio PERS NEWS – Your Benefit Connection* is a quarterly newsletter providing news and information to more than 150,000 age and service retirees, disability benefit recipients, and survivor benefit recipients of the Ohio Public Employees Retirement System. This publication allows us to communicate vital information concerning retirement benefits and health care coverage to our retirees and also educate them on the services we provide. *Ohio PERS NEWS* replaces our previous retiree newsletter, *Lifetime OPERTunities*.

**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.*

## 2006 Board Election

### **Retirees will elect one representative to OPERS Retirement Board in 2006**

Ohio PERS retirees will be electing one representative to the Retirement Board this year. The person who is elected will serve a four-year term beginning in January 2007.

The nomination process took place during June and July. Any retiree successfully meeting the nomination criteria was placed on an official ballot. Every effort is made to ensure that each candidate is given equal space and placement on the ballot. Ballots will be mailed and voting will take place during September. Retirees will have a choice between returning a paper ballot or voting via telephone using an interactive voice response system. All votes must be received by Friday, Sept. 29. The election count is scheduled for Monday, Oct. 2. The final results will be certified by the Secretary of State's office.

Please notify Ohio PERS if you have a change of address. In order for you to receive important mailings, such as board election ballots, we must have your current address on file.

## Legislative Update

### **Report on Health Care presented to Ohio Retirement Study Council (ORSC)**

In June, OPERS presented a 2005 Health Care Report to the Ohio Retirement Study Council (ORSC). This report provides a comprehensive picture of our efforts toward stabilizing and strengthening our health care program for the future. These efforts include our "active management" approach to current health care challenges, health care advocacy activities, and innovative cost containment strategies.



The report satisfies all statutory filing requirements and also serves as a comprehensive overview of the OPERS retiree health care program.

You can view the entire report by visiting [www.opers.org](http://www.opers.org) and accessing the Government Relations page under the "About OPERS" heading.

## OPERS UNVEILS HEALTH IMPROVEMENT PROGRAM

*OPERS is proud to be one of the first public sector health plan administrators in the nation to enact a program that recognizes our retirees for taking responsibility for their own health and, in turn, for the “financial health” of our health care plan.*

Based on extensive research and member input, OPERS is expanding our health care focus to prevention. The idea is simple - encourage every retiree to become a fully engaged health care consumer and provide assistance in preventing diseases or improving the current treatment. The objective is to find a solution that improves retirees' health while reducing OPERS health costs or risks. OPERS' health improvement program will utilize health risk assessments, health coaches, and financial incentives to recognize healthy behaviors and outcomes.

The health improvement program will annually reward pre-Medicare retirees for maintaining (or attaining) a healthy weight and for avoiding tobacco or completing a smoking cessation program. Retirees will also be able to earn additional financial incentives for attaining tailored goals. We will also introduce a unique program that will offer incentives and senior sensitive programming for Medicare-eligible retirees.

Please watch future newsletters and other correspondence for more details on the program and the registration process. OPERS plans to begin implementation during the first quarter of 2007.

### How and why OPERS developed a health improvement program for retirees

In 2005, OPERS completed an extensive survey of both retired and active members to determine the overall health of our membership. The data, unfortunately, mirrors Ohio and much of the Midwest in terms of risk factors that lead to debilitating and costly diseases. Approximately 70 percent of our membership is overweight or obese and between 10 percent and 12 percent admit to smoking. More importantly, insightful information was gained by confirming the majority of our membership is willing to make changes and take strides toward improving their health.

**Studies have repeatedly linked obesity, sedentary lifestyle, tobacco use, and poor nutrition to a higher likelihood of developing serious diseases later in life.** Healthy behaviors such as maintaining proper weight, getting adequate exercise, and avoiding tobacco have proven to mitigate existing diseases or reduce the risk of developing serious conditions.



*continued on next page*



## OPERS ANNOUNCES NEW DISEASE MANAGEMENT PROGRAM

OPERS recently announced a new partnership with LifeMasters Supported SelfCare, Inc., a leading provider of disease management programs and services in the nation.

With this partnership, OPERS retirees and their covered spouses under the age of 65 with diabetes, heart failure, coronary artery disease, chronic obstructive pulmonary disease, asthma and/or low back pain, have access to LifeMasters disease management services. LifeMasters disease management programs provide customized coaching, lifestyle-modification and support from an individually-assigned health coach. Participants learn to monitor their vital signs and symptoms to detect early changes in their health status. Program participants also receive supporting health education to encourage behavioral changes. Participants' personal physicians are alerted to significant changes in their patients' health so they can intervene early to avoid emergency room visits and hospitalizations.

Studies have shown that medical expenses incurred by individuals with a chronic illness account for a disproportionate share of health care expenditures. By keeping individuals healthy and following the best standards of care, preventable hospital admissions and emergency department visits are reduced along with the associated costs.

"LifeMasters fits OPERS' philosophy of helping our retirees stay healthy longer, thereby reducing health care costs associated with long-term chronic illness while adding to the quality of their lives," said Doug Foust, OPERS assistant director of health care. "We believe our partnership with LifeMasters will not only improve the health of our retirees with chronic illnesses but will provide us with the level of cost savings already seen among similar populations."

In conjunction with OPERS and our health care plan administrators, LifeMasters will be reaching out to those retirees and covered spouses under the age of 65 who are identified as individuals who would benefit from this program.

## HEALTH IMPROVEMENT PROGRAM

*continued from previous page*

### It is never too late to change an unhealthy behavior

According to Dr. Julie Gerberding, director of the Centers for Disease Control and Prevention in Atlanta, "The late 50s and early 60s are crucial ages for a person to focus on disease prevention."

During 2006, OPERS staff consulted nationally renowned experts and worked with staff from The Ohio State University to formulate a comprehensive health improvement and prevention program. The program borrows many of the same components used by private-sector health plan sponsors, including Fortune 100 companies, while tailored to the unique needs of Ohio's retired public employees.

A program like this is vital because OPERS spends over \$750 million dollars annually in nine disease categories representing over 75 percent of OPERS' health care costs. Of these expenditures only 5 percent is estimated to be spent on preventive services. The top three categories - including cardiovascular, diabetes and musculoskeletal - accounted for over \$400 million in health care expenditures in 2005. To further illustrate this magnitude, OPERS spends over \$700,000 per day on cardiovascular and diabetes care alone.

Again, please watch for correspondence providing more details and explaining the process of registering for this exciting new program.

### The high price of unhealthy choices

- The annual health care costs for obesity-related diseases in the United States increased from \$39 billion in 1993 to \$117 billion in 2000.
- In excess of \$75 billion dollars are spent annually for direct health care costs attributable to tobacco with another \$82 billion in indirect expenditures.
- It is estimated the 2005 smoking related health costs exceed \$4 billion in Ohio alone.

# 2007

## Health Care Open Enrollment

The OPERS health care coverage program will change as of Jan. 1, 2007. If you are eligible for coverage under the OPERS health care plan, you will receive a packet of open enrollment information in late September. The packet will contain an *Open Enrollment Guide* and, for the first time, a *Personalized Health Care Open Enrollment Statement*. This statement features a summary of your current coverage and your individual allowance amounts (see below) and coverage costs for 2007.

### The new health care program is different from the current one in two very important ways:

**1) The OPERS health care plan now features a choice between three levels of medical/pharmacy coverage through both Aetna and Medical Mutual - the *Enhanced Plan*, the *Intermediate Plan* and the *Basic Plan*.** Your open enrollment statement will show what your medical/pharmacy coverage costs will be under each of these plans, including what the cost of coverage will be for your spouse and/or children. The *Enhanced Plan* offers most comprehensive coverage. The *Intermediate* and *Basic Plans* feature a lower monthly cost, but also higher deductibles and co-pays. Vision and dental coverage will continue to be offered at an additional cost.

**2) You will receive a monthly allowance to be applied toward the monthly premium for your medical/pharmacy coverage.** As a current retiree, your allowance amount is based on the monthly cost for OPERS to provide you with medical/pharmacy coverage at the *Enhanced Plan* level. If you choose the *Intermediate* or *Basic Plan*, the remainder of your allowance can be applied toward your vision and/or dental coverage or be applied toward a dependent's premium. If your choice of medical/pharmacy, vision, and/or dental coverage options for you and your covered family members exceeds your monthly allowance amount, the difference will be deducted from your monthly benefit check. If your monthly allowance exceeds the cost of the coverage options you select, the remainder of your allowance will be deposited into a Retiree Medical Account (RMA) for you to use on future health care expenses.

Your eligible family members who are enrolled in the medical/pharmacy plan will also receive an allowance based on your years of service credit. Depending on the years of service on your account, you may see a gradual increase in the amount you are charged for dependent coverage. *Only those enrolled in medical/pharmacy coverage will receive an allowance.*

## OPERS HEALTH CARE PROGRAM COVERAGE CHANGES FOR 2007

- Bone-density testing, used to screen for osteoporosis, will be covered at 100 percent under all three plans.
- The coverage for a routine physical exam has been increased to \$100 per year under all three plans.
- Prescription drugs under the *Enhanced Plan* will cost \$5 for a generic drug, \$10 for a formulary drug, and \$25 for a non-formulary drug at retail pharmacies. Retail purchases may be made for up to a 30-day supply. In 2007, mail order (90-day supply) co-pays will be \$15 for a generic drug, \$30 for a formulary drug, and \$75 for a non-formulary drug. Your Open Enrollment Guide will include prescription drug coverage details under the *Intermediate* and *Basic Plans*.
- Hearing aids will no longer be covered under any of the three plans.
- The annual deductible under the *Enhanced Plan* (the plan choice most like the 2006 plan) has been increased to \$250 and the out-of-pocket maximum will be \$850.
- A new income-based discount program is being implemented for persons with a household income below 150% of the poverty level. For example, a single person with an annual income below \$14,355.00 in 2005 would qualify for this discount.

## EAT UP TO SLIM DOWN

If you're trying to lose weight, for heaven's sake don't starve. Instead, change what -- not how much -- you eat, so you walk away from a meal feeling full, not frustrated. Instead of a big bowl of spicy chili, have an equally big bowl of zesty gazpacho; instead of a wedge of berry pie, have a whole pint of juicy strawberries. In other words, cut calories and fat, not portions. It works, say scientists.

*Published Aug. 9, 2006 by RealAge.com*

## PLAN TO ATTEND ONE OF OUR OPEN ENROLLMENT INFORMATION SESSIONS

**Call 1-800-222-7377 to make your reservation. Space is limited.**

*Each session will consist of a formal presentation followed by a question and answer period. The venue phone numbers are included only for the purpose of obtaining directions. If you have questions about the seminar or would like to make a reservation, please contact OPERS directly at the number listed above.*

### **Akron**

Tuesday, 10/24/2006  
10:00 a.m.  
Holiday Inn Akron West - Fairlawn  
4073 Medina Road  
Akron, Ohio 44333 (330) 666-4131

### **Cambridge**

Thursday, 10/26/06  
10:00 a.m.  
Pritchard Laughlin Civic Center  
7033 Glenn Highway  
Cambridge, Ohio 43725 (740) 439-7009

### **Canton**

Tuesday, 10/24/2006  
2:00 p.m.  
Canton Marriott McKinley Grand Hotel  
320 Market Avenue South  
Canton, Ohio 44702 (330) 580-5822

### **Chillicothe**

Wednesday, 10/18/2006  
2:00 p.m.  
Christopher Conference Center  
20 North Plaza Blvd.  
Chillicothe, Ohio 45601 (740) 775-3500

### **Cincinnati**

Tuesday, 10/24/2006  
10:00 a.m. & 2:00 p.m.  
Sharonville Convention Center  
11355 Chester Road  
Cincinnati, Ohio 45246 (513) 771-7744

### **Cleveland**

Wednesday, 10/11/2006  
1:00 p.m.  
Holiday Inn Select - Strongsville  
15471 Royalton Road  
Strongsville, Ohio 44136 (440) 238-8800

Thursday, 10/12/2006  
2:00 p.m.

Holiday Inn Independence  
6001 Rockside Road  
Independence, Ohio 44131 (216) 524-8050

### **Columbus**

Tuesday, 10/10/2006 & Monday, 10/30/2006  
10:00 a.m.  
OPERS Auditorium  
277 East Town Street  
Columbus, Ohio 43215 (800) 222-7377

### **Dayton**

Tuesday, 10/17/2006  
10:00 a.m.  
Holiday Inn Dayton Mall  
31 Prestige Plaza Drive  
Miamisburg, Ohio 45342 (937) 434-8030

### **Lima**

Tuesday, 10/17/2006  
11:00 a.m.  
Holiday Inn Lima  
1920 Roschman Avenue  
Lima, Ohio 45804 (419) 222-0004

### **Mansfield**

Wednesday, 10/25/2006  
10:00 a.m.  
Holiday Inn Hotel and Suites  
116 Park Avenue West  
Mansfield, Ohio 44902 (419) 525-6000

### **Marion**

Friday, 10/6/2006  
10:00 a.m.  
Marion Public Library  
445 East Church Street  
Marion, Ohio 43302 (740) 387-0992

### **Marysville**

Wednesday, 10/4/2006  
2:00 p.m.  
Union County Service Building  
940 London Avenue  
Marysville, Ohio 43040 (419) 674-1826

### **Mentor**

Thursday, 10/12/2006  
9:00 a.m.  
Holiday Inn Express LaMalfa  
5783 Heisley Road  
Mentor, Ohio 44060 (440) 357-0384

### **Portsmouth**

Thursday, 10/19/2006  
11:00 a.m.  
Shawnee State University  
940 Second Street  
Portsmouth, Ohio 45662 (740) 351-3217

### **Sandusky**

Wednesday, 10/11/2006  
11:00 a.m.  
Holiday Inn Sandusky  
5513 Milan Road (U.S. Rt. 250)  
Sandusky, Ohio 44870 (419) 626-6671

### **Springfield**

Thursday, 10/12/2006  
10:00 a.m.  
Library Resource Center  
Leffel Lane Campus of Clark State  
570 East Leffel Lane  
Community Room 209  
Springfield, Ohio 45501 (937) 328-6066

### **Steubenville**

Wednesday, 10/25/2006  
2:00 p.m.  
Holiday Inn Steubenville  
1401 University Blvd.  
Steubenville, Ohio 43952 (740) 439-7009

### **Toledo**

Wednesday, 10/18/2006  
10:00 a.m. and 1:30 p.m.  
Holiday Inn French Quarter  
10630 Fremont Pike  
Perrysburg, Ohio 43551 (419) 874-3111

### **Youngstown**

Thursday, 10/19/2006  
11:00 a.m.  
Holiday Inn Metroplex  
1620 Motor Inn Drive  
Girard, Ohio 44420 (330) 759-0606

# 2006/2007 calendar of educational seminars

Please call 1-800-222-7377 to register for any seminar.

**RETIREE SEMINAR** - This two- to three-hour seminar, designed exclusively for OPERS retirees, focuses on reviewing your OPERS pension and health care coverage and preserving your wealth. Topics range from taxation of your pension benefits and re-employment to health care coverage, and financial/estate planning. A continental breakfast will be provided.

There is no cost to attend this seminar and you may bring a guest. Just be sure to register your guest's name when you enroll yourself. To register for any of the dates listed below, please call us at 1-800-222-7377.

## RETIREE SEMINAR

2006	2007	
<b>Dayton</b> November 3	<b>Canton</b> April 25	<b>Cuyahoga Falls</b> January 24
	<b>Cincinnati (East)</b> February 21	<b>Eastlake</b> June 27
	<b>Cincinnati (North)</b> April 4 June 20	<b>Independence</b> March 21
	<b>Columbus (OPERS)</b> January 31 April 25 May 17 June 6	<b>Perrysburg</b> April 11 June 13
		<b>Richfield</b> May 16
		<b>Strongsville</b> February 7

**REMOTE COUNSELING SESSIONS** - If you live outside the Columbus area and wish to discuss your retirement with a benefits counselor, you can schedule a remote counseling session.

Counseling sessions are also available by phone. Call 1-800-222-7377 to make an appointment.

## REMOTE COUNSELING SESSIONS (2006)

<b>Chillicothe</b> December 4 - 8	<b>Perrysburg</b> Oct.30 - Nov. 3
--------------------------------------	--------------------------------------

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**  
Chair  
State Employees

**Sharon M. Downs**  
Vice Chair  
Retired members

**John W. Maurer**  
Retired members

**Cynthia Sledz**  
Miscellaneous  
Employees

**Helen Youngblood**  
County Employees

**Ken Thomas**  
Municipal Employees

**Charlie Adkins**  
State College and  
University Employees

### Statutory Board Member

**Carol Nolan Drake**  
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

**Blake W. Sherry**  
Interim Executive  
Director



Ohio Public Employees  
Retirement System

277 East Town Street Columbus, OH 43215-4642

Printed in Ohio on paper with a 10% post-consumer content

## Legislative Update *continued from page 2*

### Update on House Bill 272

In May, the House Financial Institutions, Real Estate and Securities committee completed its seventh hearing on House Bill 272 (Rep. Schneider, R-Cincinnati). The bill contains a number of provisions designed to improve the System's funded status and provide additional savings opportunities for members. During the course of the hearings, committee members requested information on a number of the bill's provisions, including two provisions that would directly impact our employers—an increase in the minimum monthly earnable salary required to earn full-time OPERS service credit and the remittance of employer retirement contributions on a monthly (rather than quarterly) basis. After accepting a substitute version of the bill, which contained changes reviewed and approved by the Ohio Retirement Study Council, the bill was further amended by the committee to remove the minimum earnable salary provision.

Due to the busy session days throughout May, HB 272 was not voted out of committee before the General Assembly adjourned for the summer.

### 2007 HEALTH CARE SEMINARS

Ohio PERS offers a seminar for active and retired Traditional Pension Plan and Combined Plan members that explains changes to the Ohio PERS health care plan set to begin in 2007. Each session starts at 10 a.m. and will last two hours. Space is limited. Please call 1-800-222-7377 to make your reservation for one of the seminars listed below.

#### Athens

June 11

#### Independence

April 30

#### Columbus (OPERS)

January 22

March 5

May 14

#### Perrysburg

January 29

April 16

#### Strongsville

February 12

#### Dayton

February 26





# Summary Report

For The Years Ended  
December 31, 2005 & 2004

## From the OPERS Executive and Finance Directors

We're pleased to present this summary of the Comprehensive Annual Financial Report (Annual Report) for the Ohio Public Employees Retirement System (OPERS or System) for the fiscal years ending December 31, 2005 and 2004. We are proud of OPERS' achievements during the year 2005, and we will continue to strive to improve customer service to our members and benefit recipients in the future. As in the past, 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 709,000 members, and provides more than 151,000 retirees and surviving beneficiaries with monthly benefits. In addition, the System currently works with more than 3,700 public employers. As of December 31, 2005, OPERS managed an asset base of almost \$70 billion, an increase of \$4.4 billion, or 6.77%, from the \$65.2 billion asset base reported at year-end 2004.

### 2005 Year in Review: Accomplishments and Initiatives

OPERS was established and exists solely for the purpose of providing retirement, disability and survivor benefits to Ohio's public employees. This purpose continues to be our central focus, as demonstrated by the accomplishments and initiatives of 2005—a year during which the priorities established in the first part of the decade continued to be the overriding focus. The targeted priorities against which all activities are measured include:

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

During 2005, significant strides were taken toward attaining our stated goals:

### Funded Status

Simply put, the funded status measures OPERS' progress toward accumulating the funds necessary to meet future pension obligations. Ideally, OPERS targets a funding status of 90-95%. Although OPERS enjoyed a brief period of being fully funded in the 1990s, that fully-funded status was eroded

during the market downturns of 2000-2002. However, as of the date of OPERS' most current valuation (December 31, 2004), OPERS' funded status was 87.6%—an improvement over the last valuation (December 31, 2003) which marked OPERS' funded ratio at 85%. In general, this means that for every dollar of future pension liability, OPERS has accumulated almost \$0.88 to meet that obligation.

To continue improving the System's funded status, investment returns must be generated and expenses must be controlled so that the System can meet future obligations.

- Regarding the generation of income, the OPERS investment portfolio returned 9.03%, and added \$4.5 billion to assets in 2005. These returns were excellent, and well above the actuarial target rate of 8%.
- Regarding the controlling of expenses, in 2005, at the ongoing direction of the Retirement Board, management and staff worked together to identify and implement a variety of cost-savings initiatives. This resulted in the administrative expenses coming in under budget by \$3.9 million, or 4.4% by year end.

### Health Care

Significant work was accomplished in 2005 to implement the Health Care Preservation Plan (HCPP), approved by the Retirement Board in 2004. Health care benefits are neither guaranteed nor mandated by statute (except for Medicare Part B reimbursement and Medicare Part A equivalent coverage for non-Medicare eligible retirees and their spouses and dependents). However, the Retirement Board and staff recognize the importance of post-retirement health care coverage for members and, by approving the HCPP, have decisively moved to help ensure that health care benefits can be provided, to the extent that funds are available, well into the future.

Throughout 2005, OPERS management and staff worked to smoothly and effectively implement the changes outlined by the HCPP. The HCPP's goal is for OPERS to have reserves set aside to fund between 15-25 years of future health care expenditures. Currently, OPERS has funds set aside

to adequately fund 17 years of health care. This target solvency figure is aggressive, but doable—even with the current estimate that \$50 million of savings is required to add a year of solvency.

Efforts to extend the solvency period of the Health Care Fund and reduce overall health care costs will continue. During 2005, the System enrolled in the Medicare D subsidy program. The anticipated savings of approximately \$50 million from participating in this program is expected to add a year of solvency to the Health Care Fund. Finally OPERS continues to explore other savings opportunities, such as wellness initiatives and reimbursing for less-expensive alternatives to some of the higher cost drugs.

The Retirement Board has directed staff to never forget that people—our members—are what make up the statistics. To that end, new initiatives will continue to be implemented to reward and support members for becoming better, more informed, health care and benefit consumers.

### Member Service Initiatives

At the ongoing direction of, and with input from, the Retirement Board, OPERS management establishes annual strategic plans to ensure all organizational activities are cost effective and customer-service oriented.

Many initiatives completed in 2005 will enable OPERS to continue to exceed customer service standards, even though the number of members and retirees is expected to grow rapidly over the next 40 years, peaking at more than 360,000 benefit recipients in 2043.

Just as the applied use of information technology will allow OPERS to control administrative expenses, an ongoing focus on operational efficiency will allow the System to provide outstanding customer service to the escalating number of members and retirees. OPERS has targeted the use of enhanced information technology and combining that technology with user-friendly access and communications to enable members and benefit recipients to better make important, timely, financial decisions with all information available on demand.

### Impact of Legislation

Traditionally, OPERS has had strong and effective working relationships with federal, state and local lawmakers—the activities of 2005 continued to build on that tradition.

OPERS has worked diligently, and collaboratively, to ensure that the position of pension systems has been heard at both the federal and state levels on health care issues. Because of strong advocacy efforts, public sector pension plans that were originally excluded from the Medicare Part D drug reimbursement plan were included in the final legislation. This means that beginning in 2006, OPERS is to use the new federal program to offset a portion of prescription drug costs. As noted, estimates indicate an annual potential savings of approximately \$50 million, and would help extend the solvency period of the OPERS Health Care Fund by a year.

### Legislative and Advocacy Focus for 2006

At both the federal and state levels, OPERS will continue to pursue a number of important legislative initiatives that would have a positive impact on the funded status of the System, while improving member benefits.

With three strong years of investment returns and controlled administrative expenses to report, this Annual Report that details the activities and results of 2005 is especially encouraging. We will continue our efforts to work to provide all members with a secure retirement.

Respectfully submitted,

*Laurie Fiori Hacking*      *Karen E. Carraher*

LAURIE FIORI HACKING\*  
Executive Director

KAREN E. CARRAHER, CPA  
Director—Finance



**KAREN E. CARRAHER, CPA**  
Director—Finance

**LAURIE FIORI HACKING**  
Executive Director

\*At the time of the preparation of this annual report, Executive Director Laurie Fiori Hacking announced her resignation from OPERS. As executive director for the time period covered by this Annual Report, the Letter of Transmittal is over her signature. The Retirement Board named Blake W. Sherry as interim executive director. Mr. Sherry has also reviewed and approved this document.



# Financial Section Highlights

The collection of employer and employee contributions, as well as income from investments, provides the reserves needed to finance retirement benefits.

- As mentioned previously, investments in 2005 returned 9.0%, and added \$5.7 billion to assets—the third consecutive year of positive returns since the market decline of 2000-2002. These figures are impressive in the face of a volatile U.S. equity market, rising oil prices and an essentially flat non-U.S. equity market.
- Expenses for fiscal year 2005 totaled \$4.05 billion, an increase of 9.7% over 2004. The increase is primarily due to an increase in the number of benefit recipients. The number of benefit recipients increased to 151,758 or 3.3% from the 146,966 figure for 2004. In addition, as

anticipated, there was an increase in retiree health care expenses to almost \$1.1 billion, a 12.7% increase. This increase is attributed to health care inflation and an increase in the number of covered lives.

- The System's actuarial pension liabilities are 87.6% funded and the accrued unfunded actuarial liability will be funded or amortized in 27 years under accounting standards, well within the required 30-year limit required by law. In general, this means that for each dollar's worth of future pension liability, OPERS has accumulated nearly \$0.88 to meet that obligation. This represents an improvement in the funding status of the pension liability over that of the preceding year. In comparison to the previous year, OPERS' funded ratio was 85.3%, with a funding period of 29 years.



## Net Assets

As of December 31, 2005, 2004, and 2003

	2005	2004	2003	Amount Increase/ (Decrease) from 2004 to 2005	Percent Increase/ (Decrease) from 2004 to 2005
Current and Other Assets	\$ 840,574,773	\$ 769,538,137	\$ 715,624,089	\$ 71,036,636	9.2%
Cash and Investments at Fair Value	80,279,862,945	73,568,348,371	63,823,372,963	6,711,514,574	9.1
Net Capital Assets	120,588,673	120,989,855	126,842,607	(401,182)	(0.3)
Total Assets	81,241,026,391	74,458,876,363	64,665,839,659	6,782,150,028	9.1
Total Liabilities	11,590,719,815	9,210,425,507	5,568,164,675	2,380,294,308	25.8
<b>Net Assets, End of Year</b>	<b>\$69,650,306,576</b>	<b>\$65,248,450,856</b>	<b>\$59,097,674,984</b>	<b>\$4,401,855,720</b>	<b>6.7%</b>
Net Assets, Beginning of Year	65,248,450,856	59,097,674,984	47,986,297,065	6,150,775,872	10.4
Net Increases in Net Assets	4,401,855,720	6,150,775,872	11,111,377,919	(1,748,920,152)	(28.4)

*Financial Section Highlights continued on page 4*



# Financial Section Highlights, *continued*

## △ Additions to Fiduciary Net Assets (Revenues)

For the years ended December 31, 2005, 2004, and 2003

	2005	2004	2003	Amount Increase/ (Decrease) from 2004 to 2005	Percent Increase/ (Decrease) from 2004 to 2005
Member Contributions	\$1,054,037,704	\$1,041,342,350	\$ 1,023,394,823	\$ 12,695,354	1.2 %
Employer Contributions	1,653,257,139	1,606,120,209	1,626,778,671	47,136,930	2.9
Net Income from Investing Activities	5,740,076,574	7,192,406,571	11,868,086,475	(1,452,329,997)	(20.2)
Other Income, Net	980,539	(107,798)	411,093	1,088,337	(1,009.6)
<b>Total Additions</b>	<b>\$8,448,351,956</b>	<b>\$9,839,761,332</b>	<b>\$14,518,671,062</b>	<b>\$(1,391,409,376)</b>	<b>(14.1)%</b>

## △ Deductions in Fiduciary Net Assets (Expenses)

For the years ended December 31, 2005, 2004, and 2003

	2005	2004	2003	Amount Increase/ (Decrease) from 2004 to 2005	Percent Increase/ (Decrease) from 2004 to 2005
Benefits	\$3,764,595,257	\$3,417,516,226	\$3,144,246,755	\$347,079,031	10.2%
Refunds	220,236,000	209,777,972	193,209,598	10,458,028	5.0
Administrative Expenses	61,664,979	61,691,260	69,836,790	(26,281)	0.0
<b>Total Deductions</b>	<b>\$4,046,496,236</b>	<b>\$3,688,985,458</b>	<b>\$3,407,293,143</b>	<b>\$357,510,778</b>	<b>9.7%</b>

## △ Schedule of Funding Progress\* (Traditional and Combined Plans)

(\$ in Millions)

Valuation Year	Actuarial Accrued Liabilities (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liabilities (UAAL)	Ratio of Assets to AAL	Active Member Payroll	UAAL as of % of Active Member Payroll
2003	54,774	46,746	8,028	85	11,165	72
2004	57,604	50,452	7,152	88	11,454	62

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

\*\* Valuation assets were in excess of AAL.



The Retirement Board has recommended, implemented and adhered to an asset allocation strategy that has helped OPERS weather market downturns and positively positioned OPERS to take advantage of strong markets. Here are the highlights for 2005:

- Investments in 2005 returned 9.0%—the third consecutive year of positive returns since the market decline of 2000-2002.
- The entire OPERS fund is divided into a pension fund (Defined Benefit and Defined Contribution Funds) and Health Care Fund. At the end of 2005, the Defined Benefit Fund totaled \$57.2 billion, with an absolute return of 9.25%. The Health Care Fund totaled \$11.8 billion, and experienced a return of 8%. Both funds significantly outperformed benchmark funds. The Defined Contribution Fund's investments results are determined by the investment decisions of the individual participants and, as such, have no corresponding benchmark. The Defined Contribution Fund totaled \$118 million, and experienced a return of 6.9% in 2005.
- The annualized rate of return for the total plan (Defined Benefit and Defined Contribution plans combined) over the past three years was 15.4%, and 5.6% over the past five years.



## Total Investments Summary

As of December 31, 2005

	2005		2004	
	Fair Value	Percentage of Total Fair Value	Fair Value	Percentage of Total Fair Value
<b>Global Bonds:</b>				
Government and Agencies	\$ 5,690,793,956	8.2%	\$ 3,874,375,984	5.9%
Corporate Bonds	5,795,257,289	8.4	5,356,925,572	8.2
Mortgage & Mortgage Backed	6,877,339,556	9.9	5,247,742,249	8.0
<b>Total Global Bonds</b>	<b>\$18,363,390,801</b>	<b>26.5%</b>	<b>\$14,479,043,805</b>	<b>22.1%</b>
<b>Common Stock</b>	30,486,097,151	44.1	31,120,287,726	47.6
<b>Real Estate</b>	4,636,087,423	6.7	3,496,273,744	5.3
<b>Private Equities</b>	738,008,316	1.1	388,148,365	0.6
<b>International</b>	14,002,316,402	20.2	14,855,222,270	22.7
<b>Total Long-term Investments</b>	<b>\$68,225,900,093</b>	<b>98.6%</b>	<b>\$64,338,975,910</b>	<b>98.3%</b>
<b>Short-term Investments:</b>				
Cash	\$ 24,935,192	0.1%	\$ 42,758,103	0.1
Commercial Paper	167,901,582	0.2	399,736,719	0.6
U.S. Treasury Obligations	590,523,287	0.8	275,131,372	0.4
Short-term Investment Funds (STIF)	182,622,180	0.3	367,144,032	0.6
<b>Total Cash and Short-term Investments</b>	<b>\$965,982,241</b>	<b>1.4%</b>	<b>\$1,084,770,226</b>	<b>1.7%</b>
<b>Total Cash &amp; Investments</b>	<b>\$69,191,882,334</b>	<b>100.0%</b>	<b>\$65,423,746,136</b>	<b>100.0%</b>

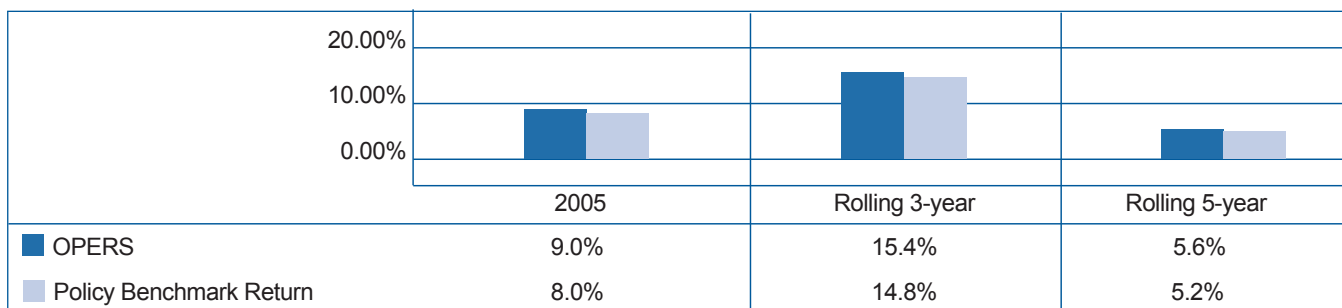
*Investments Section Highlights continued on page 6*



# Investments Section Highlights, *continued*

## OPERS Total Investments Returns • Annual Rates of Return

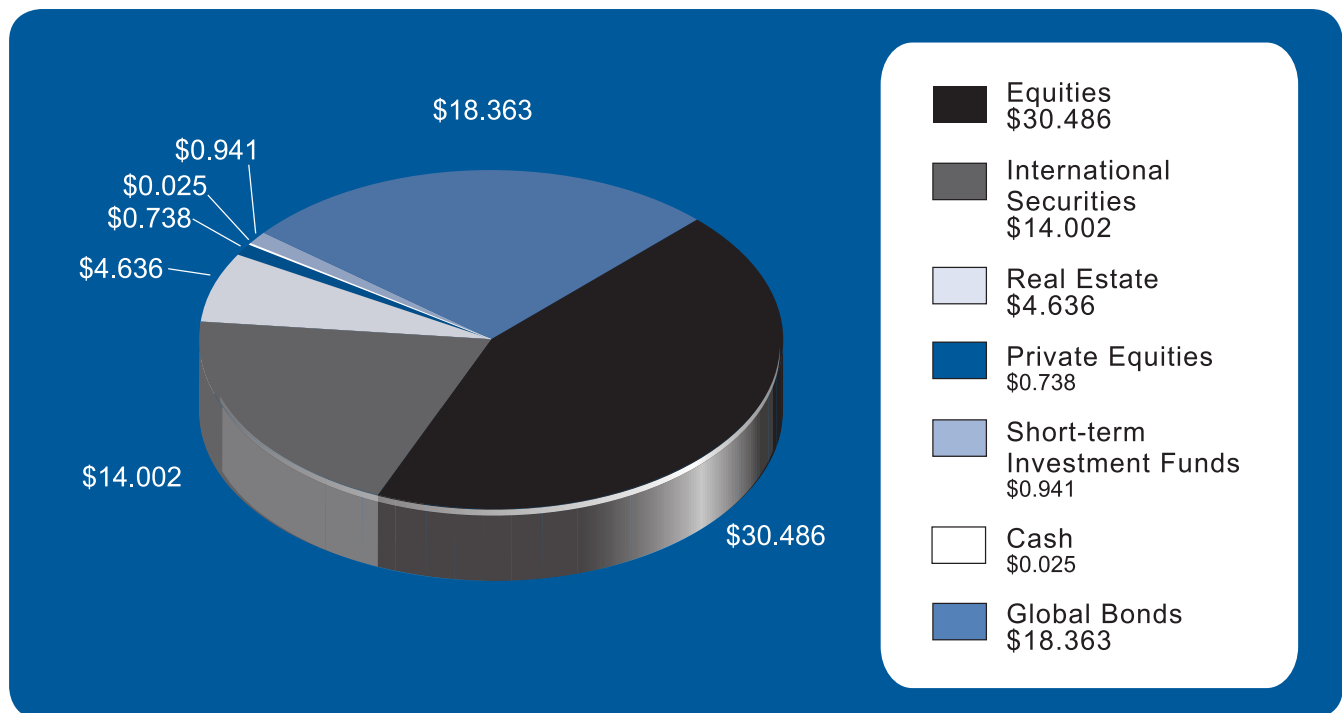
Annual rates of return\*



\* The total return is the combined result of the returns generated by defined benefit, health care and defined contribution investments. The composite policy benchmark is derived by a market value weighted combination of the defined benefit, health care and defined contribution investments 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 expense and stamp duties and taxes spent on foreign securities. In addition, the securities lending money market returns are net of custodial fees, transfer agent expense and professional fees.

## 2005 Total Asset Allocation

As of December 31, 2005



The pie chart above shows the OPERS total portfolio based on the value of each asset class. The portfolio value includes market value and excludes accruals for investment receivables and commitments payable.



## Member Count

### All Plans

Year end	Total Active	Inactive	Total
2001	411,076	224,677	635,753
2002	402,041	255,528	657,569
2003*	368,996	302,546	671,542
2004	375,076	313,248	688,324
2005	381,413	327,864	709,277

\* Effective 2003, members actively contributing under more than one employer code are counted only once.

### Traditional Plan

Year end	Total Active	Inactive	Total
2001	411,076	224,677	635,753
2002	402,041	255,528	657,569
2003*	361,704	302,221	663,925
2004	366,470	312,480	678,950
2005	371,148	326,528	697,676

\* Effective 2003, members actively contributing under more than one employer code are counted only once.

### Combined Plan

Year end	Total Active	Inactive	Total
2003	3,590	92	3,682
2004	4,223	232	4,455
2005	5,026	414	5,440

### Member-Directed Plan

Year end	Total Active	Inactive	Total
2003	3,702	233	3,935
2004	4,383	536	4,919
2005	5,239	922	6,161

Statistical Section Highlights continued on page 8



## Number of Benefit Recipients by Category

### Traditional Plan Only\*

Year-end	Annuities	Disabilities	Survivors	Total
2001	105,876	16,727	12,166	134,769
2002	109,565	17,809	12,291	139,665
2003	112,247	18,859	12,537	143,643
2004	114,698	19,758	12,510	146,966
2005	118,099	20,732	12,927	151,758

\*There have been no retirement benefits paid in the Combined or Member-Directed plans.

## Number of Employer Units

### All Plans\*

Year	State	County	Law Enforcement	Municipalities	Villages	Miscellaneous	Libraries	Townships	Totals
2001	266	239	255	258	665	442	256	1,309	3,690
2002	263	237	251	256	671	450	256	1,312	3,696
2003	268	239	247	255	673	450	257	1,313	3,702
2004	268	240	241	255	672	456	256	1,314	3,702
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. The number of employers reporting at December 31, 2005 was 3259.



## 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 money received. A complete *Comprehensive Annual Financial Report* can be accessed online at [www.opers.org](http://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 E. Town St.  
Columbus, OH 43215



## RETIREMENT Board

**Ronald C. Alexander, Chair**  
Representative for State Employees

**Sharon M. Downs, Vice Chair**  
Representative for Retirees

**Ken Thomas**  
Representative for Municipal Employees

**Charlie Adkins**  
Representative for Non-teaching  
College/University Employees

**John W. Maurer**  
Representative for Retirees

**Cynthia Sledz**  
Representative for Miscellaneous Employees

**Helen Youngblood**  
Representative for County Employees

**Carol Nolan Drake**  
Director, Dept.  
of Administrative Services

**Robert C. Smith**  
Governor Appointed Investment Expert

**Warren W. Tyler**  
Treasurer Appointed Investment Expert

**Blake W. Sherry**  
Interim Executive Director