

Ohio PERS NEWS

YOUR BENEFIT CONNECTION

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

For your benefit OPERS launches new Web site and e-newsletter

OPERS is excited to announce the launch of a new and more robust Web

site and for a particular document type.

site. The new site can be accessed at our 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. As a result, 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

that allows you to search not only by keyword but also within specific sections of



For your benefit

First 2008 benefit payment scheduled for Jan. 2

OPERS enforces strict data protection policy

OPERS launches *Healthy Living Healthy Retirement*

2008 open enrollment slated for October

Summary Annual Report

New for 2008 - The Aetna Medicare Open Plan

Legislative update

2007-2008 calendar of seminars



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.

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.

First 2008 benefit payment scheduled for Jan. 2

Retirees can expect their first benefit payment in 2008 to be issued (deposited) on Wednesday, Jan. 2, 2008. In past years, we distributed benefit payments for Jan. 1 (New Years Day) on the last business day of December. Beginning in 2008, we will discontinue this practice and begin distributing the Jan. 1 benefit payment on the first business day of the new year. This change was made for tax accounting purposes and only affects the first payment of each year.

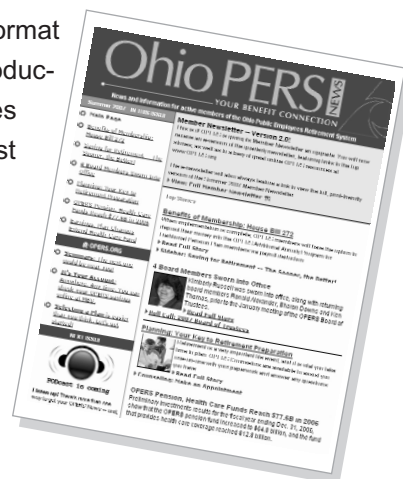
All other payments throughout the year will be issued on the first day of the month unless the first falls on a weekend or holiday. If the first falls on a weekend or holiday, payments will be issued on the last business day of the previous month. Again, the change described here will only affect the first payment made in January of each year.

For your benefit

(continued from page 1)

OPERS introduces e-newsletter - Beginning with this issue, retirees who have opted not to receive a printed newsletter will receive an interactive e-newsletter via e-mail. Since late last year, retirees 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, retirees can read headlines and the first few sentences of each article 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.



OPERS investment news

Ohio PERS Expands Ohio-Midwest Fund Program, Bringing Total Investment Capital to \$102 Million

OPERS recently announced the expansion of our regional investment program – Ohio PERS/Credit Suisse Ohio-Midwest Fund – by doubling the capital initially invested in the fund when it launched in 2005. Managed by Credit Suisse's Customized Fund Investment Group, the fund now totals \$102 million, with \$51 million of that money currently invested in eight private equity funds, all of which have strong economic ties to Ohio and the Midwest region.

"The expansion of the Ohio-Midwest Fund is a testament to the success we've experienced with the program to date," said Greg Uebele, senior investment officer-external management, OPERS. "We're pleased with the results the fund has generated thus far – more than \$40 million has already been invested in Ohio companies, which has impacted over 1,450 local jobs. Ohio PERS made the strategic decision to expand the program, and we look forward to the positive impact and returns of investing more capital in our state and region."

OPERS and Credit Suisse established the Ohio-Midwest Fund in 2005. It is a fund-of-funds that 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 \$100 million, with Credit Suisse contributing approximately \$2 million. For more information about the Ohio-Midwest Fund, visit www.ohioinvestmentfund.com.

OPERS enforces strict data protection policy

In light of recent media attention surrounding data security issues and the theft of personal data, OPERS continues to enforce our own stringent data protection policy. The policy encompasses internal data as well as member-accessible information.

OPERS provides retirees the ability to electronically access personal account information through the secure Member Benefits System (MBS). Retirees utilizing these online resources are required to establish unique user IDs and password combinations. In addition, data accessed and viewed while using MBS is done so through a secure socket layer (SSL), which helps to protect the sensitive information.

Information transmitted from OPERS is protected in a number of ways as well. Policy calls for all data leaving the OPERS building to be encrypted, including mainframe backup tapes and server back up tapes (by year's end).

Additionally, OPERS associates are required to encrypt e-mail messages to external recipients.

All data kept electronically by OPERS is backed up and then relocated from the premises by a professional data security service.

OPERS also employs policies to protect our retirees from other non-electronic forms of data theft. Without proper authorization, your personal and OPERS account information cannot be shared with anyone by mail or over the phone. If you want OPERS to provide your account information to another person in writing (such as a bank or financial advisor), you must complete an *Authorization for Release of Account Information* form. This form is available on our Web site, www.opers.org.

OPERS launches wellness program – *Healthy Living Healthy Retirement*

This fall, OPERS will begin the implementation of our new wellness incentive program, *Healthy Living Healthy Retirement*. At this time, all retirees who are participating in the OPERS health care plan and are not yet eligible for Medicare can choose to participate. Their covered spouses are also eligible to participate as long as they are not yet eligible for Medicare.

We have partnered with Gordian Health Solutions, Inc. to administer *Healthy Living Healthy Retirement*. Retirees eligible to participate will soon receive both a postcard announcing the program and an enrollment packet. The enrollment packet will contain a Personal Health Analysis (PHA) questionnaire. The PHA will help Gordian to identify areas where a retiree's health may be at risk and allow them to design an individualized wellness plan. The PHA may be completed and

returned to Gordian by mail or be completed and submitted online. Please complete the PHA within 60 days of receiving the enrollment materials. The results of the PHA and all records of program progress will be kept completely confidential. Once a PHA is submitted, Gordian will

Healthy lifestyle choices have been proven to help hold down health care costs.

evaluate the results, identify any health risks and send a letter explaining the findings. If a health risk is identified, the letter will contain instructions inviting the retiree to contact a health coach to officially enroll and formulate a custom wellness plan.

Health coaches will provide direction

and support to participants, helping them to set attainable goals. Participants will also receive educational materials in the mail. At the successful completion of a program, participating retirees will receive \$100 in the form of a Retiree Medical Account (RMA) deposit.

The goal of our *Healthy Living Healthy Retirement* program is to reward retirees covered by our health care plan for making a positive lifestyle change or maintaining a healthy habit. Healthy lifestyle choices have been proven to help hold down health care costs. Everyone is a winner with this program – retirees will enjoy a better quality of life during retirement, and OPERS should see a positive impact on our health care fund over time.

2008 health care open enrollment slated for October

The open enrollment period for the OPERS health care plan will run from October 1 through Nov. 2, 2007. You will receive your open enrollment materials (*Personalized Health Care Open Enrollment Statement* and *2008 Open Enrollment Guide*) in late September. With the exception of those participating in an alternate plan (Kaiser or AultCare), there will be no significant premium increases or benefit level changes. In fact, some rates and co-pays will actually decrease in 2008.

We would like to thank retirees participating in our health care plan for heeding the suggestions we have offered and for becoming careful health care consumers. In 2007, we saw an increase in the use of generic and over-the-counter medications as well as a decrease in the use of emergency room services. These practices and others like them have helped us to keep health care costs down.

A few significant items for open enrollment 2008 include:

- No deductible or co-pay changes for the medical coverage under the OPERS health care plan (Aetna and Medical Mutual)
- Under the Enhanced Plan, generic prescription drug co-pays will be decreasing from \$5 to \$3 for a 30-day supply while the co-pay for formulary brand drugs will increase from \$10 to \$15 for a 30-day supply. Prices for a 90-day supply remain at 3 times the 30-day supply price.
- The addition of the Aetna Medicare Open Plan (see article on page 5 for details)
- Kaiser HMO and AultCare PPO plan rates have increased 3 percent and 2.7 percent respectively and also feature increases in the amount of deductibles, out-of-pocket maximums and/or coinsurance. Please read your *2008 Open Enrollment Guide* carefully.

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.

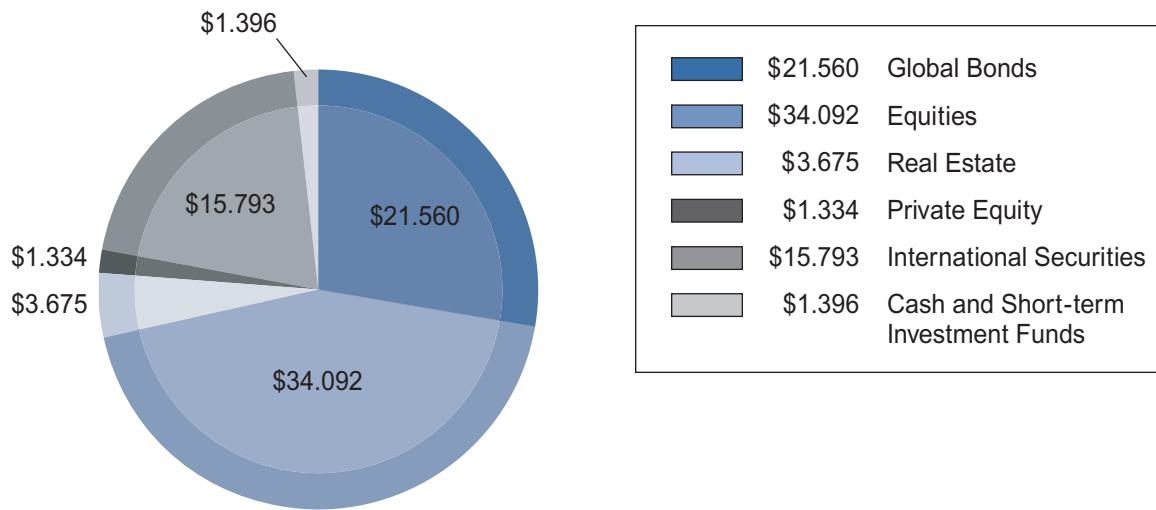


TOTAL INVESTMENTS SUMMARY (as of December 31, 2006 and 2005)

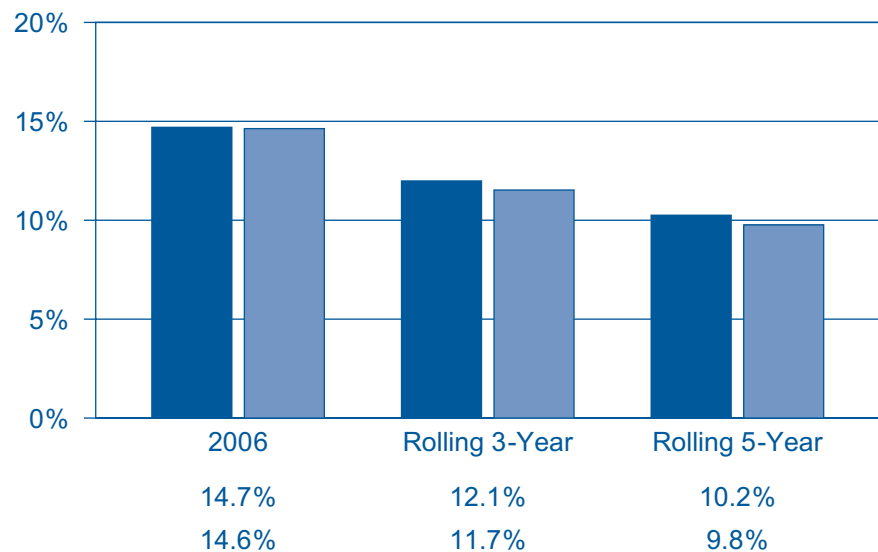
	2006		2005	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
Global Bonds:				
Government and Agencies	\$6,520,570,781	8.38%	\$4,951,260,534	7.16%
Non-U.S. Fixed Income	1,534,070,833	1.97	739,533,422	1.07
Corporate Bonds	5,963,781,951	7.66	5,795,257,289	8.38
Mortgage Backed	7,541,565,474	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*



* 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.

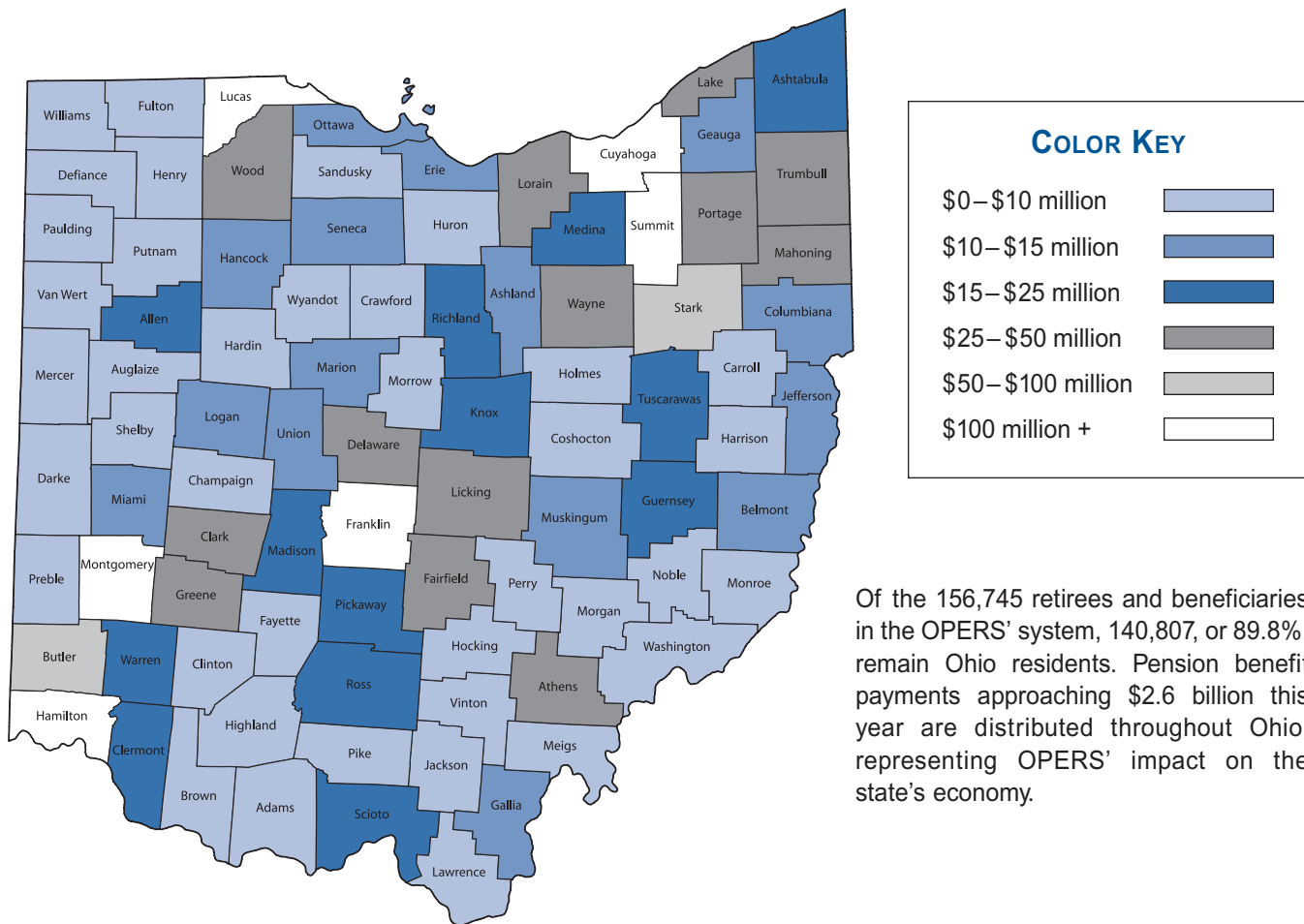


HEALTH CARE SOLVENCY PERIOD

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

NEW for 2008 – the Aetna Medicare Open Plan

OPERS is pleased to be able to offer the new Aetna Medicare Open Plan to our Medicare-eligible retirees and their covered, Medicare-eligible spouses in 2008. The Aetna Medicare Open Plan is a private-fee-for-service (PFFS) Medicare Advantage plan that has been designed exclusively for OPERS by Aetna and the Center for Medicare and Medicaid Services (CMS).

The Aetna Medicare Open Plan is an exciting alternative for a number of reasons, including:

- **No change to individual deductible amount**
- **No co-pay for inpatient hospital stay**
- **No defined provider network - the freedom to receive covered services from any licensed doctor or hospital who accepts the terms and conditions of the Aetna Medicare Open Plan (PFFS).**
- **Efficient claims processing, with all claims sent directly to Aetna**
- **The convenience of a single Medicare/health plan ID card**
- **A wellness program (including fitness membership) at no additional charge**
- **Many preventive services paid at 100 percent including an annual hearing and vision exam**

Not only is the Aetna Medicare Open Plan a great alternative for our retirees, it is also designed to help OPERS save health care dollars for the future. The plan is projected to save OPERS more than \$26 million in 2008.

In light of the attractive plan features and the potential savings, we will automatically enroll retirees who are Medicare-eligible and currently participating in the Aetna Enhanced plan into the Aetna Medicare Open Plan for 2008. We also invite Medicare-eligible retirees participating in another Aetna plan, a Medical Mutual plan or an alternate plan (Kaiser or AultCare) to enroll in the Aetna Medicare Open Plan for 2008.

In order to be eligible for the Aetna Medicare Open Plan, you and your spouse (if covered under the OPERS health care plan) must be eligible for Medicare. We cannot split a retiree and their spouse into different plans. Also, you must not have any children covered under your plan and you must live in the United States.

For more information about the Aetna Medicare Open Plan, please see your personalized open enrollment statement and your open enrollment guide. You should receive both these items prior to Oct. 1.

Partnership maximizes Medicare benefit for OPERS retirees

To better serve our retirees, OPERS and Medco have partnered with Liberty Medical Supply to provide an additional service for those who order Medicare B eligible drugs or supplies by mail through Medco. This partnership allows retirees to receive Medicare B eligible drugs and supplies (some prescription drugs, diabetic supplies and ostomy supplies) directly from Liberty Medical Supply.

The benefits of receiving these items directly are twofold. First, Liberty fills the prescription and bills Medicare on behalf of the retiree. Second, most retirees using this service will enjoy lower out-of-pocket costs for these items than under the previous arrangement. In some cases, retirees may see they now have no out-of-pocket costs for these items.

It is important to note that in order to take advantage of this service, eligible retirees should complete the "Authorization of Billing" form included in the letter mailed to all Medicare eligible retirees in July. If you do not have this form, Medco will automatically forward your prescription to Liberty Medical Supply, and you will be contacted to complete the form.

2008 dental and vision enrollment change

Retirees not eligible to participate in the OPERS health care plan and not currently participating in the optional dental and/or vision plan will not receive any open enrollment materials this fall. In past years, we had sent these retirees a booklet describing our dental and vision coverage plans and an enrollment form. This mailing has generated very few enrollments. So, as a cost-saving measure, we are asking these retirees to contact us during the month of October if they are interested in enrolling in our dental and/or vision plan in 2008.

Legislative update

OPERS opposes legislation that requires divestiture of investments in Iran and Sudan

In the Spring 2007 issue of *Ohio PERS News*, we informed you that OPERS opposes House Bill 151, which 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. We would like to take this opportunity to update you on the progress of this bill prior to the General Assembly's summer recess.

We are deeply concerned about the issues of terrorism and do not question that HB 151 is well intentioned. However, we oppose the bill as it was originally introduced and as subsequently amended. This opposition is based on the fact that, 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.

OPERS executive director, Chris DeRose, and our government relations staff have worked hard to focus attention on problem areas of the bill that could have a negative impact on our pension and health care funds.

As a result, the current bill is narrowed in scope and several amend-

ments 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 in early June. 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 in a manner that is consistent with our fiduciary duty. Over the next several months, the Ohio retirement systems will be reporting to the Ohio Retirement Study Council on their progress with voluntary divestiture.

House Bills 240 and 270

OPERS remains an interested party in

two bills (described below) that pertain to re-employed OPERS retirees. Due to summer recess, we don't expect any action on these bills until the General Assembly is in session this fall.

House Bill 240 would require a public employer that seeks to employ a retired "administrative" employee in the same position held at the time of their retirement to limit the salary of the re-employed retiree to 60 percent of their Final Average Salary (FAS).

House Bill 270 prohibits a retiree from returning to work in the same position with the same employer in less than 180 days from the date their retirement commenced without penalty. HB 270 also removes the current prohibitions (and corresponding exceptions) applicable to the re-employment of retired elected officials. If this bill becomes law, all public employees who retire and return to work in the same position with the same public employer will be treated similarly.

As drafted, neither of these bills would impact our current retirees. Please visit www.opers.org for the latest legislative news and information.

2007-2008 calendar of educational seminars

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

RETIREE SEMINAR – This four-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, financial/estate planning and Social Security.

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.

2007 RETIREE SEMINARS

Cincinnati (North) October 17	Cuyahoga Falls November 14	Lima September 19
Columbus (OPERS) October 24 December 12	Dayton August 22	Mansfield October 24

2008 RETIREE SEMINARS

Athens April 30	Columbus (OPERS) February 12 April 22 June 13	Independence April 16
Canton May 14	Dayton January 23	Perrysburg March 26
Cincinnati (East) June 3		Strongsville January 15

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.

2007 REMOTE COUNSELING SESSIONS

Chillicothe December 10 - 14	Dayton (North) August 20 - 24	Strongsville November 5 - 9
Cincinnati (East) November 26 - 30	New Philadelphia September 24 - 28	

Ohio PERS retirement board

The 11-member Ohio PERS Board of Trustees 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, 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.

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OPERS health care plan seminars help retirees make the most of their benefit

The OPERS health care team is on the road this year presenting OPERS health care plan seminars for both active and retired members. During the seminar, our health care benefit counselors, Michael Mussell and Jason Davis, discuss the details of the OPERS health care plan and details regarding your prescription coverage. Also covered during the seminars is how to make changes to your coverage and enroll qualified dependents. Finally, our counselors will 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 have openings at the locations listed at right. 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 - 2008 health care plan seminar schedule

<u>2007</u>	Canton February 22	May
December	March	Portsmouth May 8
Cincinnati December 10	Toledo March 6	Columbus May 16
<u>2008</u>	New Philadelphia March 14	June
January	Cleveland March 28	Marietta June 13
Columbus January 11	April	Huron June 20
Dayton January 18	Elyria April 11	
February	Youngstown April 18	
Cincinnati February 8		